

CHAPTER-I: GENERAL

1.1 Introduction

This Chapter presents an overview of the trend of receipts of the Government of Chhattisgarh (GoCG), analysis of arrears of taxes¹ pending collection, response of the Government/Departments towards Audit and departmental mechanisms to deal with this.

1.2 Trend of revenue receipts

1.2.1 The tax and non-tax revenues raised by the GoCG, 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 mentioned in **Table 1.1**:

Table 1.1: Trend of revenue receipts

<i>(₹ in crore)</i>						
Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Revenues raised by the State Government					
	• Tax revenues	14,342.71	15,707.26	17,074.86	18,945.21	19,894.68
	Percentage of growth compared to previous year	10.04	9.51	8.71	10.95	5.01
	• Non-tax revenues	5,101.17	4,929.91	5,214.79	5,669.25	6,340.42
	Percentage of growth compared to previous year	10.51	-3.36	5.78	8.71	11.84
	Total	19,443.88	20,637.17	22,289.65	24,614.46	26,235.10
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	7,880.22	8,363.03	15,716.47	18,809.16	20,754.81 ²
	• Grants-in-aid ³	4,726.16	8,987.81	8,061.59	10,261.63	12,657.17
	Total	12,606.38	17,350.84	23,778.06	29,070.79	33,411.98
3.	Total revenue receipts of the State Government (1 and 2)	32,050.26	37,988.01	46,067.71	53,685.25	59,647.08
4.	Percentage of 1 to 3	61	54	48	46	44

(Source: Finance Accounts of the Government of Chhattisgarh)

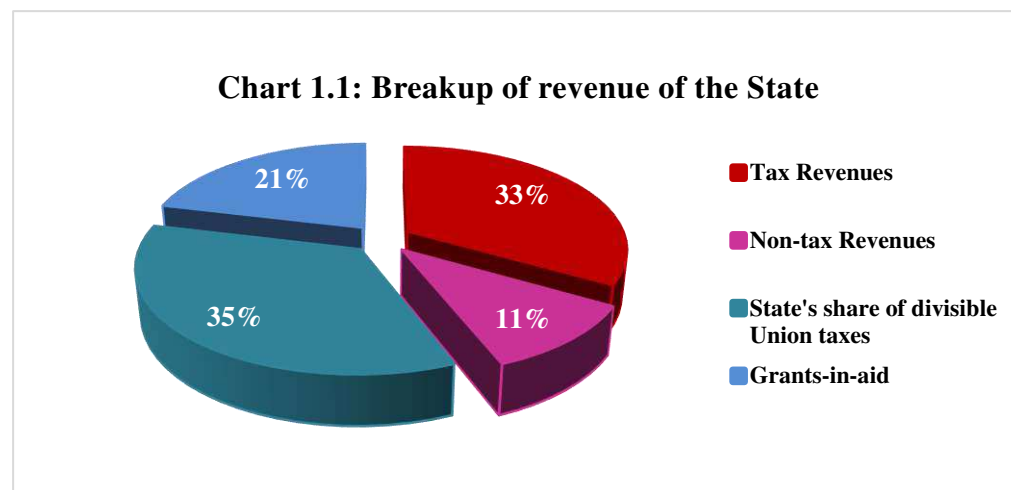
¹ Commercial Tax, Excise, Energy, Transport, Registration and Mining departments.

² For details please refer to the column on "tax revenue" of Statement 14, detailed accounts of revenue by minor heads of the Finance Accounts of the Government of Chhattisgarh for the year 2017-18. Amounts under the minor head 901- share of net proceeds assigned to the State booked under the major heads 0005-Central Goods and Services Tax, 0008-Integrated Goods and Services Tax, 0020- Corporation tax, 0021- Taxes on income other than Corporation tax, 0032- Taxes on wealth, 0037- Customs, 0038- Union excise duty, 0044- Service tax and 0045- Other taxes and duties on commodities and services under 'A-tax revenue' have been excluded from the revenues raised by the State and included in the State's share of divisible Union taxes in this statement.

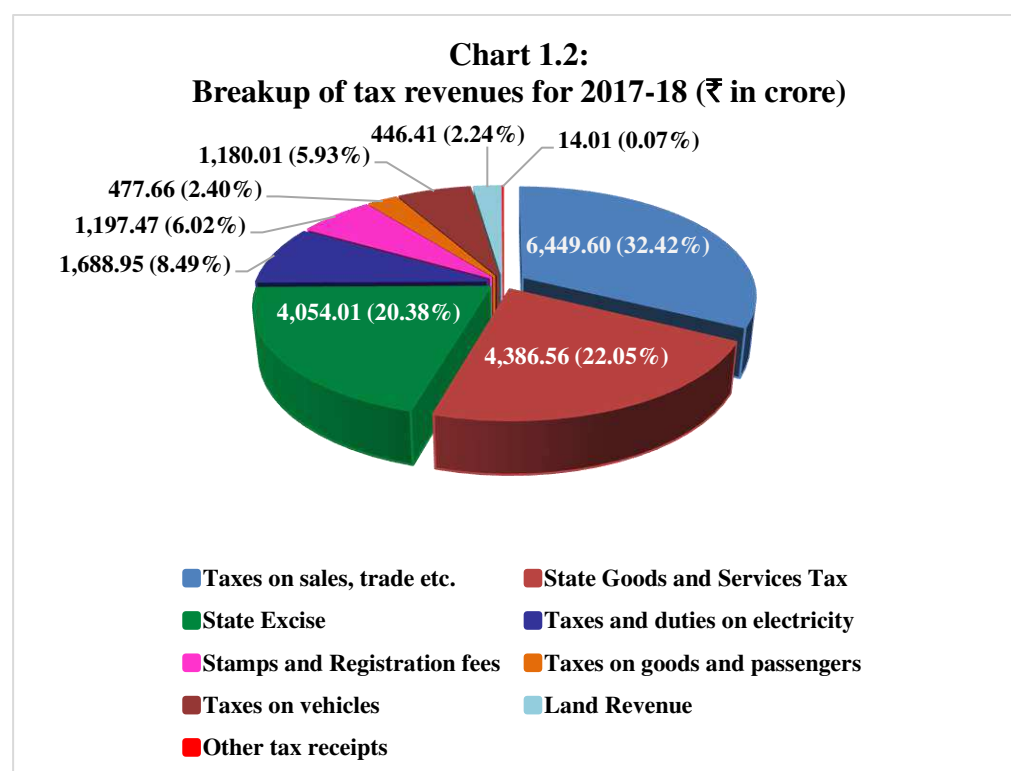
³ Centrally sponsored scheme, Finance Commission grants and other transfer/grants (also includes compensation on GST received from GoI) to States/Union Territories with Legislatures.

Table 1.1 indicates that the average annual growth rate in respect of Tax Revenue and Non-tax revenue were 8.84 per cent and 6.70 per cent respectively during 2013-18.

Pictorial representation of breakup of revenue receipts of the State is given in **Chart 1.1:**



1.2.2 Pictorial representation of the breakup of tax revenues for the year 2017-18 is given in **Chart 1.2:**



Budget Estimates (BE) proposed by the administrative Departments, BE approved by the Finance Department and actual receipts of tax revenues raised during the period 2013-18 are given in **Table 1.2:**

Table 1.2: Details of tax revenues raised by the Government

(₹ in crore)

Sl. No.	Head of Revenue		2013-14	2014-15	2015-16	2016-17	2017-18	Percentage of increase (+) or decrease(-) in actual receipts in 2017-18 over 2016-17	Percentage of variation between BEs and actual receipts in 2017-18
1.	Taxes on sales, trade etc.	Proposed BE	8,010.49	9,118.94	9,270.93	10,198.02	10,441.02		
		Approved BE	8,436.00	9,800.00	10,998.00	11,928.37	13,444.70		
		Actual	7,929.51	8,428.61	8,908.36	9,927.21	6,449.60		
2	State Goods and Services Tax ⁴	Proposed BE	NA	NA	NA	NA	NA		
		Approved BE	NA	NA	NA	NA	3,212.82		
		Actual	NA	NA	NA	NA	4,386.56 ⁵		
Sub-total (1 and 2)	Proposed BE	8,010.49	9,118.94	9,270.93	10,198.02	10,441.02			
	Approved BE	8,436.00	9,800.00	10,998.00	11,928.37	16,657.52			
	Actual	7,929.51	8,428.61	8,908.36	9,927.21	10,836.16	(+) 9.16	NA ⁶	
3.	State excise	Proposed BE	2,589.00	2,646.91	3,200.00	3,360.00	3,832.50		
		Approved BE	2,575.00	3,150.00	3,528.00	3,870.00	3,168.50		
		Actual	2,549.15	2,892.45	3,338.40	3,443.51	4,054.01	(+)17.73	(+) 27.95
4.	Taxes and duties on electricity	Proposed BE	715.00	1,196.00	1,400.00	1,420.00	1,521.00		
		Approved BE	820.00	1,100.00	1,400.00	1,575.00	1,650.00		
		Actual	1,020.44	1,312.93	1,372.84	1,495.48	1,688.95	(+)12.94	(+)2.36
5.	Stamps and Registration fees	Proposed BE	1,000.00	1,100.00	1,200.00	1,320.00	1,425.00		
		Approved BE	1,150.00	1,250.00	1,350.00	1,485.00	1,550.00		
		Actual	990.24	1,023.33	1,185.22	1,211.35	1,197.47	(-)1.15	(-)22.74
6.	Taxes on goods and passengers ⁷	Proposed BE	1,102.44	1,087.26	1,080.62	1,188.68	1,196.94		
		Approved BE	1,192.00	1,335.00	1,441.80	1,563.77	1,767.06		
		Actual	945.44	981.88	1,040.26	1,340.35	477.66	(-)64.36	(-)72.97
7.	Taxes on vehicles	Proposed BE	618.58	699.63	761.83	950.40	1,050.00		
		Approved BE	731.38	800.00	864.00	954.11	1,200.00		
		Actual	651.07	703.48	829.22	985.27	1,180.01	(+)19.77	(-)1.67
8.	Land revenue	Proposed BE	292.21	459.45	468.80	496.80	550.00		
		Approved BE	376.00	460.00	496.80	550.00	600.00	(-)11.37	(-)25.60

⁴ The figures in the proposed, approved and actual column in the Head “State Goods and Services tax” for the year 2013-14 to 2016-17 shown as Not Applicable (NA) because the Goods and Services Tax was implemented from 1 July 2017. Pre GST period is from 1.4.2017 to 30.6.2017 and post GST period is from 1.7.2017 to 31.3.2018. Central indirect taxes such as central excise duty, additional excise duty, excise duty levied under the Medicinal and Toiletries preparation Act, service tax, additional customs duty (CVD), special additional duty of customs (SAD); state indirect taxes such as value added tax, central sales tax, entry tax, entertainment tax and purchase tax have been subsumed in GST.

⁵ In addition to receipts of State GST of ₹ 4,386.56 crore, compensation on GST ₹ 1,483.00 crore was also received from GoI during the period 2017-18.

⁶ Budget estimate was prepared for the whole year but GST implemented from 1 July 2017, hence the actual receipt of 2017-18 could not be compared with Budget Estimate.

⁷ Major portion (93.68 per cent) of Taxes on Goods and Passengers is from Entry Tax during the period 2017-18 which has since been abolished and subsumed in GST from 1.7.2017.

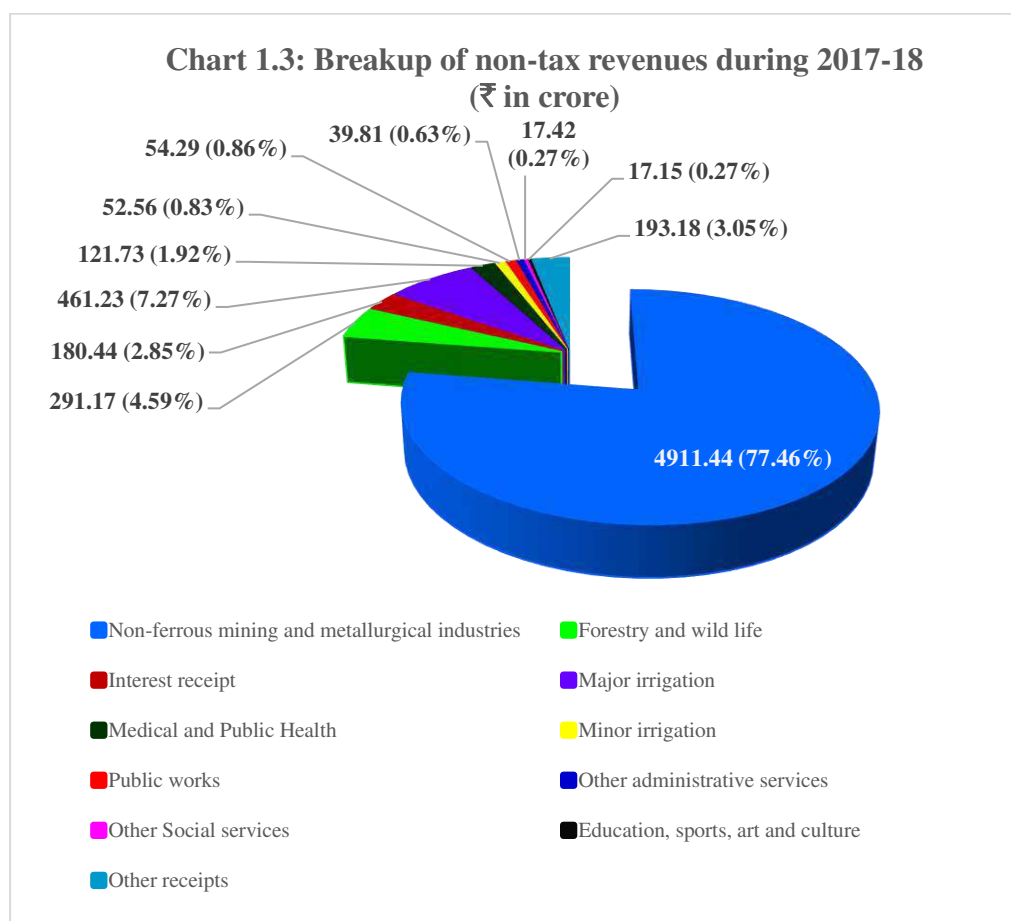
Audit Report for the year ended 31 March 2018 on Revenue Sector

		Actual	226.06	331.56	363.84	503.66	446.41		
9.	Other tax receipts ⁸	Proposed BE	24.16	33.73	32.29	35.28	33.83		
		Approved BE	19.91	31.26	7.25	37.85	40.38		
		Actual	30.80	33.02	36.72	38.38	14.01	(-)63.50	(-)65.30
Total		Proposed BE	14,351.88	16,341.92	17,414.47	18,969.18	20,050.29		
		Approved BE	15,300.29	17,926.26	20,085.85	21,964.10	26,633.46		
		Actual	14,342.71	15,707.26	17,074.86	18,945.21	19,894.68	(+)5.01	(-)25.30

(Source: Information furnished by the Finance Department, Finance Accounts of the Government of Chhattisgarh and Budget Estimates as per the Budget Book of Government of Chhattisgarh)

Following the GST implementation in July 2017, the overall revenue of the State grew by 12.84 per cent in percentage terms and ₹ 2,433 crore in real terms (including ₹ 1,483 crore received as compensation of GST). Thus, it appears that GST implementation gave a substantial boost in revenue collection.

1.2.3 Pictorial representation of breakup of the non-tax revenues raised during the year 2017-18 are indicated in **Chart 1.3**:



The details of the non-tax revenues raised during the period 2013-18 are indicated in **Table 1.3**:

⁸ 'Others' include actual receipts during 2017-18 under the following Revenue Heads: Hotel receipts tax (₹ 3.70 crore); other taxes on income and expenditure (₹ 0.17 crore); and other taxes and duties on commodities and services (₹ 10.14 crore).

Table 1.3: Details of non-tax revenues raised by the Government

(₹ in crore)

Sl. No.	Head of Revenue		2013-14	2014-15	2015-16	2016-17	2017-18	Percentage of increase(+) or decrease (-) in actual receipts in 2017-18 over 2016-17	Percentage of variation between BEs and actual receipts in 2017-18
1	Non-ferrous mining and metallurgical industries	BE	3,510.00	4,100.00	7,000.00	5,500.00	5,600.00	(+18.59	(-)12.30
		Actual	3,236.01	3,572.68	3,709.52	4,141.47	4,911.44		
2	Forestry and wild life	BE	450.00	520.00	500.00	550.00	600.00	(-)28.13	(-)51.47
		Actual	405.91	348.72	409.75	405.15	291.17		
3	Interest receipt	BE	364.14	323.40	260.67	249.38	137.25	(+14.75	(+31.47
		Actual	380.91	171.89	108.23	157.24	180.44		
4	Major irrigation	BE	340.31	413.55	389.34	586.47	703.68	(+5.46	(-)34.45
		Actual	339.82	410.95	502.17	437.35	461.23		
5	Minor irrigation	BE	853.04	561.50	277.47	288.34	288.34	(-)32.69	(-)57.78
		Actual	407.81	127.23	121.91	180.84	121.73		
6	Medical and Public Health	BE	14.18	14.80	16.22	15.93	29.33	(+13.03	(+79.20
		Actual	19.84	20.16	43.15	46.50	52.56		
7	Public works	BE	12.80	18.93	21.77	43.72	73.70	(+32.03	(-)26.34
		Actual	21.21	39.21	42.73	41.12	54.29		
8	Other administrative services	BE	19.29	16.06	30.40	23.69	65.43	(+8.59	(-)39.16
		Actual	38.20	36.45	65.52	36.66	39.81		
9	Other social services	BE	1.00	10.00	6.26	4.30	30.00	(-)39.32	(-)41.93
		Actual	64.34	41.74	29.15	28.71	17.42		
10	Education, sports, art and culture	BE	4.01	4.65	5.65	7.60	6.97	(-)36.58	(+146.05
		Actual	6.78	30.78	13.07	27.04	17.15		
11	Other non-tax receipts ⁹	BE	503.23	201.73	155.21	150.71	169.50	(+15.56	(+13.97
		Actual	180.34	130.10	169.59	167.17	193.18		
Total		BE	6,072.00	6,184.62	8,662.99	7,420.14	7,704.20	(+11.84	(-)17.70
		Actual	5,101.17	4,929.91	5,214.79	5,669.25	6,340.42		

(Source: Finance Accounts of the Government of Chhattisgarh and Budget Estimates as per the Budget Book of Government of Chhattisgarh)

⁹ Other non-tax receipts include actual receipts during 2017-18 under the following heads: Dividends and profits (₹ 4.80 crore); Public service commission (₹ 10.72 crore); Police (₹ 17.08 crore); Jails (₹ 6.38 crore); Stationery and printing (₹ 3.43 crore); Contributions and recoveries towards pension and other retirement benefits (₹ 10.33 crore); Miscellaneous general services (₹ - 0.29 crore); Family welfare (₹ 0.06 crore); Water supply and sanitation (₹ 7.99 crore); Housing (₹ 3.94 crore); Urban development (₹ 31.37 crore); Information and publicity (₹ 0.06 crore); Labour and employment (₹ 20.61 crore); Social security and welfare (₹ 3.46 crore); Crop husbandry (₹ 12.22 crore); Animal husbandry (₹ 7.02 crore); Fisheries (₹ 4.45 crore); Food storage and warehousing (₹ 0.68 crore); Cooperation (₹ 2.57 crore); Other agricultural programmes (₹ 1.33 crore); Other rural development programmes (₹ 8.40 crore); Medium irrigation (₹ 5.91 crore); power (₹ 0.03 crore); Village and small industries (₹ 4.83 crore); Industries (₹ 10.55 crore); Civil aviation (₹ 0.30 crore); Roads and bridges (₹ 2.46 crore) and Other general economic services (₹ 12.49 crore).

As per the Rule 192 of Chhattisgarh Finance Code Volume-I, the Finance Department (FD) is responsible for preparing and presenting the statement of estimated receipts and expenditure on the basis of details provided by the administrative Department which is responsible for the correctness of details.

In respect of revenue projections for 2017-18 of six major administrative Departments¹⁰, Audit noticed that the BEs approved by FD were significantly higher than those proposed by the administrative Departments under Taxes on sales, trade etc., Taxes on vehicles, Taxes and duties on electricity, Stamps and Registration Fees, Taxes on goods and passengers and Land Revenue. Consequently, the actual receipts of the Departments except Excise Department and Taxes and Duties on electricity were less than BE by 1.67 to 72.97 *per cent* whereas the achievement in Excise Department was much higher (27.95 *per cent*) than the BE.

Revenue projection for 2017-18 in respect of Excise Department was scrutinised (August 2019) by Audit as there was remarkable variation in the budget proposed by the Department and that approved by the Finance Department.

Audit noticed that the Department prepared BE for the year 2017-18 on the basis of Revised Estimates (RE) of the year 2016-17 and increased the BE by five *per cent* compared to the Revised Estimates of 2016-17. On further examination of BEs proposed by 20 units out of 26 units provided by the Department, it was noticed that the subordinate offices had proposed BE (2017-18) with an increase of seven *per cent* compared to Revised Estimates of 2016-17. However, the Finance Department reduced the proposed BE of the Department by 17.33 *per cent*. The rationale behind such huge variation could not be ascertained, as despite several formal requisition at all levels including Secretary Finance (July 2019), the Finance Department did not allow audit access to the records.

The respective Departments reported the following reasons for variation.

(a) Reasons for variation of receipts of 2017-18 over the receipts of 2016-17:

Tax revenue:

Taxes on sales, trade etc. and State Goods and Services tax: The increase (9.16 *per cent*) was due to implementation of GST from 1 July 2017.

State Excise: The increase (17.73 *per cent*) was due to successful implementation of New Excise Policy 2017. The factors in the new excise policy were attributed to control over illegal sales of liquor consequent upon formation of Chhattisgarh State Marketing Corporation Ltd., and levy of Countervailing Duty on liquor.

Taxes and duties on Electricity: The increase (12.94 *per cent*) was due to increase in consumption of electricity by industries, recovery of outstanding amount from industries and increase in electricity energy charges in 2017-18.

¹⁰ Commercial Tax, Excise, Registration, Energy, Transport and Revenue & Disaster Management departments.

Taxes on goods and passengers: The decrease (64.36 *per cent*) was due to subsuming of Entry Tax in GST.

Taxes on vehicles: The increase (19.77 *per cent*) was due to increase in registration of vehicles (13 *per cent*), rate of fees, quarterly and lifetime tax.

Land revenue: The decrease (11.37 *per cent*) was due to non-realisation of revenue from Naxal and drought (96 tehsils of 21 districts) affected areas, decrease in diversion/*nazul* cases and non-revision of rates.

Non-tax revenue

Non ferrous mining and metallurgical industries: The increase (18.59 *per cent*) was due to increase in production of coal (2.88 *per cent*), iron ore (11.19 *per cent*) and limestone (13.89 *per cent*) in comparison to the previous year.

Forestry and Wildlife: The decrease (28.13 *per cent*) was because of non-sanction of working plan in 13 divisions due to which work was not executed in due coupes.

Minor irrigation: The decrease (32.69 *per cent*) was due to declaration of drought in some Tehsils where recovery of water charges was withheld.

Medical and public health: The increase (13.03 *per cent*) was due to revenue realised from patient in lieu of accommodation facilities and sale of medicines etc.

Other Social Services: The decrease (39.32 *per cent*) was due to less deposit of amount relating to various schemes related to Nutrition and welfare of Scheduled Caste, Scheduled Tribe and Other Backward Classes.

Education, sports, art and culture: Security Fund of ₹ 3.44 crore from M/s. Everon Education Limited was confiscated in the year 2016-17. Therefore the actual receipts were higher during the previous year and there was decrease (36.58 *per cent*) in this year's receipts.

(b) Reasons for variation of receipts from BEs during 2017-18:

Tax revenue:

State Excise: The increase (27.95 *per cent*) was due to successful implementation of New Excise Policy 2017. The factors in the new excise policy were attributed to control over illegal sales of liquor consequent upon formation of Chhattisgarh State Marketing Corporation Ltd., and levy of Countervailing Duty on liquor.

Stamps and Registration fees: The decrease (22.74 *per cent*) was due to non-registration of land below five *dismil* and due to mismatch of map-*khasra* with that of *bhuiyan*¹¹ record.

Taxes on goods and passengers: The decrease (72.97 *per cent*) was due to subsuming of Entry Tax in GST.

Land revenue: The decrease (25.60 *per cent*) was due to non realisation of revenue in Naxal and drought (96 tehsils of 21 districts) affected areas, decrease in diversion/*nazul* cases and non-revision of rates.

¹¹ *Bhuiyan* is a land records computerisation project of Chhattisgarh state.

Non-tax revenue:

Non-ferrous mining and metallurgical industries: The shortfall against the BEs (12.30 *per cent*) was due to non-achievement of production target of coal, limestone and bauxite.

Forestry and wildlife: The shortfall against the BEs (51.47 *per cent*) was because of non-sanction of working plan in 13 divisions which resulted in non-execution of any work in the due coupes.

Major and Minor irrigation: The shortfall against the BEs (34.45 *per cent* and 57.78 *per cent* respectively) were due to declaration of drought in some tehsils where recovery of water charges was withheld.

Medical and public health: The increase (79.20 *per cent*) was due to revenue realised from patient in lieu of accommodation facilities and sale of medicines etc.

1.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2018 in respect of six departments amounted to ₹ 3,545.13 crore of which ₹ 1,314.56 crore (37.08 *per cent*) was outstanding for more than five years as detailed in **Table 1.4:**

Table 1.4: Arrears of revenue

(₹ in crore)

Sl. No.	Head of Revenue	Total amount outstanding as on 31 March 2018	Amount outstanding for more than five years as on 31 March 2018	Reply of Department with respect to status/stages of outstanding cases
1.	Taxes on sales, trade etc.	2,459.64	1,074.29	Cases pending in courts (₹ 240.56 crore); non-availability of information of movable/ immovable properties of outstanding taxpayers (₹ 223.93 crore); stay by court (₹ 572.66 crore); sick industries (₹ 7.55 crore); written off (₹ 2.20 crore); Pending in Appeal and Revision (₹ 123.75 crore); business closure of firms (₹ 375.44 crore); RRC issued to other States (₹ 209.81 crore) and recovery of ₹ 703.74 crore is under process by circle offices. Further, the Department stated (April 2019) that realisation of arrears of revenue is being done as per the provisions of Land Revenue Code. The Department further stated (Aug 2019) that ₹ 1,385.35 crore which has accrued during the last five years was due to additional demand raised by the Assessing Authorities in their assessment orders.
2.	State excise	51.20	26.49	Revenue Recovery Certificate (RRC) issued (₹ 47.03 crore); Stay by High Court (₹ 4.17 crore). The Department stated (March 2019) that realisation of arrears of revenue was being done as per the provisions of Land Revenue Code by the Districts.

3.	Taxes and duties on electricity	951.63	189.58	RRC issued (₹ 211.53 crore); Pending in Courts (₹ 192.01 crore). The Department did not give the status of the remaining amount of ₹ 548.09 crore.
4.	Taxes on vehicles	27.72	8.06	Pending in Courts (₹ 0.84 crore). The Department did not provide the status of the remaining amount of ₹ 26.88 crore. Further, the Department stated that Transport Officers regularly serve notices to vehicle owners to pay the outstanding tax. Lists of outstanding taxpayers have been given to officials of Check-posts/Flying Squads for recovery of arrears.
5.	Stamps and Registration fees	54.17	15.37	RRC issued (₹ 45.00 crore); Pending in Courts (₹ 3.70 crore); Stayed by judicial/ appellate/ high court (₹ 5.47 crore). Further, the Department stated that action of recovery is being initiated by District Registrar (DR) on the basis of demand.
6.	Non-ferrous mining and metallurgical industries	0.77	0.77	The Department stated that instructions have been issued to Mining officers to recover the arrears by special drive. Further, in review meeting the Secretary, Mineral Resources Department, Chhattisgarh Government has instructed to the districts to send proposal to write off the arrears, which are very old.
Total		3,545.13	1,314.56	

(Source: Information furnished by the departments concerned)

Audit had recommended (Audit Report 2016-17) the Government to create database of outstanding arrears for periodic review and liquidation of arrears but the Government did not follow the recommendation as it was noticed that the Forest and Revenue and Disaster Management Department (RDM) failed to provide any information related to outstanding arrears (2017-18) and arrears of revenue of above six departments increased from ₹ 2,690.26 crore to ₹ 3,545.13 crore in comparison to previous year.

1.4 Response of the Government/departments 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 the heads of the Department and the Government.

Analysis of IRs issued up to 31 March 2018 revealed that 10,592 paragraphs involving potential revenue of as much as ₹ 9,194.44 crore relating to 2,600 IRs remained outstanding at the end of July 2019. Department-wise details of IRs and audit observations are mentioned in **Table 1.5:**

Table 1.5: Department-wise status of IRs

(₹ in crore)

Sl. No.	Name of Department	Nature of receipt	Type of IRs	No. of outstanding IRs	No. of outstanding audit observations	Money value involved
1.	Commercial Tax	Taxes on sales, trade etc.	Rev.	488	3,255	595.11
			Exp.	40	74	5.95
2.	Excise Department	State excise	Rev.	147	363	2,100.91
		Entertainment tax	Rev.	94	149	4.10
		Excise and Entertainment Tax	Exp.	34	63	27.63
3.	Registration Department	Stamp duty and Registration fee	Rev.	241	660	99.33
			Exp.	7	19	3.81
4.	Revenue and Disaster Management	Land revenue	Rev.	596	1,884	1,100.87
			Exp.	47	120	13.82
5.	Transport	Taxes on motor vehicles	Rev.	179	1,350	208.45
			Exp.	46	101	0.21
6.	Mineral Resources	Non-ferrous mining and metallurgical industries	Rev.	170	685	1,412.24
			Exp.	36	64	308.46
7.	Forest	Forestry and wildlife	Rev.	379	1,123	1,265.23
			Exp.	435	2,119	934.72
8.	Energy	Taxes and duties on electricity	Rev.	18	81	1,757.00
			Exp.	5	17	5,333.35
9.	Other Tax departments	Other receipts	Rev.	288	1,042	651.20
			Exp.	1	10	0.13
Rev.				2,600	10,592	9,194.44
Exp.				651	2,587	6,628.08
Total:				3,251	13,179	15,822.52

Rev.- Revenue; Exp.-Expenditure

Out of 81 IRs issued during 2017-18, Audit did not receive even the first reply for 49¹² IRs (60.49 per cent) from the heads of offices.

Recommendation:

The Government should introduce a mechanism to ensure that departmental officers respond to IRs promptly, take corrective action and work closely with Audit to bring about early settlement of IRs.

1.4.2 Response of the Departments to the Factual Statements 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 Accountant General (AG) 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.

¹² Commercial Tax-13; Transport-05; Forest-15; Registration-03; Electricity-01; Excise-02; Revenue and Disaster Management -02 and Mineral Resources-08.

Out of 110 Factual Statements (FSs) issued to the Department, Audit did not receive (July 2019) reply of 60 FSs (54.55 per cent).

Thirteen paragraphs and Preparedness for transition to Goods and Services Tax which have been included in this Report were sent to the Principal Secretaries/Secretaries of the respective Departments in 2017-18. However, Audit did not receive the reply of eight DPs (57.14 per cent) from the Government (July 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.

1.4.3 Departmental Audit Committee Meetings (ACMs)

The Government sets up audit committees to monitor and expedite the progress of the settlement of the IRs and paragraphs in the IRs.

The number of ACMs held during the year 2017-18 is detailed in **Table 1.6:**

Table 1.6: Details of ACM conducted

Department	No. of meetings organised and date of such meetings	No. of IRs/paragraph discussed	No. of IRs/paragraphs settled	Percentage of paragraphs settled	Amount (₹ in lakh)
Commercial Tax	1 (26/04/2017)	61	01/09	14.75	3.81
Transport	1 (15/11/2017)	80	NIL/43	53.75	232.56
Total:	2	141	01/52	36.88	236.37

During 2017-18 two ACMs of Commercial tax and Transport Department were conducted. In the case of Commercial tax, 61 paragraphs were discussed and nine paragraphs were settled. In case of Transport Department 80 paragraphs were discussed and 43 paragraphs were settled.

Recommendation:

The Government should direct all departments to settle pending audit observations through periodic ACMs and ensure that all relevant records are updated and presented to Audit for disposal of pending paragraphs.

1.4.4 Records not produced to Audit for scrutiny

The programme of local audit of tax revenue/non-tax revenue offices is drawn up sufficiently in advance and intimations are issued to the departments to enable them to keep the relevant records ready for audit scrutiny.

During the period 2017-18, 87¹³ out of 4,117 assessment files, returns, refunds, documents, registers and other relevant records were not made available to Audit. The above fact was included in the Inspection Reports and the same were sent to the Secretaries of the departments. The tax effect could not be computed in these such cases. Non-furnishing of records to Audit raises red flags as Audit is unable to vouchsafe the genuineness of these transactions and likelihood of frauds cannot be ruled out.

¹³ Commercial Tax-85 cases; Forest (Expenditure)-01 and Mining-01

Recommendations:

The Government should introduce measures to ensure that departmental officers invariably produce records to Audit especially after sufficient notice is given and initiate disciplinary action against officers who fail to produce records to Audit.

1.4.5 Follow up on the Audit Reports-summarised position

According to the instructions issued by the Finance Department, all departments are required to furnish explanatory memoranda (Departmental Notes) to the Chhattisgarh *Vidhan Sabha* Secretariat, in respect of paragraphs included in the Audit Reports, within three months of their being laid on the table of the House. The Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Chhattisgarh for the years ended 31 March 2009 to 31 March 2017 containing 218 paragraphs including Performance Audits were placed before the State Legislative Assembly between March 2010 and January 2019.

Explanatory Notes in respect of 12 paragraphs¹⁴ of the Audit Reports (2004-05 and 2016-17) had not been received (April 2019) from State Revenue Departments (RDM, Mining, Transport, Excise and Forest Department).

The Public Accounts Committee (PAC) discussed 127 paragraphs out of 171 selected paragraphs pertaining to the Audit Reports for the years from 2002-03 to 2016-17 and gave its recommendations on 50 paragraphs of Audit Reports 2002-03 to 2010-11. However, Action Taken Notes (ATNs) have not been received till July 2019 in respect of 17¹⁵ recommendations made by the PAC between 2010-11 and 2017-18.

1.5 Analysis of the mechanism for dealing with the issues raised by Audit

To analyse the system of addressing the issues highlighted in Inspection Reports/Audit Reports, the action taken on paragraphs and performance audits included in the Audit Reports of the last 10 years for Stamps and Registration Department was evaluated and included in this Audit Report.

The succeeding paragraphs 1.5.1 to 1.5.3 discuss the performance of the Stamps and Registration Department 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 year 2008-09 to 2012-13 and 2014-15 to 2015-16.

1.5.1 Position of Inspection Reports of Stamps and Registration Department

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 2018 are tabulated below in **Table-1.7**:

¹⁴ 2004-05 (01), and 2016-17 (11)

¹⁵ Mineral Resources-01; Excise -02; Energy-01; Transport-03; Commercial Tax-06; Water Resources- 02 and Forest-02.

Table 1.7: Position of Inspection Reports*(₹ in crore)*

Sl. No.	Year	Type of IRs	Opening Balance			Additions			Clearances			Closing Balance		
			IRs	Para-graphs	Money Value	IRs	Para-graphs	Money Value	IRs	Para-graphs	Money Value	IRs	Para-graphs	Money Value
1.	2008-09	Rev.	238	615	24.53	28	76	6.80	18	81	2.56	248	610	28.78
2.	2009-10	Rev.	248	610	28.78	19	29	1.38	21	31	1.35	246	608	28.81
3.	2010-11	Rev.	246	608	28.81	28	70	6.26	13	49	1.09	261	629	33.98
4.	2011-12	Rev.	261	629	33.98	10	49	4.27	14	36	1.71	257	642	36.54
5.	2012-13	Rev.	257	642	36.54	8	20	0.44	60	156	6.95	205	506	30.03
6.	2013-14	Rev.	205	506	30.03	25	134	56.77	5	20	1.35	225	620	85.44
		Exp.	0	0	0.00	4	10	1.81	0	0	0	4	10	1.81
7.	2014-15	Rev.	225	620	85.44	7	35	0.92	0	4	0.18	232	651	86.18
		Exp.	4	10	1.81	0	0	0.00	0	0	0.00	4	10	1.81
8.	2015-16	Rev.	232	651	86.18	4	19	3.27	0	0	0	236	670	89.45
		Exp.	4	10	1.81	0	0	0.00	0	0	0.00	4	10	1.81
9.	2016-17	Rev.	236	670	89.45	14	90	11.07	0	9	0.51	250	751	100.01
		Exp.	4	10	1.81	0	0	0.00	0	0	0.00	4	10	1.81
10.	2017-18	Rev.	250	751	100.01	5	28	3.22	0	0	0	255	779	103.23
		Exp.	4	10	1.81	3	9	2.00	0	0	0.00	7	19	3.81

The Government arranges ACMs between the Department and Accountant General's office to settle old paragraphs. However, during 2017-18 the Department did not conduct any ACM.

1.5.2 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Stamp and Registration Department and the amount recovered are mentioned in **Table 1.8**:

Table 1.8: Details of accepted cases*(₹ in crore)*

Year	No. of paragraphs included	Money value	No. of paragraphs accepted	Money value of accepted paragraphs	Amount recovered
2008-09	4	1.59	2	1.14	0.39
2009-10	1	2.17	NIL	NIL	0.80
2010-11	4	1.87	2	0.61	0.17
2011-12	6	0.97	NIL	0.06	NIL
2012-13	1	80.40	NIL	67.63	0.20
2014-15	5	1.28	NIL	0.01	0.07
2015-16	4	1.91	NIL	NIL	NIL
Total	25	90.19	4	69.45	1.63

1.5.3 Action taken on the recommendations accepted by the departments/ Government

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

Compliance of recommendations of PA on “Levy and collection of stamp duty and registration fees” featured in the Audit Report for the year 2012-13 along with replies of the Stamp and Registration Department received in March 2019 are mentioned below in **Table 1.9**:

Table 1.9: Details of status of recommendations

Sl. No.	Details of Recommendations	Status
1.	The Government should ensure preparation of BEs in accordance with the provisions of Budget Manual and guidelines issued by the Finance Department.	The Department stated that they are following the provisions and guidelines. However, actual receipt during the year 2017-18 was 22.74 <i>per cent</i> less than that approved (BE) by the Government.
2.	The Department may take immediate steps for realisation of arrears of revenue, which are showing an increasing trend.	The Department stated that they have issued instructions to the Districts to realise the arrears of revenue. However, there was 214 <i>per cent</i> increase in the Arrears of Revenue in the year 2017-18 compared to previous year.
3.	The Government may consider prescribing suitable monitoring mechanism to ensure compliance of codal provisions/instructions on conducting of prescribed inspections/spot verification by designated officers.	The Department stated that they have instructed the District Registrars (DRs)/Sub Registrars (SRs) to conduct prescribed monthly inspections/spot verifications as per codal provisions/instructions and the same was being reviewed every month.
4.	The Government may consider taking appropriate measures to ensure periodical inspection of public offices and necessary coordination with other Departments for realising the stamp duty.	The Department stated that the prescribed mechanism is in existence. The officials at District level had been instructed to imply the same and take appropriate action to ensure collection of Stamp Duty (SD).
5.	The Government may ensure proper coordination between Industries Department and Registration Department regarding the fulfilment of norms of Industrial Policies before allowing exemption of stamp duty.	The Department stated that action is being taken in coordination with the Industries Department. However, Audit has observed that mechanism to ensure the same is not in place as cases of irregular exemptions of SD have been persistently noticed.
6.	The Government should devise a mechanism ensuring submission of information/instruments for adherence of conditions of exemption of stamp duty.	The Department stated that the same mechanism is in existence. Though mechanism is in existence, adherence to condition of exemption is not being followed completely as Audit has observed cases where irregular exemptions have been provided to industries.

Sl. No.	Details of Recommendations	Status
7.	The Government may take necessary steps to review the orders finalised by DR in the interest of revenue.	The Department stated that mechanism is in existence in which if SR is not satisfied with the decision of DR, SR can appeal to Divisional Commissioner or Revenue Board.
8.	The Government may consider incorporating clear provision and criteria of main roads, registration of documents where one purchaser purchased the land from one seller and executed the documents in two separate parts in the guideline regarding determination of market value of the property to safeguard the revenue.	The Department stated that mechanism is in existence and the provisions of criteria of main road are mentioned in the Guidelines of each year. However, Audit has observed that similar paras are still being noticed and clear provisions and criteria of main road are not being incorporated in the guidelines of each year.
9.	The Government may consider issuing clarification regarding determination of market value when land is sold by more than one vendor in a single document.	The Department stated that mechanism is in existence and the legal provisions for prompt action are mentioned in the Guidelines of each year. However, similar paras are still being noticed.
10.	In order to avoid blockage of funds, the Government may consider introducing a mechanism for periodical monitoring of utilisation of stamps.	The Department stated that mechanism is in existence.
11.	Strengthen the internal control mechanism to ensure timely realisation of revenue and also to avoid non/short levy of stamp duty and registration fees.	The Department stated that mechanism is in existence and instructions have been re-issued (February 2019) for strict compliance.
12.	Ensuring necessary co-ordination among the Departments while allowing the exemption from payment of stamp duty to avoid loss of revenue.	The Department stated that provisions/instructions is in existence in the Rules/Provisions. Despite this, Audit has observed that irregular exemptions have been allowed by the Department.
13.	Issue necessary clarification on the criteria of the main road, registration of documents where one purchaser purchased the land from one seller and executed the documents in two separate parts and issue instruction for periodical revision of the cases decided by the DRs.	The Department stated that the same type of provisions have been given in the Registration Act, Rules and guidelines which was being periodically reviewed. However, Audit has observed that similar paras are still being noticed and clear provisions and criteria of main road are not being incorporated in the guidelines of each year.

1.6 Results of audit

Position of local audit conducted during the year

Audit test checked records of 81 units pertaining to Commercial tax, State excise, Stamps and Registration fees, Land revenue, Taxes and duties on electricity, Mining receipts, Taxes on vehicles and Forestry and wildlife during the year 2017-18. Audit observed short levy or non-levy of taxes, duties and fees, loss of revenue, irregular/avoidable expenditure etc. aggregating to ₹ 4,227.27 crore in 22,998 cases. The Departments concerned accepted

underassessment and other deficiencies of ₹ 702.81 crore in 17,162 cases and recovered ₹ 1.93 crore in 446¹⁶ cases.

1.7 Coverage of this Report

This Report contains 14 paragraphs including Preparedness for transition to Goods and Services Tax amounting to ₹ 49.50 crore. The departments have accepted audit observations amounting to ₹ 16.64 crore and recovered ₹ 0.56 crore. The departments did not furnish specific replies to Audit observations involving ₹ 11.03 crore, which included Audit observations on short levy of Stamp Duty and Registration Fees (₹ 1.75 crore), irregular and excess expenditure on treatment of selected area without any plantation work (₹ 4.51 crore) and avoidable expenditure on Assisted Natural Regeneration in an area where the work had already been executed (₹ 3.97 crore) etc. These are discussed in succeeding Chapters 2 to 6.

Most of the audit observations are of a nature that may reflect similar errors/omissions in other units of the State Government departments, but not covered in the test-check. The departments/Government may therefore like to internally examine all the other units with a view to ensuring that they are functioning as per requirement and rules.

¹⁶ Commercial Tax Department (19 cases) = ₹ 58.24 lakh, Transport Department (424 cases) = ₹ 128.93 lakh and Registration Department (03 cases) = ₹ 5.79 lakh