

CHAPTER I
GENERAL

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1.1 About this Report

This Report contains significant audit findings pointed out in the compliance audit of Commercial Taxes, Chief Commissioner of Land Administration (CCLA), Registration & Stamps under Revenue, and Environment, Forests, Science and Technology (EFS&T) Departments. Audit has been conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

Compliance Audit is an independent assessment of whether a given subject matter (an activity, financial or non-financial transaction, information in respect of an entity or a group of entities) complies in all material respects with applicable laws, rules, regulations, established codes, *etc.* and general principles governing sound public financial management and the conduct of public officials.

The primary purpose of this Report is to bring significant audit observations to the notice of the State Legislature. The audit observations are expected to enable the Executive to take corrective action, to frame appropriate policies as well as to issue directives that will lead to improved financial management of organisations and contribute to better governance.

The audit observations in this Report are based on the results of test check of records made available to Audit by the Government Departments concerned.

This Report contains five chapters. Chapter-I presents the details about profile of the audited entities and the summary of fiscal transactions during the year 2021-22 and also authority for audit, planning and conduct of audit, response of Departments concerned to audit findings and summary of coverage of this Report. Chapter-II contains compliance audit observations relating to Commercial Taxes Department including subject specific compliance audit on 'Department's Oversight on GST Payments and Return Filing', Chapter-III contains observations relating to Registration & Stamps Department, Chapter-IV relates to CCLA of Revenue Department (Land Revenue related aspects) and Chapter-V contains observations relating to Andhra Pradesh Compensatory Afforestation Fund Management and Planning Authority (APCAMPA) of Environment, Forests, Science and Technology (EFS&T) Department.

1.2 Audited Entity Profile

The audited entities¹ in the State at the Secretariat level are headed by Additional Chief Secretaries/ Principal Secretaries/ Secretaries and assisted by Directors/ Commissioners and subordinate officers.

¹ Commercial Taxes, Registration & Stamps, CCLA under Revenue Department and EFS&T Department

1.2.1 Functions of the audited entities:

Commercial Taxes	<ul style="list-style-type: none"> Commercial Taxes Department administers and collects revenue on goods and services under Andhra Pradesh Value Added Tax Act, 2005 (VAT Act), Central Sales Tax Act, 1956 (CST Act), Andhra Pradesh Entertainments Tax Act, 1939, The Andhra Pradesh Tax on Professions, Trades, Callings and Employment Act, 1987 apart from other minor Acts. The Department has been administering and collecting revenue on goods and services under the Andhra Pradesh Goods and Services Tax Act, 2017 with effect from 1st July 2017.
Registration & Stamps	<ul style="list-style-type: none"> Registration & Stamps Department is primarily entrusted with registration of documents and is responsible for determining and collecting stamp duty and registration fees on registration of various documents/ instruments by the general public. The Department also enforces administration of the Indian Stamp (IS) Act, 1899 and the Registration Act, 1908, as amended from time to time and rules framed therein.
CCLA (Land Revenue)	<ul style="list-style-type: none"> Land Revenue related aspects come under the purview of Chief Commissioner of Land Administration (CCLA). This office of Revenue Department is responsible for alienation, acquisition and conversion of lands and for collecting revenue arising thereon. It is also responsible for maintenance, updation and protection of land revenue records. The Department also decides on policy matters and administers several Acts and Rules pertaining to land and civil administration in the State.
Environment, Forests, Science and Technology	<ul style="list-style-type: none"> Environment, Forests, Science and Technology (EFS&T) Department primarily deals with proposals relating to forest lands, mining leases, encroachments on forest lands, Forest Conservation Act 1980, use of forest land for non-forest purposes, soil conservation issues relating to Podu cultivation, forest settlement, forest survey and mapping, protection of forests and related notifications. Andhra Pradesh Compensatory Afforestation Fund Management and Planning Authority (APCAMPA) is meant to promote afforestation and regeneration activities as a way of compensating forest land diverted to non-forest uses, to take up forest and wildlife conservation and protection works within forest areas financed under CAMPA.

1.2.2 Summary of Fiscal transactions:

A summary of the fiscal transactions relating to the above audited entities during the years 2021-22 is given in **Table-1.1**

Table-1.1: Summary of fiscal operations during 2021-22

(₹ in crore)							
2020-21	Receipts	2021-22	Percentage change over 20-21	2020-21	Disbursements	2021-22	Percentage change over 2020-21
Revenue receipts				Revenue expenditure			
36,671	Taxes on Sales, Trade etc., & SGST	44,617	21.67	326	Taxes on Sales, Trade etc.	343	5.21
5,603	Stamps and Registration Fees	7,635	36.27	144	Stamps and Registration Fees	172	19.44
143	Land Revenue	50	-65.03	73	Land Revenue	83	13.70
31	Forest	161	419	223	Forest	216	-3.14

Source: Finance Accounts of Government of Andhra Pradesh for relevant years

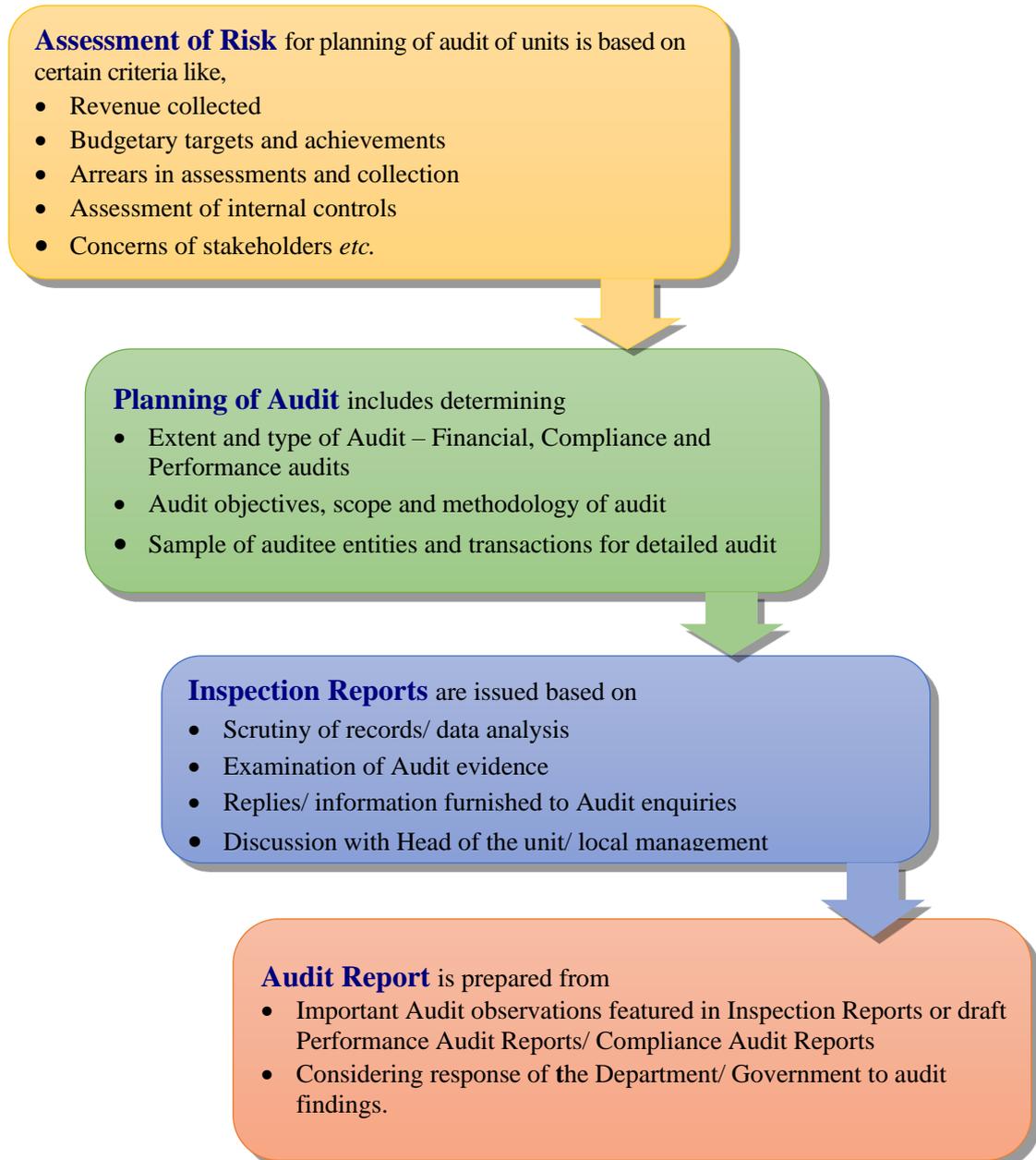
1.3 Authority for audit

The Comptroller and Auditor General of India (CAG) derives authority for audit from Articles 149 and 151 of the Constitution of India and CAG's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act).

1.4 Planning and conduct of audit

The following flowchart depicts the process of planning and conduct of audit and preparation of Audit Reports:

Figure-1.1: Planning, conduct of audit and preparation of Audit Reports



The Report so prepared would be submitted to the Governor of Andhra Pradesh for causing it to be laid in the State Legislature.

After completion of audit of each unit, an Inspection Report (IR) containing audit findings is issued to the Head of the Unit with a request to furnish replies within one month of receipt of the IR. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Significant audit observations pointed out in these IRs, which require attention at the highest level in Government, are processed for inclusion in the Audit Reports. These Audit Reports are submitted to the

Governor of Andhra Pradesh under Article 151 of the Constitution of India for causing them to be laid on the table of State Legislature.

During the year 2021-22, audit of 101 units² out of total 1,267 auditable units were conducted. For the subject specific compliance audit (SSCA) on ‘Department’s Oversight on GST Payments and Return Filing’, sampled claims were examined in 41 (out of 109) circles. Regarding compliance audit on APCAMPA, records were test-checked in 18 (out of 46) units involved in implementation of CAMPA related activities.

1.5 Response of Government to audit findings

1.5.1 Response to audit observations

All Departments are required³ to send their responses to draft audit paragraphs proposed for inclusion in CAG’s Report within six weeks of their receipt. During the year 2021-22, total 26 draft compliance audit paragraphs, one SSCA viz., ‘Department’s Oversight on GST Payments and Return filing’ and a compliance audit on ‘Andhra Pradesh Compensatory Afforestation Fund Management and Planning Authority’ (APCAMPA) were forwarded to the Secretaries of the Departments⁴ concerned, drawing their attention to the audit findings and requesting them to send their response within stipulated time limit. Reminders were also issued for obtaining responses to the draft paragraphs between December 2022 and March 2023. It was brought to their personal attention that these paragraphs were likely to be included in the Audit Report of the CAG of India, which would be placed before the State Legislature, and it would be desirable to include their comments/ responses to the audit findings.

Replies to nine compliance audit paragraphs of Commercial Taxes Department, three audit paragraphs of Registration and Stamps Department and one audit paragraph of CCLA of Revenue Department were received. Response for the remaining 14 draft paragraphs⁵ have not been received (December 2024).

1.5.2 Response to previous Inspection Reports

Heads of Offices and next higher authorities are required to respond to the observations contained in Inspection Reports (IRs) and take appropriate corrective action. Audit observations communicated in IRs are also discussed at periodical intervals in meetings at District/ State levels by officers of the Pr. Accountant General’s office with officers of the Departments concerned.

A review of IRs issued up to March 2022 pertaining to four Departments⁶ showed that 17,695 paragraphs relating to 4,826 IRs valuing ₹ 2,669.45 crore were outstanding at the end of September 2022 which is detailed in **Table-1.2**. Of these, 3,019 IRs

² Commercial Taxes (19), Registration & Stamps (45), CCLA (36), EFS&T (1)

³ As per paragraph 4.7 of Finance Department’s Handbook of Instructions

⁴ Commercial Taxes (10), Registration & Stamps (15), CCLA (2) and EFS&T (1)

⁵ Registration & Stamps (12), CCLA (1) and EFS&T (1)

⁶ Commercial Taxes, Registration & Stamps, CCLA and EFS&T

(63 per cent) containing 6,573 paragraphs valuing ₹ 795.40 crore are outstanding for more than 10 years. Even the first replies which were to be furnished within one month by Heads of offices concerned, have not been received in respect of 57 IRs issued during 2021-22.

Table-1.2: Department-wise details of IRs

Sl. No.	Department	Number of outstanding IRs	Number of outstanding Paragraphs	Money value involved (₹ in crore)
1.	Commercial Taxes	1,581	5,905	1,867.40
2.	Registration & Stamps	1,880	6,843	336.90
3.	Chief Commissioner of Land Administration of Revenue department	1,134	4,310	464.25
4.	EFS&T	231	637	0.90
Total		4,826	17,695	2,669.45

Source: Records of the Principal Accountant General (Audit), Andhra Pradesh

It is pertinent to mention that Government had issued orders⁷ for expeditious settlement of outstanding audit objections and pending IRs and requested all the departmental secretariat and Heads of Departments to follow the guidelines scrupulously.

Lack of action on IRs and audit paragraphs is fraught with the risk of perpetuating serious financial irregularities pointed out in these reports. It may also result in dilution of internal controls in the governance process, inefficient and ineffective delivery of public goods/ services, fraud, corruption and loss to public exchequer.

Recommendation 1.1: Government should ensure prompt and appropriate response to audit observations, as well as take action against those failing to furnish replies to the IRs/ paragraphs as per the prescribed time schedules.

1.5.3 Response of Government to audit paragraphs that featured in earlier Audit Reports

Administrative Departments are required to submit Explanatory Notes (ENs) on paragraphs and reviews included in Audit Reports within three months⁸ of their presentation to State Legislature duly indicating action taken or proposed to be taken.

Reports of the Comptroller and Auditor General of India on the Departments⁹ contained 111 paragraphs for the years from 2014-15 to 2019-21. These Audit Reports were placed before the State Legislative Assembly between March 2014 and March 2023. Explanatory Notes in respect of 67 paragraphs¹⁰ have not been received (December 2024).

⁷ G.O. Ms. No.534 of Finance (PAC) Department, dated 28 June 2004

⁸ As per Para 5.2 of Finance Department's handbook of instructions

⁹ Commercial Taxes (52), Registration & Stamps (36), CCLA (21) and EFS&T (2)

¹⁰ Commercial Taxes (8), Registration & Stamps (36), CCLA (21) and EFS&T (2)

1.5.4 Response of Government to recommendations of the Public Accounts Committee (PAC) and Committee on Public Undertakings (COPU)

Legislature ensures financial accountability of the Executive primarily through the mechanism of PAC/ COPU discussion of Audit Reports and their recommendations.

Government instructed¹¹ that all the Departments/ Public Sector Undertakings (PSUs) should furnish Action Taken Notes (ATNs) on PAC/ COPU recommendations to the respective committees and Accountant General within six months from the date of its receipt. All such ATNs have to be routed through the Finance Department and copies thereof to the Accountant General.

Action Taken Notes on 48 PAC recommendations relating to three Departments¹² were due as of April 2023. Of these, 11 recommendations pertain to Andhra Pradesh exclusively and 37 pertain to the composite State of Andhra Pradesh and Telangana.

Action Taken Notes on three COPU recommendations relating to EFS&T were due as of April 2023. Of these, one pertains to Andhra Pradesh exclusively and two to the composite State of Andhra Pradesh and Telangana.

1.5.5 Departmental Audit Committee Meetings

State Government sets up Audit Committees to monitor and expedite the progress of the settlement of paragraphs in the IRs. During the year 2021-22, three audit committee meetings relating to two Department viz., Commercial taxes (two meetings) and Registration & Stamps (one meeting) were conducted wherein 611 paragraphs¹³ involving money value of ₹ 66.62 crore were settled.

1.6 Analysis of the mechanism for dealing with the issues raised by Audit on Registration & Stamps Department

The system for addressing the issues highlighted in the IRs/ Audit reports in respect of one Department is reviewed in audit every year. During the year 2021-22, action initiated by Registration & Stamps Department was reviewed to assess the action taken on the cases detected in local audit during 2017-18 to 2021-22.

The summarised position of the IRs and paragraphs on Registration and Stamps included in these reports and their status as on 31 March 2023 are detailed in **Table-1.3**.

¹¹ Government of Andhra Pradesh U.O. Note No. 1576-A/32/PAC/95, dated 17 May 1995

¹² Commercial Taxes (1), Registration & Stamps (20) and CCLA (27)

¹³ Commercial Taxes (583) and Registration & Stamps (28)

Table-1.3: Position of Inspection Reports (IRs)

Year	Opening balance			Additions during the year			Clearance during the year			Closing balance		
	IRs	Paras	Money value (₹ in crore)	IRs	Paras	Money value (₹ in crore)	IRs	Paras	Money value (₹ in crore)	IRs	Paras	Money value (₹ in crore)
Up to 2017-18	1556	4923	254.89	153	949	22.81	13	94	0.70	1696	5778	277.00
2018-19	1696	5778	277.00	104	660	21.09	3	49	0.14	1797	6389	297.95
2019-20	1797	6389	297.95	98	420	10.36	0	10	0.11	1895	6799	308.20
2020-21	1895	6799	308.21	24	221	11.05	4	170	1.47	1915	6850	317.79
2021-22	1915	6850	317.79	34	290	63.23	79	384	44.12	1870	6756	336.90

Source: Records of the Principal Accountant General (Audit), Andhra Pradesh

It can be seen from the table above that 99 IRs and 707 Paragraphs were cleared during the period 2017-18 to 2021-22. There has been net increase of 314 IRs/ 1,833 Paragraphs and money value of ₹ 82.01 crore during the period.

Recommendation 1.2: Government needs to evolve a mechanism for implementation of guidelines issued¹⁴ for expeditious settlement of outstanding audit objections.

1.7 Constraints in audit

The programme of local audit of sampled units is drawn up sufficiently in advance. Intimations are issued, usually one month before the commencement of audit, to the Departments concerned to enable them to keep the relevant records ready for audit scrutiny.

During the year 2021-22, offices pertaining to three Departments¹⁵ did not produce crucial documents/ records like month-wise revenue statement, treasury bill register, departmental reconciliation reports in respect of receipts, budget figures, stamp counter records & registers, challan related registers and details like customer copy/ party challans, treasury adjustment challans, stamp vendor challans, etc., month-wise remittance/ expenditure figures, bank scrolls, stamp ledgers, denomination-wise balance of stamps account, bank accounts operated by the offices, details of contractual appointments, receipt particulars, one-time conversion collection files, illegal layout particulars, treasury reconciliation statements, recovery due details, information related to land lease, alienation, allotment, RTI Act files, budget control registers, and other subsidiary books/ registers.

Non-production of records hinders efficacy of audit and results in inability to verify accuracy of revenue collections and expenditure.

Recommendation 1.3: Government needs to issue suitable instructions to the Heads of the Departments concerned for timely production of all the relevant records for audit scrutiny to ensure transparency and accountability.

¹⁴ G.O.Ms.No.534, Finance (PAC) Department, dated 28 June 2004

¹⁵ Commercial Taxes (1), CCLA (10) and Registration & Stamps (8)

1.8 Results of Audit

Position of local audit conducted during the year:

Audit test-checked records in 101 units during the year 2021-22 out of 1,267 units under four Departments. Under assessment/ short levy/ loss of revenue observed by the Audit in the test check of 101 units during the year 2021-22, deficiencies accepted, and the amounts realised by the Departments are detailed in **Table-1.4**.

Table-1.4: Results of Audit

(₹ in crore)

Department	Under assessments / other deficiencies observed		Under assessments / other deficiencies accepted		Under assessments / other deficiencies realised	
	No. of cases	Money Value	No. of cases	Money Value	No. of cases	Money Value
Commercial Taxes	206	165.89	524	27.71	131	15.41
CCLA under Revenue Department	51	81.38	0	0	0	0
Registration & Stamps	278	68.45	81	0.56	81	0.56
EFS&T	231	0.87	0	0	0	0
Total	766	316.59	605	28.27	212	15.97

Source: Records of the Principal Accountant General (Audit), Andhra Pradesh

During 2021-22, the Departments accepted under assessments and other deficiencies of ₹ 28.27 crore in 605 cases, of which 600 cases involving ₹ 28.20 crore were pointed out in earlier years. An amount of ₹ 15.97 crore was realised in 212 cases during the year 2021-22. Of this, recovery of ₹ 15.93 crore in 209 cases relate to previous years.

1.9 Coverage of this report

This Report contains 20 paragraphs selected from the audit observations made during the local audit referred to above and during earlier years (which could not be included in earlier reports), including one subject specific compliance audit on ‘Department’s Oversight on GST Payments and Return Filing’ and a compliance audit paragraph on APCAMPA, involving financial impact of ₹ 1,889.59 crore.

The Departments/ Government have accepted audit observations involving ₹ 251.23 crore, out of which ₹ 10.06 crore had been realised. Audit observations are detailed in the succeeding Chapters.

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 other units with a view to ensure that they are functioning as per extant rules.