

**CHAPTER III**  
**REVENUE RECEIPTS**

## CHAPTER III

### REVENUE RECEIPTS

#### 3.1 Trend of Revenue Receipts

**3.1.1** The tax and non-tax revenue raised by the Government of the Union Territory of Puducherry and the grants-in-aid received from the Government of India (GOI) during the year 2016-17 and the corresponding figures for the preceding four years are mentioned in **Table 3.1**.

**Table 3.1 - Trend of revenue receipts**

(₹ in crore)

Sl. No.	Category	2012-13	2013-14	2014-15	2015-16	2016-17
<b>I</b>	<b>Revenue raised by the Government</b>					
	(a) Tax revenue	1,917.22	1,904.51	1,992.74	2,260.34	2,401.21
	(b) Non-tax revenue	118.15	1,192.59	1,300.36	1,137.75	1,245.37
	<b>Total (I)</b>	<b>2,035.37</b>	<b>3,097.10</b>	<b>3,293.10</b>	<b>3,398.09</b>	<b>3,646.58</b>
<b>II</b>	Receipts from GOI – Grants-in-aid	1,110.77	1,210.51	1,464.80	1,689.86	1,736.37
<b>III</b>	<b>Total receipts of the Government (I + II)</b>	<b>3,146.14</b>	<b>4,307.61</b>	<b>4,757.90</b>	<b>5,087.95</b>	<b>5,382.95</b>
<b>IV</b>	<b>Percentage of I to III</b>	<b>65</b>	<b>72</b>	<b>69</b>	<b>67</b>	<b>68</b>

(Source: Finance Accounts of the respective years)

During the year 2016-17, the revenue raised (₹ 3,646.58 crore) by the Union Territory Government was 68 *per cent* of the total revenue receipts (₹ 5,382.95 crore), as against 67 *per cent* in the preceding year. The balance (₹ 1,736.37 crore) 32 *per cent* of the receipts during 2016-17 were obtained from GOI as grants-in-aid and contributions.

**3.1.2** The details of tax revenue raised during the period from 2012-13 to 2016-17 are given in **Table 3.2**.

**Table 3.2 - Details of Tax Revenue raised**

(₹ in crore)

Sl. No.	Heads of revenue	2012-13		2013-14		2014-15		2015-16		2016-17		Percentage of increase (+)/ decrease (-) in 2016-17 over 2015-16
		Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	
1	Taxes on Sales, Trade, etc.	1,395.61	1,287.10	1,505.00	1,256.71	1,380.00	1,313.13	1,510.00	1,438.89	1,600.00	1,576.48	(+) 9.56
2	State Excise	688.49	503.98	620.00	511.72	560.00	544.67	630.00	673.75	775.00	671.27	(+) 0.36
3	Stamps and Registration Fees	121.29	72.67	98.00	82.79	96.00	74.96	115.00	76.37	100.00	65.50	(-) 14.23
4	Taxes on Vehicles	87.66	52.64	66.00	51.95	63.00	58.46	83.00	69.34	83.00	86.94	(+) 25.38
5	Land Revenue	1.35	0.55	0.80	1.14	0.80	1.30	1.75	1.93	1.75	1.02	(-) 47.15
6	Others	0.29	0.28	0.20	0.20	0.20	0.22	0.25	0.06	0.25	Nil	Nil
<b>Total</b>		<b>2,294.69</b>	<b>1,917.22</b>	<b>2,290.00</b>	<b>1,904.51</b>	<b>2,100.00</b>	<b>1,992.74</b>	<b>2,340.00</b>	<b>2,260.34</b>	<b>2,560.00</b>	<b>2,401.21</b>	

(Source : Finance Accounts of the respective years)

**3.1.3** The details of non-tax revenue raised during the period from 2012-13 to 2016-17 are given in **Table 3.3**.

**Table 3.3 - Details of Non-Tax Revenue raised**

(₹ in crore)

Sl. No.	Heads of revenue	2012-13		2013-14		2014-15		2015-16		2016-17		Percentage of increase (+) / decrease (-) in 2016-17 over 2015-16
		Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	
1	Power	Nil	29.58	1,200.00	1,055.15	1,220.00	1,159.92	1,300.00	990.60	1,200.00	1,116.21	(+)12.68
2	Interest Receipts, Dividends and Profits	39.87	35.64	36.29	68.44	81.62	93.28	93.28	91.88	97.10	66.45	(-)27.68
3	Medical and Public Health	16.43	13.94	14.50	9.46	10.97	9.15	12.54	16.58	19.01	13.51	(-)18.52
4	Education, Sports, Art and Culture	0.30	0.73	0.26	0.91	1.00	0.99	1.14	2.22	2.44	1.07	(-)51.80
5	Crop Husbandry	0.52	0.51	0.46	0.38	0.41	0.43	0.47	0.66	0.72	1.23	(+)86.36
6	Other receipts	63.88	37.75	58.49	58.25	46.00	36.59	52.57	35.81	50.73	46.90	(+)30.94
<b>Total</b>		<b>121.00</b>	<b>118.15</b>	<b>1,310.00</b>	<b>1,192.59</b>	<b>1,360.00</b>	<b>1,300.36</b>	<b>1,460.00</b>	<b>1,137.75</b>	<b>1,370.00</b>	<b>1,245.37</b>	

(Source : Finance Accounts of the respective years)

### 3.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2017 under the principal heads of revenue amounted to ₹ 727.10 crore, of which ₹ 276.73 crore were outstanding for more than five years, as detailed in **Table 3.4**.

**Table 3.4 - Arrears of revenue**

(₹ in crore)

Sl. No.	Departments	Total arrears	Arrears outstanding for more than five years	Remarks
(1)	(2)	(3)	(4)	(5)
1	Accounts and Treasuries	0.47	0.30	Arrears were due to non-remittance of audit fee by religious institutions.
2	Agriculture	0.32	0.32	Arrears due from Puducherry Agro Services and Industrial Corporation Limited (PASIC) and local bodies towards rent, cost of seeds and other services.
3	Commercial Taxes	269.33	172.49	Arrears related to collection of tax under PGST/CST and VAT Acts and major portion were covered under court cases.
4	Co-operative	0.26	0.03	Arrears related to societies, which were dormant/under liquidation.
5	Electricity	381.47	84.58	Arrears were due to non-payment of electricity charges.
6	Excise	47.96	9.27	Arrears were mainly due to non-payment of <i>kist</i> by the lessees of arrack and toddy shops.
7	Fisheries and Fishermen Welfare	0.02	0.02	Arrears of lease amount on fish farm at Coringa river, Yanam.
8	Government Automobile Workshop	1.16	0.42	Arrears were due from Government departments towards sale of petrol, oil and lubricants and work bills.
9	Health and Family Welfare Services	0.32	0.17	Arrears due to receipts due from Deputy Director (Employees State Insurance).
10	Hindu Religious Institutions and Wakf Board	0.60	0.35	Arrears were due to shortfall in collection of dues from temples.
11	Industries and Commerce	0.11	0.10	Arrears related to rent and loan due from defunct industrial units.
12	Judicial	0.06	0.03	Arrears were due to accused absconding in some cases and pendency of appeals in courts.

(1)	(2)	(3)	(4)	(5)
13	Port	0.58	0.57	Arrears due from M/s Concor, which was under dispute and from port users including Puducherry Tourism Development Corporation.
14	Public Works	20.04	7.52	Arrears related to non-collection of licence fee, annual track rent and water charges.
15	Revenue	3.00	Nil	Arrears in land tax, encroachment, Irrigation cess, water tax and stamp duty.
16	Stationery and Printing	0.52	0.10	Arrears related to non-recovery of dues from Government departments.
17	Tourism	0.15	0.05	Arrears were mainly due from Guests and Government officials towards room rent.
18	Town and Country Planning	0.01	0.01	Arrears related to final cost of plots due from the allottees of various housing schemes.
19	Transport	0.72	0.40	Arrears were due to non-recovery of motor vehicles tax.
	<b>Total</b>	<b>727.10</b>	<b>276.73</b>	

Local Administration and Information and Publicity Departments did not furnish (November 2017) the details of arrears of revenue, if any.

### 3.3 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 Taxes Department (CTD), in respect of Value Added Tax, are shown below in **Table 3.5**.

**Table 3.5 - Arrears in assessments**

Head of revenue	Opening balance	New cases due for assessment during 2016-17	Total assessments due	Cases disposed of during 2016-17	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
VAT Scrutiny Assessment	16,032	8,922	24,954	3,162	21,792	12.67

As the percentage of disposal was very low, the Department should take adequate steps for speedy finalisation of cases.

### 3.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected by CTD, cases finalised and the demands for additional tax raised as reported by the Department are given in **Table 3.6**.

**Table 3.6 - Evasion of Tax**

(₹ in lakh)

Head of revenue	Cases pending as on 31 March 2016	Cases detected during 2016-17	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty etc., raised		Number of cases pending for finalisation on 31 March 2017
				Number of cases	Amount of demand	
Sales Tax/VAT	367	45	412	4	1.07	408

Data in the above table indicated that the number of cases pending at the end of the year had increased compared to the number of cases pending at the beginning of the year. The Department should institute appropriate measures for finalisation of pending cases, so as to ensure early realisation of revenue.

### 3.5 Response of the Departments/Government towards audit

Accountant General (Economic and Revenue Sector Audit), Tamil Nadu, arranges periodical inspection of the Government Departments to test-check the transactions and verify the maintenance of important accounts and other records as per the prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs). Important irregularities are included in the IRs, issued to the Heads of offices inspected with copies to the next higher authorities, for taking corrective action. The Heads of offices/Government are required to comply with the observations contained in the IRs, rectify the defects and omissions promptly and report compliance to the office of the Accountant General within one month from the dates of issue of IRs. Serious irregularities are also brought to the notice of the Heads of Departments by the office of the Accountant General.

Inspection Reports issued upto 31 December 2016 disclosed that 940 paragraphs involving ₹ 307.86 crore relating to 214 IRs remained outstanding at the end of June 2017, along with the corresponding figures for the preceding two years, as mentioned below in **Table 3.7**.

**Table 3.7 - Details of pending IRs**

Inspection reports	June 2015	June 2016	June 2017
Number of outstanding IRs	192	209	214
Number of outstanding audit observations	696	785	940
<b>Amount involved (₹ in crore)</b>	<b>245.36</b>	<b>270.46</b>	<b>307.86</b>

(Source: As per data maintained in the Office of the AG (E & RSA), Tamil Nadu)

**3.5.1** Department-wise details of IRs and audit observations outstanding as on 30 June 2017 and the amounts involved are mentioned in **Table 3.8**.

**Table 3.8 - Department-wise details of IRs**

(₹ in crore)

Sl. No.	Tax Heads	Outstanding		Amount
		Inspection Reports	Audit Observations	
1	Sales Tax	52	435	158.17
2	Stamp Duty and Registration Fee	71	209	4.71
3	Taxes on Vehicles	49	202	5.32
4	State Excise	42	94	139.66
	<b>Total</b>	<b>214</b>	<b>940</b>	<b>307.86</b>

(Source: As per data maintained in the Office of the AG (E & RSA), Tamil Nadu)

### **3.5.2 Non-production of records to audit for scrutiny**

The programme of local audit of commercial tax offices is prepared sufficiently in advance and intimated to the Department one month before the commencement of local audit to enable them to keep relevant records ready for audit scrutiny.

During 2016-17, 99 sales tax assessment records relating to three offices<sup>1</sup> were not made available for audit.

The matter regarding non-production of records in each office is included in IRs of the respective offices. The same was also brought to the notice of the Secretary, Commercial Taxes Department in November 2017. The

<sup>1</sup> Puducherry-1, Industrial Assessment Circle-Puducherry and Mahe.

Department attributed (November 2017) the reason for non-production of 22 assessment files to pendency of appeals in various appellate forums. The Department assured to produce the remaining assessment files during next audit.

The delay in production of records for audit might render audit scrutiny incomplete, as rectification of under-assessments, if any, might become time barred by the time these records are produced for audit.

### **3.5.3 Response of the Departments to draft Audit Paragraphs**

A draft paragraph proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended March 2017 was forwarded to the Secretary of the Department of Revenue and Disaster Management during October 2017 through a demi-official letter. The Secretary of the Department did not send reply to the draft paragraph (December 2017). The paragraph is included in the Report without the response of the Secretary of the Department concerned.

### **3.5.4 Follow-up on Audit Reports**

The internal working system of the Public Accounts Committee (PAC), 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, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. Twenty three paragraphs included in the Revenue Chapter of the Reports of the Comptroller and Auditor General of India relating to the Government of Union Territory of Puducherry for the years ended 31 March 2010 to 31 March 2016 were placed before the Legislative Assembly of UT between September 2011 and June 2017. The action taken explanatory notes from the concerned Departments in respect of 12 paragraphs were received late with average delay of more than 15 months, while in respect of 11 paragraphs included in the Audit Reports for the year ended 31 March 2013 to 31 March 2016, explanatory notes were not received.

Twenty paragraphs included in the Audit Reports of the Comptroller and Auditor General of India for the years 2010-11 to 2015-16 are yet to be discussed by PAC, while action taken notes in respect of 50 recommendations pertaining to paragraphs discussed by PAC were awaited from the Departments concerned.

### 3.6 Analysis of the mechanism for dealing with the issues raised by Audit

To analyse the system of addressing the issues highlighted in 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 3.6.1 and 3.6.2 discuss the performance of the Commercial Taxes Department under revenue head '0040' 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 2006-07 to 2015-16.

#### 3.6.1 Position of Inspection Reports

The summarised position of IRs issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2017 are tabulated in Table 3.9.

Table 3.9 - Position of Inspection Reports

(₹ in crore)

Year	Opening balance			Additions			Total			Clearance			Closing balance		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
2007-08	33	215	48.88	5	47	25.63	38	262	74.51	1	31	24.18	37	231	50.33
2008-09	37	231	50.33	4	84	42.90	41	315	93.23	0	33	1.97	41	282	91.26
2009-10	41	282	91.26	4	25	0.38	45	307	91.64	0	12	0.20	45	295	91.44
2010-11	45	295	91.44	5	44	4.03	50	339	95.46	0	18	0.21	50	321	95.25
2011-12	50	321	95.25	0	0	0.00	50	321	95.25	0	6	1.68	50	315	93.58
2012-13	50	315	93.58	7	93	18.47	57	408	112.05	15	104	44.12	42	304	67.93
2013-14	42	304	67.93	6	85	34.12	48	389	102.05	0	4	0.02	48	385	102.03
2014-15	48	385	102.03	3	34	23.62	51	419	125.65	5	61	0.26	46	358	125.39
2015-16	46	358	125.39	4	66	2.82	50	424	128.21	1	19	0.55	49	405	127.66
2016-17	49	405	127.66	4	53	30.85	53	458	158.52	1	18	0.34	52	440	158.18

(Source: As per data maintained in the office of the AG (E & RSA), Tamil Nadu)

As against 33 IRs involving 215 paragraphs, which were pending at the beginning of 2007-08, the number at the end of 2016-17 had increased to 52 IRs involving 440 paragraphs. Except for the year 2012-13, in which, 104 paragraphs pertaining to 15 IRs were cleared, no significant closure of IRs and the paragraphs was noticed during the rest of ten years period. The response to the local audit reports was poor and adequate steps are required to be taken by the department to clear the outstanding IRs and paragraphs.

#### 3.6.2 Recovery of accepted cases

During the last 10 years, 14 draft paragraphs, including four Performance Audits involving ₹ 59.21 crore were included in the Revenue Receipts

Chapter of the Report of the Comptroller and Auditor General of India, Government of the Union Territory of Puducherry. The Department accepted audit observations involving ₹ 47.90 crore and recovered ₹ 2.73 crore. In respect of a case involving ₹ 41.32 crore, the Government, while accepting the audit observation, issued Notification granting reduced rate of tax with retrospective effect.

### **3.7 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, nature/volume of transactions, etc. The annual audit plan is prepared on the basis of risk analysis, which *inter-alia*, includes statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during the past five years, etc.

During the year 2016-17, the audit universe comprised 33 auditable units; out of which, 19 units were audited during the year 2016-17, i.e., 57.58 *per cent* of the total auditable units.

### **3.8 Results of audit**

Test check of the records of sales tax/value added tax, state excise, stamp duty and registration fees and taxes on vehicles conducted during the year 2016-17 revealed under-assessment/short levy/loss of revenue amounting to ₹ 37.27 crore in 106 cases. During the course of the year, the Department accepted under-assessments and other deficiencies in 15 cases involving ₹ 2.54 crore and recovered ₹ 78.03 lakh. Out of this, 11 cases involving ₹ 2.49 crore were pointed out in 2016-17 and the rest in earlier years.

### **3.9 Coverage of this Chapter**

This Chapter contains a Thematic Audit on “e-Pathiram System of Registration” involving money value of ₹ 1.93 crore. The Department/Government accepted audit observations, involving ₹ 1.71 crore.

**REVENUE AND DISASTER MANAGEMENT DEPARTMENT**

**3.10 Audit of e-Pathiram system of registration**

**3.10.1 Introduction**

Government of India approved the project of “Replication of e-Governance Project Land Registration in the Union Territory of Puducherry” in February 2004, to replace the manual process of registration of documents. National Informatics Centre (NIC), Puducherry, started developing the software e-Pathiram in January 2006. The project aimed at complete digitisation of the process of registration at the Sub-Registrar’s Offices thereby rendering expeditious and quality service delivery to citizens. The District Registrar (DR) Office at Puducherry monitored the functioning of the Sub-Registrar Offices with regard to implementation of the Project.

The Project endeavoured to automate the registration workflow, issue of computerised Encumbrance Certificate, electronic scanning/archival of registered documents and issue of certified copies with the objectives of providing transparency, improving turnover time, quality of service and doing away with manual records. The Project, which was operated through standalone computers in each sub-registry, was converted in 2016 as a web based application.

e-Pathiram software has two major modules, viz., Workflow module and the Scanning module, which encompasses the entire<sup>2</sup> process of registration.

Audit was undertaken to ascertain (i) the correctness of the amount of stamp duty and registration fee levied in respect of the instruments registered during the period 2013-14 to 2015-16; and (ii) the timely deliverance of the intended citizen services. Audit was conducted between April 2017 and August 2017 covering the District Registry and five<sup>3</sup> out of 10 sub-registries in UT of Puducherry. Since the dump data of accounts module of e-Pathiram was not provided by the Registration Department despite repeatedly asked for, the issues relating to input controls, data completeness, accuracy and reliability of data could not be verified.

An entry conference was held in April 2017 during which the Department was apprised of the objectives, scope and methodology of audit. The audit findings were referred to the Government in October 2017. An exit conference was held with the Secretary to the Government of Puducherry,

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<sup>2</sup> Input Form verification, Title Deed verification, Data entry, Cash approval, Photo capturing/Finger print capturing, Document registration, Document scanning and Document return.

<sup>3</sup> Karaikal, Oulgaret, Puducherry, Thirukannur and Thirunallar selected on the basis of major revenue collection during the audit period.

Revenue Department. The views expressed by the Secretary are incorporated in relevant paragraphs of the report.

## **Audit findings**

### **3.10.2 Incorrect remission of stamp duty**

Government of Puducherry granted (December 2004) remission of 50 *per cent* of stamp duty to the women member(s) acquiring property through conveyance, exchange or gift either individually or severally. The remission was subject to the condition that the beneficiary shall not, within five years of registration of the instrument through which the concession was obtained, create/execute any instrument, including power of attorney, in favour of any male member except mortgage to Government/Nationalised banks/Registered Co-operative Societies. However, the women beneficiaries were permitted to alienate such property after remitting back the amount of concession availed by them. With effect from August 2009, this concession was restricted to the women member(s) permanently residing in UT of Puducherry.

Our scrutiny of documents registered in the five registration offices during the period April 2013 to March 2016 revealed non-compliance to the conditions governing the grant of remission of stamp duty as mentioned below.

- In 164 cases, mortgage deeds were executed in favour of banks other than Nationalised Banks/Registered Co-operative Societies within five years of acquiring the property.
- In 36 cases, instruments of power in favour of male members were executed within five years from the date of registration of instrument through which the concession was granted.

Since the conditions subject to which the remission of stamp duty was granted, were not adhered to, the women beneficiaries were required to remit the amount of concession availed by them. The registering officers, while registering the subsequent instruments, however, failed to ensure the same. This resulted in incorrect allowance of remission of stamp duty of ₹ 1.46 crore as per details in **Table 3.10.1**.

**Table 3.10.1 - Incorrect remission of stamp duty**

(₹ in lakh)

Sl. No.	Name of SRO	No. of instruments	Amount of concessional stamp duty to be recovered
1	Karaikal	55	94.48
2	Oulgaret	23	22.18
3	Puducherry	57	11.48
4	Thirukannur	43	12.82
5	Tirunallar	22	4.73
	<b>Total</b>	<b>200</b>	<b>145.69</b>

After we pointed this out between April and July 2017, the District Registrar stated (October 2017) that necessary instructions were issued to the Sub-Registrar concerned to initiate action for recovery of stamp duty. Further report regarding recovery was awaited (December 2017).

### **3.10.3 Incorrect classification of land resulting in short collection of stamp duty and registration fee**

#### **3.10.3.1 Non-adoption of guideline value**

As per the provisions of Article 23 of Schedule-I to the Indian Stamp Act, 1899 (IS Act), as applicable to the UT of Puducherry, in the case of conveyance of immovable property, stamp duty including surcharge is leviable at the rate of 10 *per cent* on the market value of the property. According to Section 27, the consideration, market value and all other facts and circumstances affecting the chargeability of the instrument with duty or the amount of the duty with which it is chargeable shall be fully and truly set forth therein.

We compared the Guideline registers of two successive years to identify the survey numbers involving change in classification of lands. We followed this by conducting encumbrance search of the survey numbers concerned to ascertain the transactions involved therein. Such an exercise revealed that agricultural lands converted as residential plots were conveyed through 137 instruments registered in SR, Puducherry and Thirukannur. These instruments were executed prior to the dates of revision of Guide Line Value (GLV) but were registered after the dates of such revision. The total area conveyed through such instruments was 1,93,477 square feet. Since at the time of executing the instruments, agricultural land was already converted as residential plots and GLV for residential land was available at the time of registering the documents, the same was required to be adopted for determination of the amount of stamp duty. We observed that in 137 cases, GLV applicable to agricultural land was adopted instead of the GLV applicable to residential land. Thus, the failure of the registering officers to adopt the correct classification of land and applicable GLV

thereon resulted in short collection of stamp duty and registration fee of ₹ 25.65 lakh as mentioned in the following **Table 3.10.2**.

**Table 3.10.2 – Short collection due to non-adoption of guideline value**

(in ₹)

Name of the sub-registry	No. of cases	Extent conveyed in sq.ft.	Value as per Are	SD and RF paid	Value as per sq.ft.	SD and RF due	Short collection of SD and RF
Puducherry	50	80,213	22,99,500	1,78,373	2,40,63,900	18,77,810	16,99,437
Thirukannur	87	1,13,264	29,31,000	2,51,230	1,29,78,200	11,17,051	8,65,825
<b>Total</b>	<b>137</b>	<b>1,93,477</b>	<b>52,30,500</b>	<b>4,29,603</b>	<b>3,70,42,100</b>	<b>29,94,861</b>	<b>25,65,262</b>

After we pointed this out, the District Registrar stated (October 2017) that the Sub-Registrars concerned were directed to recover the deficit stamp duty. Further report regarding recovery was awaited (December 2017).

### **3.10.3.2 Omission to refer the instruments for determination of market value**

As per Indian Stamp (Puducherry Amendment) Act 1970, if the registering authority has reason to believe that market value of the property has not been truly set forth in the instrument, he may refer the same to the Collector for determination of the market value of such property after registering the instruments.

During check of records, we noticed in four sub-registries<sup>4</sup> that agricultural lands were converted as residential plots and conveyed through 221 instruments of sale registered during 2012-13 and 2013-14. However, guideline rates for the survey numbers (including the lands conveyed) continued to be in Ares till 2015-16, viz., agricultural land. Since at the time of executing these instruments, agricultural lands were already converted as residential plots and in the absence of guideline rates for residential plots, the registering officer should have referred these documents to the Collector for fixation of market value. The registering officers, however, did not do so and registered the instruments at the rates applicable to agricultural lands.

We pointed this out to the Department between April and July 2017. Reply was awaited (December 2017).

### **3.10.4 Levy of stamp duty on agreements relating to sale of securities/shares**

According to Article 5(b) of Schedule I to IS Act, stamp duty of maximum of ₹ 10 is payable on instruments of agreements relating to sale of Government security or share in an incorporated company or other

<sup>4</sup> Karaikal, Oulgaret, Puducherry and Thirunallar.

corporate bodies. As per Article 5(c), all other agreements not covered in the Article shall attract eight *annas*.

A perusal of the data collected from Multi Commodity Exchange of India Ltd. (MCX) and National Stock Exchange (NSE) showed that there was a turnover of ₹ 2,16,620.45 crore from the residents of Puducherry in these exchanges for the period from 2013-14 to 2015-16. The details regarding collection of stamp duty at prescribed rates on such turnover was not furnished by the Department. Thus, audit could not ensure collection of stamp duty under Article 5 of the Indian Stamp Act. The rates of duty for these instruments were also due for revision as they were formulated in 1899. At the rate applicable in the State of Tamil Nadu (0.006 *per cent*), the duty on the above turnover would have yielded a stamp duty of ₹ 13 crore for the three years.

After we pointed this out between April and July 2017, the District Registrar replied (November 2017) that collection of stamp duty on sale of shares and debentures does not come under the purview of Registration Department.

The reply is not tenable, as IS Act provides for collection of stamp duty in respect of agreements relating to sale of shares/securities and therefore, the Registration Department is responsible for ensuring collection of the same.

During Exit Conference, the Secretary stated that the system prevailing in the State of Tamil Nadu would be studied and feasibility of implementing the same in UT of Puducherry would be considered.

### **3.10.5 Delivery of intended citizen services**

#### ***3.10.5.1 Issue of computerised Encumbrance Certificate***

One of the key objectives of “Replication of e-Governance Land Registration” is issue of computerised Encumbrance Certificate (EC). Issue of computerised EC requires the digitisation of index registers maintained in all the sub-registries from the year 1969 onwards. The task of digitising index details from 1969 to 2004 was entrusted to a private firm in 2005. As the firm expressed (April 2008) its inability to continue the work, the contract was terminated in October 2008. The firm had digitised only 60,806 entries out of total 7,61,310 entries. After a delay of more than four years since the termination of contract, data entry operators from the Puducherry Management Productivity Council were engaged (February 2013) to undertake the digitisation of balance 7,00,504 records. Since the process was yet to be completed (December 2017), only manual copies of ECs were being issued even in cases where the index details were digitised.

After we pointed this out (June 2017), the District Registrar replied in October 2017 that 90 *per cent* of the work relating to digitisation of index entries was completed and the remaining work would be completed soon.

The District Registrar further stated that on-line issue of EC would be launched shortly in respect of the sub-registries at Puducherry and Oulgaret, wherein the index entries were digitised completely.

The fact, however, remains that even after a passage of more than nine years since the implementation of e-Pathiram, the basic objective of grant of computerised EC is not achieved.

### ***3.10.5.2 Issue of certified copies of document to the public***

The issue of certified copy to the public “over the counter” was one of the objectives of e-Pathiram. Though this requires the scanning/image capturing of 43.64 lakh old documents registered from the year 1969, the work of image capturing of old documents did not commence (May 2017).

After we pointed this out (May 2017), the Department replied (October 2017) that the process of image capturing of old documents was yet to be initiated since the work involved in-house scanning of sensitive registration records. The Department further stated that the funds were sought from the Government and the work is contemplated to be completed within a year.

The fact, however, remains that due to non-scanning/image capturing of old documents registered prior to 2008, certified copy of the documents registered prior to the implementation of e-Pathiram could not be issued on the same day, thus defeating one of the objectives of e-Pathiram even after a lapse of nine years since its implementation.

### ***3.10.5.3 Registration of marriages and issue of marriage certificates***

Registration of marriages and issue of marriage certificate are allied functions, besides registration of instruments, of Registration department. After the implementation of e-Pathiram in 2008, the Department proposed the computerisation of the process of marriage registration through integration with e-Pathiram. The proposal involved introduction of bio-metric system and use of webcam similar to registration of documents. However, this was yet to be implemented (December 2017) and registration of marriages and issue of marriage certificates was not being done through e-Pathiram system.

After we pointed this out, the Department stated (October 2017) that integration of the process of registration of marriage with e-Pathiram software was completed and would be put to use shortly.

### ***3.10.5.4 Non-establishment of connectivity between sub-registries and taluk offices***

Integration between sub-registries and taluk office records was envisaged in the project to issue patta, based on the registered documents. We observed

that digitisation of index register prior to 2008 was not completed (July 2017) by the Registration Department. Further, fresh re-survey/survey and updating of all survey and settlement records were also not conducted. The Department of Survey stated (April 2017) that surveys and updation would be conducted under a centrally sponsored scheme. Since these two Departments did not complete the above task, the automatic mutation with revenue records at the time of registration of documents under e-Pathiram was not achieved.

After we pointed this out, the Department stated (October 2017) that NIC, which had to integrate the software platform operated by SR offices and Taluk offices were addressed in this regard. Further report was awaited (December 2017).

### **3.10.6 Implementation of IT System**

As the dump data of accounts module of the e-Pathiram was not provided by the Department, the issues relating to input controls, data completeness, accuracy and reliability of data could not be verified.

#### **3.10.6.1 User Access Control**

Logical access controls are “a system of measures and procedures, both within an organisation and in the software products used, aimed at protecting computer resources (data, programs and terminals) against unauthorised access attempts”. The District Registrar created and assigned username and password for new users of e-Pathiram system. Usernames of officials are disabled on their transfer or retirement from the Department.

We noticed that though the access to e-Pathiram website was restricted with “node specific access”, the system permitted multiple logins of same user from different machines simultaneously. This carries the risk of unauthorised access to data and manipulation of the same.

After we pointed this out, the Department replied that NIC was addressed for disabling multiple user login.

#### **3.10.6.2 Replacement of obsolete software**

Indian Computer Emergency Response Team (CERT-in), Department of Electronics and Information Technology, New Delhi, advised (June 2013) all the departments to replace Windows XP operating system with the latest operating systems before April 2014, in view of perceived security issues. The Department had 67 computer systems deployed in District Registrar's Office and at ten Sub-Registrar's Offices. Of these, 42 computers were functioning with Windows XP operating system (September 2017). As these computers were incompatible with the latest Operating System version of Windows 7 and above, they were exposed to security threats. The Department intended to purchase 25 new computers in October 2014,

but only five were purchased so far (September 2017) due to “inadequate allocation of funds”.

On being pointed out (September 2017), the Department replied in October 2017 that it prepared a comprehensive proposal for revamping and upgrading all the systems with latest software and for this purpose, NIC was requested to upgrade e-Pathiram with necessary security features.

### **3.10.6.3 e-Stamp certificates not locked**

As per Rule 30 of the Puducherry Stamp (Payment of duty by means of e-stamping) Rules 2010, the registering authority, after verifying the details of the e-stamp certificate used in an instrument shall disable or lock the distinguishing unique identification number of the e-stamp certificate to prevent repeated use of such e-stamp certificate. The report received from the Stock Holding Corporation of India Limited (SHCIL) in respect of compulsory registerable documents revealed that out of 76,379 certificates for ₹ 172.22 crore issued during the years 2013-14 to 2015-16 (up to September 2015), 52,212 certificates (68.36 *per cent*) involving ₹ 64.17 crore were not locked. The e-Pathiram software does not have the facility of auto lock to prevent misuse of e-stamp papers and the process of manual locking of certificates is required. Though proposal was forwarded (2012) to the District Collector for linking the websites of NIC and SHCIL to enable locking the e-Stamp certificates within the e-Pathiram, integration was yet to be made (December 2017).

The Rule for verification and locking of e-Stamp certificates was framed with the view to ensure genuineness of e-Stamp certificates and also to prevent their misuse.

After we pointed out the non-observance of rule provisions and non-integration of websites, the Department replied (October 2017) that NIC was addressed for integration of the websites of NIC and SHCIL.

### **3.10.7 Conclusion**

Audit noticed that the provisions of the Indian Stamp Act regarding levy of stamp duty was not followed in some cases, resulting in non/short realisation of revenue. The registering officers did not ensure the adoption of correct guideline value of properties conveyed and their proper classification. The envisaged objectives of e-Pathiram, including timely rendering of citizen services could not be achieved due to failure to address the issues relating to legacy data even after a lapse of nine years since the implementation of e-Pathiram system of registration in UT of Puducherry.

The matter was referred to UT Government (October 2017); reply was not received (December 2017).