



सत्यमेव जयते

**Hand Book on Report of the
Comptroller and Auditor General of India
on
Revenue Sector
for the year ended 31 March 2016
Government of Madhya Pradesh
(Report No. 5 of the year 2016)**



**Office of the
Accountant General
(Economic & Revenue Sector Audit)
Madhya Pradesh, Bhopal
www.agmp.nic.in**

Preface

This booklet presents abridged contents* of the Report of the Comptroller And Auditor General of India, Revenue Sector of the Government of Madhya Pradesh (Report No. 5 of the year 2016) for the year ended 31 March 2016.

Mandated under Article 151 of the Constitution of India, the audit of the receipts of the State Government is conducted under Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

We test checked records of 396 units of commercial taxes, state excise, Taxes on Vehicles, Land Revenue, Stamps and Registration Fees, Mining receipts, and Electricity Duty during the year 2015-16. These revealed under assessments, taxes not levied/short levy of taxes, loss of revenue, failure to raise demands and other irregularities amounting to ₹ 2,229.45 crore in 6,45,050 cases.

The report contains 52 paragraphs including one information technology Audit on “e-Registration (SAMPADA)” and two audits on “Disposal of Appeal and Remand cases under Section 46 of MPVAT Act 2002” and “Levy and Collection of Electricity Duty, Fees and Cess” involving ₹ 970.62 crore. The complete Report (Hindi and English) is available on our website www.agmp.nic.in





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* While every effort has been made to ensure conformity of the contents of this publication with the related Audit Report, in case of any discrepancy the facts and figures as stated in the Audit Report are to be treated as final.

General

The total revenue receipts of the State Government for the year 2015-16 amounted to ₹ 1,05,510.60 crore against ₹ 88,640.78 crore for the previous year, an increase of 19.03 *per cent*. Out of the total receipts, 46 *per cent* was raised by the State through tax revenue (₹ 40,240.43 crore) and non-tax revenue (₹ 8,568.80 crore). The balance 54 *per cent* was received from the Government of India as State's share of divisible union taxes (₹ 38,371.06 crore) and grants-in-aid (₹ 18,330.31 crore).



Audit Scope

We test checked records of 396 units of Commercial Tax, State Excise, Taxes on Vehicles, Land Revenue, Stamps and Registration Fees, Mining receipts and Electricity Duty during the year 2015-16 and observed underassessment/short levy/loss of revenue amounting to ₹ 2,229.45 crore in 6,45,050 cases. The Departments concerned accepted underassessment and other deficiencies of ₹ 868.37 crore involved in 64,031 cases which were pointed out in audit during 2015-16 and collected ₹ 6.55 crore in 7,403 cases.

This Report contains 52 paragraphs including one Information Technology Auditor **“e-Registration (SAMPADA)”** and two audits on **“Disposal of Appeal and Remand cases under Section 46 of MPVAT Act 2002”** and **“Levy and Collection of Electricity Duty, Fees and Cess”** involving cases of taxes not levied or short levy of tax, interest, penalty, revenue foregone etc. The financial impact of the Report is ₹ 970.62 crore of which ₹ 765.61 crore pertains to three Special Audits.



Highlights

Information Technology Audit

Information Technology Audit on “**e-Registration (SAMPADA)**” was conducted which revealed a number of deficiencies in System design, service delivery, Information system security, planning and implementation of the system, internal control mechanism, systematic and compliance issues in tax administration.

Highlights

Other Special Audits

Audits on (1) “Disposal of Appeal and Remand cases under Section 46 of MPVAT Act 2002” and (2) “Levy and Collection of Electricity Duty, Fees and Cess” were conducted which revealed a number of systemic and compliance issues in disposal of appeal and remand cases and levy and collection of electricity duty.



Compliance Audit

Short levy of tax/ provisions of the MP VAT Act not observed and other acts/Rules, taxes not levied/ penalty/interest, incorrect application of rate of tax, incorrect deduction from taxable turnover, incorrect exemptions etc. amounted to ₹ 84.06 crore.

Short levy of Stamp Duty and Registration fees on mining/quarry leases, short/ dead rent not realised, royalty, contract money and other irregularities amounted to ₹ 43.91 crore.

Audit observations involving ₹ 26.39 crore relating to short realisation of duty, loss of revenue, penalty not levied in respect of State Excise receipts were detected.

Short levy of motor vehicle tax, short vehicle tax not realised and penalty and loss of revenue due to trade fee not realised/ short realisation involving ₹ 24.77 crore were noticed.

Observations on of revenue not realised due to inordinate delay in finalisation of cases, short realisation of Stamp duty and Registration fees, incorrect exemptions and other observations amounted to ₹ 22.01 crore in the Department of Registration and Stamps.

Audit observations involving ₹ 3.86 crore relating to *Panchayat Upkar* on diversion rent and premium not levied, processes expenses not recovered and under assessment of diversion rent of premium in the department of Land Revenue.



Performance Audit (IT Audit) on “e-Registration (SAMPADA)”

Major Audit findings

Planning and implementation of the system

Lack of Departmental IT support team

The Department could not develop its own IT support team, although computerisation of the Department was envisaged as early as year 2000.

Issue related to execution of work of software development

Penalty not imposed for work not executed

Despite abnormal delay in development of software, Department did not impose penalty on the software vendor amounting to ₹ 82.01 lakh.

Improper payment on change request

The Department had paid ₹ 1.53 crore to the software vendor for changes made in the software by the vendor though they were in the scope of work.

Legacy data not migrated into e-Registration system and undue aid to contractor

The legacy data was not digitized as envisaged in the absence of which the possibility of multiple sale of same property could not be ruled out.

Issues related to procurement of hardware

Payment of ₹ 3.73 crore was released to the hardware vendor without obtaining integration and testing report.

Although there was delay of 19 months in the completion of the project neither penalty was imposed nor was its performance security forfeited. Instead Department accepted the claim of compensation of the bidder for delay and forwarded it to the Government for sanction.

Absence of Business Continuity Plan (BCP)

The Department failed to keep the business running during downtime which led to interruption in the registration process during the downtime.

Not mapping/delay in mapping of business rules

There was incorrect mapping of business rules and absence of second level verification of system output leading to incorrect application of rate of stamp duty resulting in short levy of stamp duty and registration fees.

Delay in mapping of amendment in the application

Amendments made in the IS Act vide gazette notification duly amending the rate of duty leviable was not found updated accordingly in the system by mapping the amended provisions at the earliest. This resulted in short levy of Stamp duty and registration fees.

Validation controls

Minus balance in accounts of Service Providers

Despite negative account balances of ₹ 4.08 crore in 403 cases, e-Stamps were generated and commissions were also paid to service providers.

Absence of supervisory control

Absence of supervisory control in SAMPADA system resulted in short levy of Stamp duty and registration fees of ₹ 1.90 crore.

Deficiencies in Service delivery

Delay in delivery of registered documents

Scrutiny of data of SAMPADA database revealed that time taken for delivery of registered documents in 29 per cent cases was with a delay ranging from one day to 460 days. In some cases time taken could not be measured and in some cases time taken was found to be in minus values.

Delayed response to feedback and complaints

There was delayed response to the feedbacks and complaints of the users. Out of 3,360 complaints received in SAMPADA, 2,534 remained unresolved. During beneficiary survey of services provided under SAMPADA, conducted among 240 end users and service providers, 73 out of 142 respondents expressed dissatisfaction.

Lacunae in internal control mechanism

Absence of reconciliation of Stamp Duty and Registration fees

There was no mechanism in e-Registration system under which reconciliation of all the receipts in cyber treasury either through treasury or through e-payment by Service Providers could be done.

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रजिस्ट्रेशन एवं स्टाम्प विभाग (वाणिज्यिक कर) मध्य प्रदेश

SAMPADA

सामान्य जानकारी | ऑनलाइन सेवाएं | संपर्क | होम | हिन्दी | सहायता

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Our Recommendations

The Department may utilise the services of State based research institutes like MANIT Bhopal, IIT Indore, etc. To impart training to its officials and form a dedicated IT support team of its own. Department may consider doing away with the services of outsourced persons in the work related to e-Registration on the SAMPADA platform considering the sensitive nature of data related to registration of documents.

Action for delay in implementation of project as well as supply of hardware may be taken against those responsible. Legacy data may be digitised and migrated in the system on priority to safeguard citizens from threat of multiple registry of a property.

Rules may be mapped in the SAMPADA software, as and when the Government notifies changes in the Act/Rules.

The provisions of the Act may be suitably mapped in the application to prevent revenue leakages. Second level authorisation of data and documents may be implemented on priority to ensure proper recovery of revenue.

The registered documents should be delivered to parties within the time defined in the objectives of SAMPADA. Complaint redressal mechanism may be made robust so that the core objectives of SAMPADA for ensuring transparency and empowering the users can be achieved. The Government may fully operationalise all the modules of the SAMPADA in order to eliminate manual intervention.

Audit on “Disposal of Appeal and Remand cases under Section 46 of MPVAT Act 2002”

Major Audit findings

Disposal of appeals

Appeal orders passed to reduce tax without obtaining Assessing Authority’s views

A total of 6,229 cases involving tax of ₹ 434.17 crore were passed in favour of appellants without obtaining the views of the Assessing Authorities concerned.

Mechanical acceptance of declaration forms by Appellate Authority

In 256 cases, the Appellate Authorities accepted declarations or certificates and allowed relief of tax amounting to ₹ 19.92 crore in favour of appellants, although requests for extension of time for submission of such declarations/certificates were not found in assessment and appeal files.

Incorrect waiver of penalty under Section 57 of MP VAT Act

The Appellate Authority incorrectly waived off penalty amounting to ₹ 1.08 crore in 30 cases of 12 dealers.

Second appeal not preferred in permissible cases

In 476 cases, the Appellate Authorities allowed relief of tax amounting to ₹ 291.86 crore in favour of appellant but Commissioner did not scrutinise these cases to justify that second appeal was not required in these cases.

Our Recommendations

The Appellate Authority may admit only those appeal cases where requisite amount is deposited with the memorandum of appeal, in consonance with the Section 46 (5) of the MP VAT Act.

Amendment may be carried out in the codal provision to incorporate a provision by which the Assessing Authority should be given an opportunity of being heard in order to incorporate their views for a fair trial in appeal cases.

Adequate provisions may be made in the Act to empower the assessing authorities to appeal against the orders of the Appellate Authorities, where Assessing Authorities are of the view that while considering the appeal of the dealer, certain provisions of the Act were ignored or overlooked while passing the order in favour of appellant dealer.



Audit on “Levy and Collection of Electricity Duty, Fees and Cess”

Major Audit findings

Energy Development Cess either not credited or belatedly credited in Electricity Development fund and utilised for other than the intended purposes

The Energy Development Cess amounting to ₹ 325.17 crore was not utilised for the purpose for which cess was levied and Department also did not timely transfer the amount of Energy Development Cess amounting to ₹ 88.22 crore into Electricity Development Fund.

Interest not levied on outstanding balances with DISCOMs

Department did not levy interest of ₹ 272.11 crore on outstanding balances with DISCOMs.

Electricity duty not paid without obtaining a certificate of eligibility for exemption

The Orient Paper Mills Limited *suo moto* claimed exemption from payment of electricity duty without obtaining a certificate of eligibility for exemption. As a result, electricity duty amounting to ₹ 51.79 crore could not be realised.

Loss of revenue due to failure to install separate meters for dutiable and not dutiable consumption of electricity

Department incurred loss of revenue amounting to ₹ 16 crore as separate meters were not installed for dutiable and not dutiable energy consumption of electricity.

Shortfall in electrical inspection

Department could not achieve targets of annual inspection of electrical installations, jeopardising the safety of medium and high tension electric installations. As a result of this, inspection fees amounting to ₹ 11.35 crore remained not accrued.

Short realisation of duty from High Tension consumers

Due to application of incorrect rate of duty, electricity duty not realised from high tension consumers by ₹ 1.43 crore.

Fine not levied for not submitting of monthly returns

In four DCEIs and seven DEIs offices 1,083 captive producers, neither submitted Form 'G', nor paid the duty against the energy produced/consumed through captive power. However, the Department did not file the cases with the jurisdictional court to impose fine for not submitting Form 'G'.



Our Recommendations

The Government should ensure timely transfer of Electricity Development Cess into Electricity Development Fund and timely utilisation of Energy Development Cess for the intended purpose.

Government should formulate a mechanism by which the GED due against the DISCOMs should either immediately be converted into perpetual loan or Government should levy interest in cases of delay in payment of electricity duty.

On previous review on this issue, Public Account Committee recommended for resolution of issue of dutiable and not dutiable consumption of electricity in a time bound manner and also asked the Department to give the basis of levy of electricity duty without installing the separate meters for dutiable and not dutiable energy consumption. We again recommend that Department may install separate meters for dutiable and not dutiable consumption of electricity and there should be a time bound recovery in all such cases where electricity duty was short levied due to absence of separate meters for dutiable and not dutiable consumption of electricity.

The provisions relating to periodic inspection of the electrical installations should scrupulously be followed in order to ensure safety of these electrical installations.

The Department should strictly monitor the submission of returns by distribution companies and captive power producers and may also impose fine against errant companies to have a deterrent effect.

Compliance Audit Findings

Stamps and Registration Fees

Cases referred by Sub Registrars to the Collector of Stamps (District Registrars) for determination of market value of properties had not been finalised in time though the stipulated period of three months for disposal of referred cases had lapsed.

In 297 instruments, though the market value of the property was higher as per guidelines for the respective year, 42 SRs did not refer these instruments to the Collector of Stamps for determination of the correct value of the properties. This resulted in short levy of Stamp duty and Registration fees of ₹ 3.89 crore.

Registration



Commercial Tax

While determining the turnover, 11 Assessing Authorities allowed deduction of tax in 12 cases of 11 dealers from the aggregate of sale price, though tax was not included in the sale price. This irregular grant of deduction resulted in short levy of tax of ₹ 8.76 crore and penalty of ₹ 22.60 crore.

Twenty Assessing Authorities applied incorrect rates of tax in 27 cases of 24 dealers on turnover of ₹ 75.29 crore. This resulted in short levy of tax amounting to ₹ 11.23 crore including penalty of ₹ 5.70 crore.

Twenty eight Assessing Authorities in 51 cases of 47 dealers, allowed input tax rebate of ₹ 6.76 crore which was not in accordance with relevant provisions and rules. This resulted in short realisation of ₹ 10.32 crore including penalty of ₹ 3.56 crore.

Thirty four Assessing Authorities under determined the taxable turnover by ₹ 51.63 crore against the turnover recorded in the audited books of accounts/sale list/relevant records in 56 cases of 53 dealers. As a result, tax of ₹ 10.24 crore including interest ₹ 1.90 crore and penalty of ₹ 5.22 crore could not be levied.

Thirty six Assessing Authorities either not levied or levied at incorrect rates of Entry Tax on goods like iron and steel, machinery, HDPE sheet, TMT bars, coal, limestone, tiles etc. having turnover of ₹ 184.43 crore, on their entry into local area or granted incorrect exemption of Entry Tax in 59 cases to 58 dealers without submission of prescribed declaration forms. As a result, entry tax of ₹ 9.27 crore including penalty of ₹ 2.01 crore could not be realised.

Four Assessing Authorities did not impose penalty in four cases on four dealers under Section 21, although omissions leading to assessment were attributable to the dealers. This resulted in short realisation of revenue of ₹ 5.39 crore.

Assessing Authorities incorrectly determined the turnover and did not levy tax on certain items procured by a contractor for use in project. This resulted in short levy of tax amounting to ₹ 2.48 crore.



Mining Receipts

The lessee did not commence the commercial production at mines allotted to it by the due date despite availing the benefits of subsidised stamp duty and registration fees under the Industrial Policy of the State Government. The Department did not recover the amount of rebate of Stamp duty and registration fees amounting to ₹ 9.46 crore on agreement of allotment of lease and interest of ₹ 8.08 crore thereon, despite conditions of agreement not fulfilled.

In six district mining offices, agreements of 22 mining/quarry leases were executed on unduly stamped lease agreement. As a result, Stamp duty and Registration fees amounting to ₹ 4.19 crore was not realised/short realised.

In one district mining office, instead of levying the stamp duty on full amount of contract money in accordance with the Departmental instructions, agreements of three trade quarry leases were executed on stamp papers of lesser amount. As a result, Stamp Duty and Registration Fees of ₹ 7.66 crore was not realised/short realised.

In 10 district mining offices, 99 mining lessees had paid ₹ 11.91 crore of rural infrastructure and road development tax against the payable amount of ₹ 17.89 crore for the period 2014-15. This resulted in short realisation of revenue amounting to ₹ 5.98 crore.

In six district mining offices, the Department did not levy interest of ₹ 5.67 crore on belated payments of royalty by lessees in respect of 18 lessees of mining leases as per the provisions of the Rules.



State Excise

In three excise offices, excise verification certificates (EVC) in respect of 175 permits for transportation of foreign liquor/beer were not furnished to the authorities who issued the transport/export permit duly obtained from the Officer-in-charge of the destination units. EVCs were not furnished against export/transport of 7,93,797.56 proof litre foreign liquor and 3,87,165 bulk litre beer involving excise duty of ₹ 62.27 lakh in beer and ₹ 16.99 crore in liquor.

In two excise offices, 11 poppy straw licensees carried out trade of narcotic substance through 12 licenses without payment of license fees. Their licenses were not revoked by the District Collector in contravention of the provisions of the Gazette Notification. This resulted in short recovery of license fees of ₹ 12.15 crore.

In 107 warehouses of 51 districts of Madhya Pradesh, arrangements for Very Small Aperture Terminal (VSAT) connectivity were not made, contravening the provisions of tender document. The Department did not levy penalty amounting to ₹ 6.05 crore on the warehouses.



Taxes on Vehicles

In 27 offices, vehicle tax in respect 4,031 vehicles plying as public service vehicle kept as reserve, goods vehicles, maxicabs, stage carriage vehicles, public service vehicles plying on All India Tourist Permit and earthmovers/harvesters, amounting to ₹ 13.09 crore and penalty of ₹ 9.14 crore thereon was neither paid by the vehicle owners nor any demand notice was found issued by the Taxation Authorities.





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