

CHAPTER 1

GENERAL

CHAPTER 1: GENERAL

1.1 Trend of receipts

1.1.1 The tax and non-tax revenues raised by the Government of Bihar (GoB), the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grants-in-aid received from Government of India (GoI) during the period 2013-18 are depicted in **Table-1.1**.

Table-1.1
Trend of receipts

(₹ in crore)						
Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Revenues raised by the State Government					
	• Tax revenues	19,960.68	20,750.23	25,449.18	23,742.26	23,136.49
	Percentage of growth compared to previous year	22.81	3.96	22.65	(-) 6.71	(-) 2.55
	• Non-tax revenues	1,544.83	1,557.98	2,185.64	2,403.11	3,506.74
	Percentage of growth compared to previous year	36.08	0.85	40.29	9.95	45.93
	Total	21,505.51	22,308.21	27,634.82	26,145.37	26,643.23
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	34,829.11	36,963.07	48,922.68	58,880.59	65,083.38 ¹
	• Grants-in-aid ²	12,584.03	19,146.26	19,565.60	20,559.02	25,720.13 ³
	Total	47,413.14	56,109.33	68,488.28	79,439.61	90,803.51
3.	Total revenue receipts of the State Government (1 and 2)	68,918.65	78,417.54	96,123.10	1,05,584.98	1,17,446.74
4.	Percentage of 1 to 3	31	28	29	25	23
5.	Percentage of tax revenue to total revenue receipts	29	26	26	22	20

(Source: Finance Accounts, Government of Bihar)

Above table indicates that the average annual growth rate in respect of tax revenue and non-tax revenue were 8.03 per cent and 26.62 per cent respectively during 2013-18.

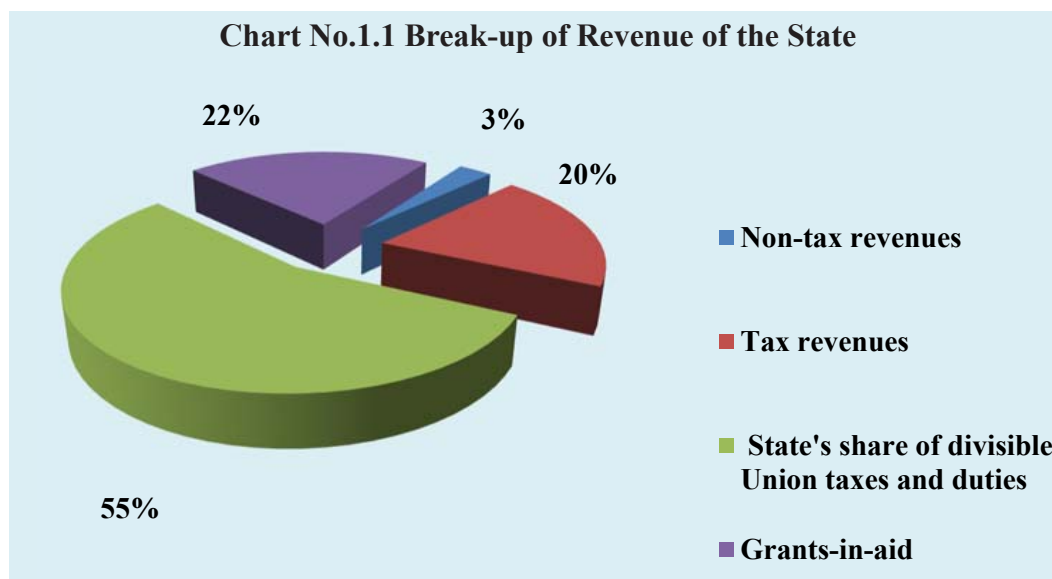
¹ For details, please see Statement No. 14 - Detailed accounts of revenue by minor heads in the Finance Accounts of Government of Bihar for the year 2017-18. Figures under Minor Head 901 - Share of net proceeds assigned to the State under the Major Heads – 0005- Central Goods and Services Tax (₹ 925.48 crore), 0008 – Integrated Goods and Services Tax (₹ 6,572.00 crore) 0020 - Corporation Tax (₹ 19,935.56 crore), 0021 - Taxes on income other than Corporation Tax (₹16,834.16 crore), 0032 - Taxes on Wealth (₹ -0.60 crore), 0037 – Customs (₹ 6,570.00 crore), 0038 - Union Excise Duties (₹ 6,867.50 crore), 0044 - Service Tax (₹ 7,379.29 crore) and 0045 – Other taxes and duties on commodities and services (₹ -0.01crore).

² Centrally sponsored schemes, Finance Commission grants and other transfer/grants (also includes compensation on GST received from GoI) to States/Union Territories with Legislatures.

³ Includes Compensation worth ₹ 3,041 crore towards loss of revenue due to implementation of Goods and Service Tax (GST).

The State's share in central taxes increased by 10 per cent (from 32 to 42 per cent) after the implementation (from 2015-16) of the recommendations of the 14th Finance Commission.

Breakup of revenue of the State is given in **Chart 1.1**:



1.1.2 Details of budget estimates (BEs) and tax revenues raised during the period 2013-14 to 2017-18 are given in **Table-1.2**.

Table- 1.2
Details of Tax Revenues

(₹ in crore)

Sl. No.	Head of revenue	2013-14	2014-15	2015-16	2016-17	2017-18	Percentage of increase (+)/decrease (-) in actual of 2017-18 in comparison to	
		BE Actual	BE Actual	BE Actual	BE Actual	BE Actual	BE of 2017-18	Actual of 2016-17
1.	State Goods and Services Tax	-	-	-	-	0.00 6,746.96	-	-
2.	Taxes on sales, trade etc.	12,324.04 8,453.02	12,820.15 8,607.16	16,025.18 10,603.40	14,021.33 11,873.51	24,400.00 8,298.10	-	-
3.	Taxes on goods and passengers ⁴	1,192.75 4,349.00	4,117.50 4,451.25	5,146.88 6,087.12	7,211.96 6,245.62	0.00 1,644.85	-	-
4.	Other taxes and duties on commodities and services	34.14 50.43	48.59 105.34	45.43 69.36	88.90 81.08	0.01 20.51	-	-
	Sub-total (1, 2, 3 and 4)	13,550.93 12,852.45	16,986.24 13,163.75	21,217.49 16,759.88	21,322.19 18,200.21	24,400.01 16,710.42	(-)31.51	(-)8.19
5.	State excise ⁵	3,300.00 3,167.72	3,700.00 3,216.58	4,000.00 3,141.75	2,100.00 29.66	0.00 (-)3.43	-	(-) 111.56
6.	Stamps and registration fees	3,200.00 2,712.41	3,600.00 2,699.49	4,000.00 3,408.57	3,800.00 2,981.95	4,600.00 3,725.66	(-)19.01	(+)24.94
7.	Taxes on vehicles	800.00 837.48	1,000.00 963.56	1,200.00 1,081.22	1,500.00 1,256.67	1,800.00 1,599.51	(-)11.14	(+)27.28

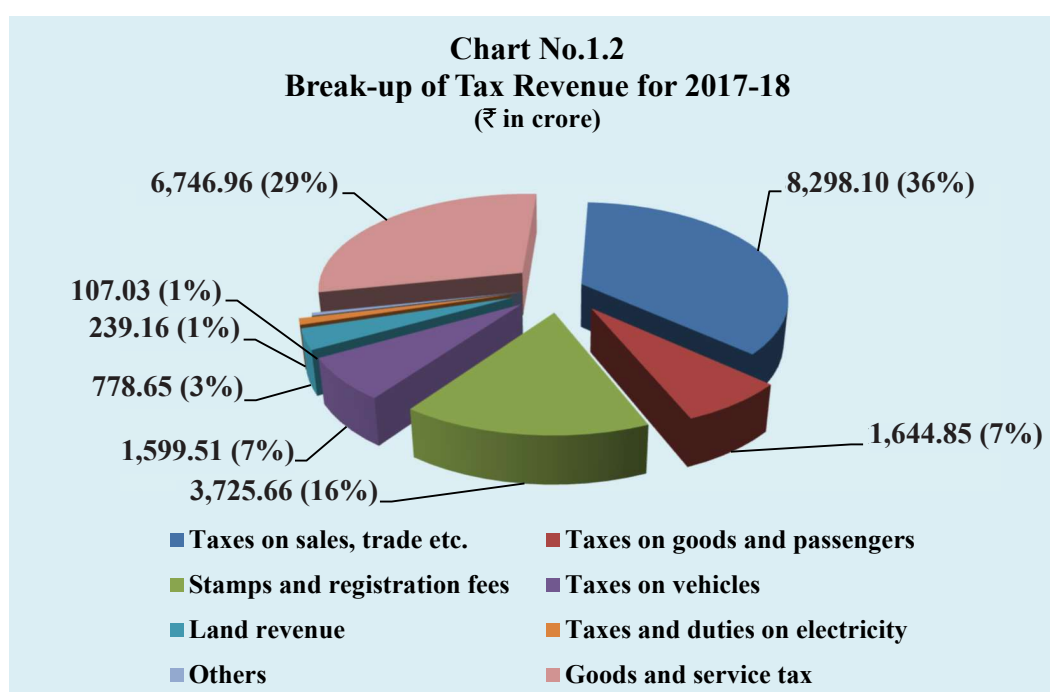
⁴ All the receipts under Taxes on goods and passengers is from Entry Tax during the year 2017-18, which has since been abolished and subsumed in GST from 1.7.2017.

⁵ Sale of Liquor has been prohibited in Bihar since April 2016.

Sl. No.	Head of revenue	2013-14	2014-15	2015-16	2016-17	2017-18	Percentage of increase (+)/decrease (-) in actual of 2017-18 in comparison to	
		<u>BE Actual</u>	<u>BE Actual</u>	<u>BE Actual</u>	<u>BE Actual</u>	<u>BE Actual</u>	BE of 2017-18	Actual of 2016-17
8.	Land revenue	<u>205.00</u> 201.71	<u>250.00</u> 277.13	<u>300.00</u> 695.15	<u>330.00</u> 971.12	<u>600.00</u> 778.65	(+)29.78	(-)19.82
9.	Taxes and duties on electricity	<u>66.17</u> 141.31	<u>82.70</u> 374.76	<u>102.50</u> 297.99	<u>590.04</u> 223.90	<u>501.09</u> 239.16	(-) 52.27	(+) 6.82
10.	Other taxes on income and expenditure-taxes on professions, trades, callings and employment	<u>32.59</u> 47.60	<u>44.00</u> 54.96	<u>55.00</u> 64.55	<u>88.03</u> 78.75	<u>100.00</u> 86.52	(-)13.48	(+)9.87
Total		<u>21,154.69</u> 19,960.68	<u>25,662.94</u> 20,750.23	<u>30,874.99</u> 25,449.11	<u>29,730.26</u> 23,742.26	<u>32,001.10</u> 23,136.49	(-) 27.70	(-) 2.55

{Source: Finance Accounts, Government of Bihar and Revenue and Capital Receipts (Detail)}

Break-up of tax revenues of the State is given in **Chart 1.2**:



It appears from the Table 1.2 that there were wide variations between the budget estimate and actual during 2017-18 under different heads of Tax revenue which indicated that the budget was not prepared on realistic basis.

Audit further observed the following:

Comparison of pre-GST and post-GST revenues

Audit noticed that after implementation of GST with effect from 1 July 2017, combined revenue of State Goods and Services Tax, Taxes on sales, trade, etc., Taxes on goods and passengers, and Other Taxes and duties on commodities and services (which were subsumed in GST) decreased by 8.19 per cent in real terms in the year 2017-18 in comparison to last year revenue receipts and increased by 8.52 per cent after including ₹ 3,041.00 crore received towards compensation of GST.

Short payment of compensation: According to GST (Compensation to the States) Act 2017, Central Government will compensate the States for loss of revenue arising on account of implementation of GST for a period of five years. The compensation payable to the State shall be calculated for every financial year after the receipt of final revenue figures, as audited by the CAG of India. A base year (2015-16) revenue figure of taxes subsumed under GST was finalised under GST Act. In case of Bihar, the revenue was ₹ 12,620.56 crore during the base year (2015-16). The projected revenue for any year in a State shall be calculated by applying the projected growth rate (14 per cent per annum) over the base year revenue of that State.

The projected revenue for the year 2017-18 (1 July 2017 to 31 March 2018) in accordance with the base year figure was ₹ 12,301.25 crore (₹ 16,401.68 crore for whole year). Revenue figure under GST for the year 2017-18 has been depicted in Finance Accounts as per nature of receipts i.e. State Goods and Services Tax (SGST), Input Tax Credit cross utilisation of SGST and IGST (Integrated Goods & Services Tax), Apportionment of IGST-transfer-in of Tax component to SGST and Advance apportionment from IGST.

Against the projected revenue of ₹ 12,301.25 crore, the revenue receipt of the State Government under GST and compensation paid by the Central Government during the year 2017-18 is given in **Table 1.3**.

Table 1.3
Pre-GST tax and SGST collected, including apportionment of IGST and compensation received from Government of India against loss of revenue for the period from July 2017 to March 2018

(₹ in crore)

Month	Revenue to be protected	Pre-GST taxes collected	SGST collected including apportionment of IGST	Total amount received	Compensation received	Deficit/Surplus
	1	2	3	4=(2+3)	5	6= {1-(4+5)}
July and August 2017	2,733.61	1,401.70	375.64	1,777.34	00	956.27
September and October 2017	2,733.61	273.85	1,684.26	1,958.11	692.00	83.50
November and December 2017	2,733.61	165.19	1,641.50	1,806.69	1,054.00	(-) 127.08
January and February 2018	2,733.61	175.06	2,190.62	2,365.68	373.00	(-) 5.07
March 2018	1,366.81	415.32	854.83	1,270.15	922.00	(-) 825.34
Total	12,301.25	2,431.12	6,746.85⁶	9,177.97	3,041.00	82.28

(Source: Ministry of Finance, Government of India and Commercial Taxes Department, Government of Bihar).

It was evident from Table 1.3 that during 2017-18 after implementation of GST revenue to be protected was ₹ 12,301.25 crore and total revenue realised was ₹ 9,177.97 crore. Thus, shortfall of revenue was ₹ 3,123.28 crore which was to be compensated from Government of India. However, only ₹ 3,041.00 crore was received as compensation and thus ₹ 82.28 crore was aggregate deficit on account of implementation of GST. However, compensation of ₹ 99.00 crore (for the month of March 2018) was received in May 2018 from GoI to meet this shortfall subject to recovery of the excess payment from future claims or by direct debit to the State Governments' accounts as per procedure.

⁶ As per Finance Accounts, collection of SGST is ₹ 6,746.96 crore including advance apportionment of IGST of ₹ 552.00 crore. Bimonthly figure of SGST is not available in Finance Account, therefore figure furnished by the Department has been taken in Table 1.3

State excise: There was collection of revenue of ₹ 1.62 crore on account of fines and confiscations, commercial and denatured spirits and medicated wines and other receipts and refund of ₹ 5.05 crore resulting net loss of ₹ 3.43 crore during 2017-18. Due to implementation of prohibition policy of liquor BE was fixed at 'nil'.

Stamps and registration fees: The main reason for increase of 24.94 *per cent* in receipts from stamp duty and registration fee during 2017-18 over previous year was substantial increase in number of instruments registered during 2017-18.

Taxes on vehicles: The main reasons for increase of 27.28 *per cent* in taxes on vehicle during 2017-18 over previous year were enhancement of rate of permit fee with effect from 23 June 2017 and increase in licence fee, permit fee in pursuance of amendment in the Central Motor Vehicles Rules, 1989 from 17 January 2017. The increase was also attributable to substantial increase in number of vehicles registered during 2017-18.

Land revenue: The main reasons for decrease of ₹ 192.47 crore (19.82 *per cent*) in Land Revenue during 2017-18 in comparison to the actual collection (₹ 971.12 crore) of 2016-17 was reduction in rate of establishment charge.

1.1.3 Details of budget estimates and non-tax revenues raised during the period 2013-14 to 2017-18 are indicated in **Table 1.4**.

Table- 1.4
Details of non-tax revenues

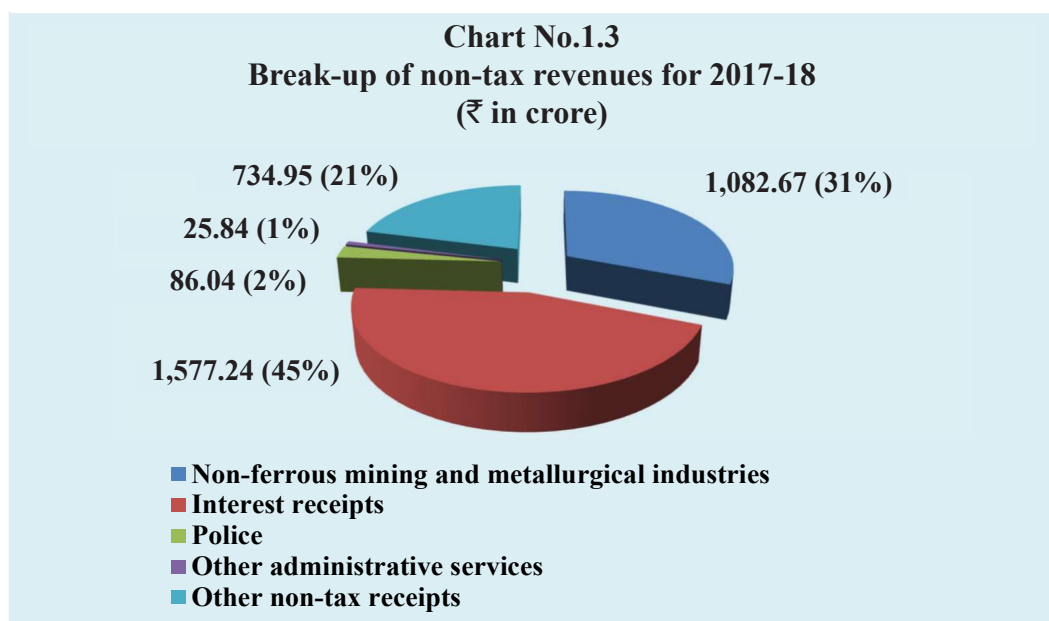
(₹ in crore)

Sl. No.	Head of Revenue	2013-14	2014-15	2015-16	2016-17	2017-18	Percentage of increase (+)/decrease (-) in actual of 2017-18 in comparison to	
		BE Actual	BE Actual	BE Actual	BE Actual	BE Actual	BE of 2017-18	Actual of 2016-17
1.	Non-ferrous mining and metallurgical industries	641.00 569.14	750.00 879.87	1,000.00 971.34	1,100.00 997.60	1,350.00 1,082.67	(-)19.80	(+)8.53
2.	Interest receipts	338.48 269.48	202.22 344.77	312.13 583.66	365.78 939.91	619.25 1,577.24	(+)154.70	(+)67.81
3.	Police	70.59 27.27	69.74 29.50	28.93 66.05	31.74 42.16	41.53 86.04	(+)107.18	(+)104.08
4.	Other administrative Services	65.01 10.18	251.60 21.77	51.25 72.61	23.35 99.88	256.32 25.84	(-)89.92	(-)74.13
5.	Other non-tax ⁷ receipts	2,279.76 668.26	1,797.93 282.07	1,988.80 491.98	819.87 323.56	567.21 734.95	(+)29.57	(+)127.14
Total receipts		1,544.83	1,557.98	2,185.64	2,403.11	3,506.74		

(Source: Actual receipts as per Finance Accounts of the Government of Bihar and the budget estimates as per the Statement of Revenue and Capital Receipts (Detail) of Government of Bihar).

⁷ Other non-tax receipts includes actual receipts during 2017-18 under the following heads: Road and bridges (₹ 66.74 crore), Medical and public health (₹ 54.53 crore), Other rural development programmes (₹ 48.61 crore), Forestry and wild life (₹ 29.41 crore), Education, sports, arts and culture (₹ 21.47 crore), Public service commission (₹ 130.11 crore), Other general economic services (₹ 18.40 crore), Contribution and recoveries towards pension and other retirement benefits (₹ 202.53 crore), Crop husbandry (₹ 11.93 crore), Major irrigation (₹ 22.22 crore), Medium irrigation (₹ 17.27 crore), Labour employment and skill development (₹ 16.79 crore), Jail (₹ 15.94 crore), Fisheries (₹ 12.02 crore), Miscellaneous general service (₹ 3.45 crore), Water supply and sanitation (₹ 16.63 crore), Housing (₹ 6.57 crore), Urban development (₹ 7.43 crore), Information and publicity (₹ 0.39 crore), Social security and welfare (₹ 0.17 crore), Animal husbandry (₹ 0.76 crore), Cooperation (₹ 8.62 crore), Land reforms (₹ 0.22 crore), Minor irrigation (₹ 5.21 crore), Civil aviation (₹ 4.12 crore), Road transport (₹ 0.17 crore), Tourism (₹ 1.62 crore), Village and small industries (₹ 0.06 crore), Industries (₹ 0.11 crore) and Civil supplies (₹ 0.05 crore).

Break-up of non-tax revenues of the State is given in **Chart 1.3**:



Reason for wide variations are discussed below:

Non-ferrous mining and metallurgical industries: Audit observed that BE of 2017-18 could not be achieved due to non-settlement of stone quarries and non-resettlement of sand *ghats* after their cancellation.

Interest receipts: The estimates were not based on realistic assessments which is evident from the fact that despite actual receipts of interest of ₹ 939.91 crore during 2016-17, the estimate for 2017-18 was only ₹ 619.25 crore which led to wide variation (154.70 per cent) between budget estimates and actual receipts during 2017-18.

Audit observed that the sudden increase in interest receipts in 2016-17 was due to more Cash balance of the state Government in the Account of Reserve Bank of India (RBI) Nagpur and investment of ₹ 8,000 crore in 91 days ATB Auction keeping in view the Daily cash position. The sudden increase in interest receipts in 2017-18 was due to more cash balance of the state Government in the Account of RBI Nagpur and investment of ₹ 18,000 crore in 91 days ATB Auction. Further, remittance of interest earned on the amount of money kept in Banks by various Drawing and Disbursing Officers (DDOs) in the consolidated fund of State was also among the reasons for increase in interest receipts.

Police Receipts: Main reason for excess of actual receipts over BE during 2017-18 and over actual receipts of 2016-17 was more receipts mainly under fees, fines and forfeitures.

Other administrative services: The BE of receipts under Election sub-head during 2017-18 was fixed at ₹ 255.37 crore despite actual receipts of ₹ 84.23 crore during 2016-17 which led to wide variation between BE and actuals under other administrative services during 2017-18. Further, actual receipts was mere ₹ 5.47 crore under Election sub-head in 2017-18 in comparison to ₹ 84.23 crore during 2016-17 this led to decrease in receipts.

Other non-tax receipts: Main reason for excess of actual receipts over BE during 2017-18 was receipt of ₹ 130.11 crore under staff selection commission/public service commission examination fee during 2017-18 against ₹ 16.31 crore of previous year which was taken into account while preparing budget estimates of ₹ 22 crore for the year 2017-18.

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2018 in respect of the principal heads of revenue amounted to ₹ 4,979.85 crore of which ₹ 670.97 crore was outstanding for more than five years as detailed in the **Table-1.5**.

Table- 1.5
Arrears of revenue

(₹ in crore)

Sl. No.	Heads of revenue	Total amount outstanding as on 31 March 2018	Amount outstanding for more than five years as on 31 March 2018	Stages of pendency as stated by the departments concerned
1.	Taxes on sales, trade etc.	2,945.25	625.30	Out of ₹ 2,945.25 crore, demands for ₹ 343.71 crore were certified for recovery as arrears of land revenue, recoveries of ₹ 441.08 crore and ₹ 398.75 crore were stayed by the courts and the Government respectively, ₹ 0.80 crore was held up due to assesses/dealers becoming insolvent, ₹ 2.48 crore was likely to be written off and ₹ 1,758.43 crore was pending at other stages.
2.	Taxes on goods and passengers	1,332.36	13.00	Out of ₹ 1,332.36 crore, demand for ₹ 0.62 crore was certified for recovery as arrears of land revenue, recovery of ₹ 136.99 crore was stayed by the courts and ₹ 1,194.75 crore was pending at other stages.
3.	Taxes and duties on electricity	22.99	2.25	Out of ₹ 22.99 crore, recovery of ₹ 2.06 crore was stayed by the courts and ₹ 20.93 crore was pending at other stages.
4.	Taxes on vehicles	188.52	-	The Transport Department did not provide details of arrears outstanding for more than five years.
5.	Other taxes and duties on commodities and services	10.56	8.19	Demands for ₹ 8.48 crore were certified for recovery as arrears of land revenue, and ₹ 2.08 crore was pending at other stages.
6.	Land revenue	143.26	-	The Revenue and Land Reforms Department did not provide details of arrears outstanding for more than five years.
7.	State excise	49.40	22.23	Demands for ₹ 37.25 crore were certified for recovery as arrears of land revenue, recovery of ₹ 6.06 crore and ₹ 0.40 crore was stayed by the courts and the Department respectively, ₹ 1.09 crore and ₹ 0.07 crore was held up due to assesses/dealers becoming insolvent and rectification/ review of application respectively, ₹ 0.31 crore was likely to be written off and ₹ 4.22 crore was pending at other stages.
8.	Non-ferrous mining and metallurgical industries	287.51	-	Demands for entire arrear of ₹ 287.51 crore were certified for recovery as arrears of land revenue.
TOTAL		4,979.85	670.97	

(Source: Information from the departments)

From the above table, it can be seen that out of total outstanding arrears of ₹ 4,979.85 crore, arrears of ₹ 985.41 crore was under dispute in Courts/Appellate authorities.

The departments intimated pendency at different stages after obtaining information from field units, but individual records relating to outstanding arrears were not produced to audit for examination. It was further observed that the departments failed to monitor collection of arrears, since they do not have database of outstanding arrears.

In Commercial Taxes Department, it was further observed that arrear of ₹ 4,288.17 crore of pre-GST period was still outstanding of which ₹ 646.49 crore was outstanding for more than five years as on 31 March 2018. Audit further observed that 4,876 cases involving ₹ 4,871.45 crore pertaining to CTD were pending for disposal at Appellate courts/CCT court, commercial taxes tribunal as well as in higher courts as on 31 March 2018. Thus, total arrear reported by the CTD was less than arrear pending at different courts and tribunal by ₹ 583.28 crore, which needs to be reconciled at the earliest to ascertain actual amount of arrear.

After this was pointed out, the Commercial taxes Department did not furnish any reply (September 2019).

Recommendation: The departments should create a database of outstanding arrears for periodic review, reconciliation and liquidation of arrears, and ensure that arrears of revenue which are not under dispute are realised on priority basis.

1.3 Follow up on Audit Reports– summarised position

In terms of the Manual of Instructions (1998) of the Finance Department, departments are required to initiate action on the audit paragraphs contained in the Report of the Comptroller and Auditor General of India (CAG) within two months of their laying in the Legislative Assembly, and Government shall submit explanatory notes thereon for consideration by the Public Accounts Committee (PAC). However, explanatory notes (reply of the departments) were submitted with delays of more than five months in respect of 311 paragraphs (including performance audits) appearing in the CAG's Revenue Audit reports for the years ended 31 March 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017 placed before the State Legislature between July 2009 and November 2018. Details of pending explanatory notes as on July 2019 pertaining to various departments⁸ are given in **Table-1.6**.

Table-1.6
Pending explanatory notes

Sl. No.	Audit Report ending on	Date of presentation in the legislature	No. of paragraphs	No. of paragraphs where explanatory notes received	No. of paragraphs where explanatory notes not received
1.	31 March 2009	23.07.2010	29	26	3
2.	31 March 2010	20.07.2011	26	26	0
3.	31 March 2011	06.08.2012	35	35	0

⁸ Commercial Taxes (55 paragraphs); Prohibition, Excise and Registration (4 paragraphs); Transport (11 paragraphs); Revenue and Land Reforms (17 paragraphs) and Mines and Geology (one paragraph).

Sl. No.	Audit Report ending on	Date of presentation in the legislature	No. of paragraphs	No. of paragraphs where explanatory notes received	No. of paragraphs where explanatory notes not received
4.	31 March 2012	08.01.2013	38	36	2
5.	31 March 2013	21.02.2014	41	39	2
6.	31 March 2014	24.12.2014	44	38	6
7.	31 March 2015	18.03.2016	39	34	5
8.	31 March 2016	27.03.2017	42	8	34
9.	31 March 2017	29.11.2018	36	0	36
Total			330	242	88

It was observed that though the departments initiated action for recovery of revenue in the instances pointed out by Audit, corrective measures to prevent persistent irregularities were not addressed by the departments at any level.

The PAC discussed selected paragraphs pertaining to the Audit Reports for the years 2008-09 to 2015-16 and issued recommendations on 47 paragraphs pertaining to Commercial taxes Department, Prohibition, Excise and Registration Department, Revenue and Land reforms Department, Mines and Geology Department and Transport Department incorporated in the aforesaid Reports on which no Action Taken Notes (ATNs) has been received from the departments (September 2019).

The Principal Accountant General (Audit) requested Secretary, Bihar *Vidhan Sabha* (August 2018) and Chief Secretary, Government of Bihar (July 2019) to instruct the concerned department for timely submission of self-explanatory action taken notes on audit observations and action taken notes of PAC's recommendation.

Recommendation: The State Government may initiate action to address the shortcomings and system defects pointed out by Audit and to plug the leakage of revenue, and ensure that all departments promptly prepare ATNs on recommendations of PAC.

1.4 Response of the departments/Government to Audit

1.4.1 Position of outstanding Inspection Reports

On completion of audit of Government departments and offices, Audit issues Inspection Reports (IRs) to the concerned heads of offices, with copies to their superior officers for corrective action and their monitoring. Serious financial irregularities are reported to head of the departments and the Government. Review of IRs issued during the period 2008-09 to 2017-18 revealed that 21,994 paragraphs relating to 2,493 IRs remained outstanding at the end of March 2019. The potential recoverable revenue in these IRs is as much as ₹ 24,304.01 crore whereas the total revenue collection of the State is ₹ 26,643.23 crore. Details of IRs relating to major revenue earning departments of the State Government are given in **Table - 1.7**.

Table - 1.7
Department-wise details of Inspection Reports

(₹ in crore)

Sl. No.	Names of Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1.	Commercial Taxes	Taxes on sales, trade etc.	381	9,684	11,590.39
		Entry tax			
		Electricity duty			
		Entertainment tax etc.			
2.	Excise and Prohibition	State excise	324	1,457	1,055.90
3.	Revenue and Land Reforms	Land revenue	747	4,929	7,474.55
4.	Transport	Taxes on vehicles	346	2,724	1,000.21
5.	Registration	Stamps and registration fees	371	1,140	1,111.65
6.	Mines and Geology	Mining receipts	324	2,060	2,071.31
Total			2,493	21,994	24,304.01

Even the first replies, required to be received from the heads of offices within four weeks of receipt of the IRs, were not received for 1,183 IRs (10,111 audit observations) involving potential revenue of as much as ₹ 12,893.64 crore, issued from 2008-09 onwards. Department-wise details are given in **Table - 1.8**

Table - 1.8
Details of Inspection Reports pending first reply

(₹ in crore)

Sl. No.	Names of Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1.	Commercial Taxes	Taxes on sales, trade etc.	91	3,136	3,774.25
		Entry tax			
		Electricity duty			
		Entertainment tax etc.			
2.	Excise and Prohibition	State excise	76	403	473.20
3.	Revenue and Land Reforms	Land revenue	530	3,542	6,323.74
4.	Transport	Taxes on vehicles	238	1,789	830.12
5.	Registration	Stamps and registration fees	136	419	768.01
6.	Mines and Geology	Non-ferrous mining and metallurgical industries	112	822	724.32
Total			1,183	10,111	12,893.64

The matter was reported to the Principal Secretary, Finance Department in June 2019, who directed all the revenue departments for speedy compliance of the pending audit observations.

Recommendation:

The State Government may introduce a mechanism to ensure that departmental officers respond to Audit Inspection Reports promptly, take corrective action, and work closely with Audit to bring about the early settlement of audit observations.

1.4.2 Response of the Departments to the Statement of facts and 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 principal Accountant General

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

Out of 495 Statement of Facts issued to the Principal Secretaries/Secretaries of the concerned departments during 2017-18, Audit did not receive (September 2019) reply of 365 Statement of Facts (73.74 per cent) as detailed below:

Table 1.9

Sl. No.	Names of Department	Number of SOF issued to the department	Number of SOF in respect of which reply received
1.	Commercial Taxes	275	103
2.	Excise and Prohibition	2	0
3.	Revenue and Land Reforms	26	2
4.	Transport	127	10
5.	Registration	38	4
6.	Mines and Geology	27	11
Total		495	130

Further, 26 paragraphs and Audits of ‘**Implementation of transitional provisions of Goods and Services Tax Act in Bihar**’ and ‘**Computerisation of Registration Department in Bihar**’ included in this Report were sent to the Principal Secretaries/Secretaries of the respective Departments in 2018-19. However Audit did not receive the reply of 24 draft paragraphs (92.31 per cent) (September 2019). The replies of the Principal Secretaries/Secretaries of the departments on the paragraphs, wherever received, have been appropriately incorporated and commented upon in this Report.

1.5 Internal Audit by Finance (Audit) Department

The Finance (Audit) Department, GoB headed by the Chief Controller of Accounts, undertakes internal audit of the state government departments/offices based on requisitions received from the concerned administrative departments and availability of audit teams.

The manpower position of the Finance (Audit) Department (as on 31 March 2019) is given in **Table-1.10**.

Table-1.10
Manpower position in Finance (Audit) Department

Cadre	Sanctioned strength	Persons in position	Shortfall (in per cent)
Gazetted	565	33	94
Non-Gazetted	1,004	167	83
Total	1,569	200	87

Audit further observed that the Finance (Audit) Department audited four units of Revenue and Land Reforms Department, two units of Registration Department and one unit of Transport Department during 2017-18. The Finance (Audit) Department did not conduct audit of any other major revenue earning departments viz., Commercial Taxes Department and Mines and Geology Department due to acute shortage of manpower in non-gazetted and gazetted cadres.

Recommendation:

The State Government should ensure filling up vacancies in different cadres of the Finance (Audit) Department to ensure effective internal audit.

1.6 Results of audit

Position of the local audit conducted during the year

Audit covered six departments of the State Government and test checked records of 214 out of 1,182 auditable units (18.10 *per cent*) relating to commercial taxes, state excise, taxes on vehicles, stamps and registration fees, land revenue and mining receipts during the year 2017-18. Besides 14 units of Mining Department were audited during April 2017 to October 2018. In six departments, revenue of ₹ 24,739.86 crore was collected during 2016-17, out of which audited units collected ₹ 19,087.54 crore (77.15 *per cent*) and revenue of ₹ 16,966.68 crore was examined in test-checked units.

Audit observed underassessment/short levy/loss of revenue aggregating to ₹ 4,515.17 crore in 3,452 cases, which were communicated to the departments through Inspection Reports. The departments concerned accepted (between April 2017 and July 2019) underassessment and other deficiencies of ₹ 2,353.28 crore in 1,830 cases, out of which 356 cases involving ₹ 870.47 crore were pointed out during 2017-18 and the rest in earlier years. The departments reported (between April 2017 and July 2019) recovery of ₹ 39.77 crore in 416 cases.

1.7 Coverage of this Report

This Report contains 26 paragraphs and Audits on ‘**Implementation of transitional provisions of Goods and Services Tax Act in Bihar**’ and ‘**Computerisation of Registration Department in Bihar**’. The total financial implication of the Report is ₹ 1,648.80 crore.

The departments/Government have accepted (upto July 2019) audit observations amounting to ₹ 1,116.89 crore, of which ₹ 32.74 crore was recovered. The recoveries in the remaining cases have not been intimated (July 2019). The audit observations are discussed in chapters 2 to 6 of this Report.

The errors/omissions pointed out are on the basis of a test audit. The Department/Government may, therefore, undertake a thorough review of all units to check whether similar errors/omissions have taken place elsewhere and, if so, to rectify them; and to put a system in place that would prevent such errors/omissions.