

CHAPTER-I: GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Chhattisgarh during the year 2009-10, the State's share of net proceeds of divisible Union taxes and duties assigned to States and Grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(₹ in crore)

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Revenue raised by the State Government					
	• Tax revenue	4,051.91	5,045.70	5,618.10	6,593.72	7,123.25
	• Non-tax revenue	1,229.53	1,451.34	2,020.45	2,202.21	3,043.00
	Total	5,281.44	6,497.04	7,638.55	8,795.93	10,166.25
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	2,507.82	3,198.80	4,034.98	4,257.91	4,380.66 ¹
	• Grants-in-aid	1,049.23	1,757.40	2,205.12	2,608.92	3,606.74
	Total	3,557.05	4,956.20	6,240.10	6,866.83	7,987.40
3.	Total revenue receipts of the State Government (1 and 2)	8,838.49	11,453.24	13,878.65	15,662.76	18,153.65
4.	Percentage of 1 to 3	60	57	55	56	56

The above table indicates that the total revenue raised by the State Government increased by 16 *per cent* as compared to the increase of 15 *per cent* during the previous year. However, the share of revenue raised by the State Government to the total revenue of the State during 2009-10 remained at 56 *per cent* as was in the previous year. The balance 44 *per cent* of receipts during 2009-10 was from the Government of India.

¹ For details, refer "tax revenue" of statement 11, detailed account of revenue by minor heads of the Finance Account of the Government of Chhattisgarh, 2009-10. The amount under the minor head 901 - share of net proceeds assigned to the state booked under the major heads 0020 - Corporation tax, 0028 - Other taxes on income and expenditure, 0032 - Taxes on wealth, 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 revenue raised by the state and included in the state's share of divisible Union taxes in this statement.

1.1.2 The following table presents the details of the tax revenue raised during the period 2005-06 to 2009-10:

(₹ in crore)

Sl. No.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+)/(-) decrease in 2009-10 over 2008-09
1.	• Commercial tax	1,602.85	2,140.71	2,502.70	2,946.78	3,031.16	(+) 2.86
	• Central sales tax	486.35	702.33	521.00	664.16	681.00	(+) 2.54
2.	State excise	634.50	706.81	843.10	964.10	1,187.72	(+) 23.19
3.	Stamp duty and Registration fee	312.80	389.51	462.72	495.59	583.13	(+) 17.66
4.	Taxes and duties on electricity	362.31	469.12	394.86	415.10	416.91	(+) 0.44
5.	Taxes on vehicles	205.97	253.05	276.94	313.78	351.88	(+) 12.14
6.	Taxes on goods and passengers	395.33	301.81	510.72	420.71	696.10	(+) 65.46
7.	Other taxes on income and expenditure taxes on professions, trades, callings and employments including hotel receipts tax	20.65	16.23	11.54	7.67	8.81	(+) 14.86
8.	Other taxes and duties on commodities and services	4.26	5.27	6.40	6.33	6.86	(+) 8.37
9.	Land revenue	26.89	60.86	88.12	359.50	159.68	(-) 55.58
Total		4,051.91	5,045.70	5,618.10	6,593.72	7,123.25	(+) 8.03

The following reasons for variations were reported by the concerned Departments:

Commercial tax and Central sales tax: The increase (2.86 and 2.54 *per cent*) was due to increase in sale of petrol, diesel, cement, vehicles, medicines etc. under commercial tax and increase in transactions under Central Sales tax.

State excise: The increase (23.19 *per cent*) was due to increase in processing fees, duties and increase in consumption of liquor.

Stamp duty and registration fee: The increase (17.66 *per cent*) was due to increase in price of commercial properties and value of mining lease in Raipur and Bastar.

Taxes on vehicles: The increase (12.14 *per cent*) was due to increase in registration of new vehicles, driving licenses, fitness and permit etc.

Land revenue: The decrease (55.58 *per cent*) was due to declaring some districts as drought affected.

The other Departments did not inform (October 2010) the reasons for variation, despite being requested (August 2010).

1.1.3 The following table presents the details of the non-tax revenue raised during the period from 2005-06 to 2009-10.

(₹ in crore)

Sl. No.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+)/decrease (-) in 2009-10 over 2008-09
1.	Geology and mining	721.12	813.42	1,031.55	1,243.24	1,660.87	(+) 33.59
2.	Forestry and wild life	203.17	205.79	258.07	322.29	345.85	(+) 7.31
3	Interest receipt	97.67	186.04	205.61	237.40	220.70	(-) 7.03
4.	Major and medium irrigation	38.98	104.96	97.62	126.03	105.37	(-) 16.39
5.	Other non-tax receipts	106.41	74.32	96.44	135.18	537.82	(+) 297.85
6.	Medical and public health	3.07	19.33	7.62	1.67	35.67	(+) 2,035.93
7.	Other administrative services	14.23	13.10	10.59	11.49	13.03	(+) 13.40
8.	Police	10.21	12.11	12.31	8.22	6.69	(-) 18.61
9.	Public works	13.94	9.31	11.67	13.59	14.61	(+) 7.51
10.	Miscellaneous general services	14.91	8.62	281.84	95.58	96.97	(+) 1.45
11.	Co-operation	5.82	4.34	7.13	7.52	5.42	(-) 27.93
Total		1,229.53	1,451.34	2,020.45	2,202.21	3,043.00	(+) 38.18

The following reasons for variations were reported by the concerned Department:

Geology and mining: The increase (33.59 *per cent*) was due to increase in royalty rates and receipt of penalty.

Forestry and wild life: The increase (7.31 *per cent*) was due to increase in sale of timber and bamboos under state trading.

Major and medium irrigation: The decrease (16.39 *per cent*) was due to declaring some districts as drought affected and non-payment of water charges by local bodies.

The other Departments did not inform (October 2010) the reasons for variations, despite being requested (August 2010).

1.2 Response of the Departments/Government towards audit

- Annotated replies of the audit observations are to be submitted by the Government Departments to the office of the Accountant General (Audit) within one month from the date of issue of Local Audit Reports (Inspection Reports).

- In case the annotated replies of the audit observations are satisfactory and the documents in support of the replies are duly attested by the competent authority, the para is settled after verification of the documents.
- The audit observations are also settled during audit committee meetings, if the reply of Department is satisfactory.
- The observations which are subjudice remain pending till the decision of the court.
- At the time of next audit, rest of the audit observations are reviewed by the audit party at length and after verification of the record, they are recommended for settlement.

1.2.1 Failure of senior officials to enforce accountability and protect the interest of the State Government

The Accountant General (Audit), Chhattisgarh (AG) conducts periodical inspection of the Government Departments to test check the transactions and verify the maintenance of the important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the AG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the Departments and the Government.

Inspection reports issued upto December 2009 disclosed that 7,462 paragraphs involving ₹ 3,313.41 crore relating to 1,990 IRs remained outstanding at the end of June 2010 as mentioned below alongwith the corresponding figures for the preceding two years.

	June 2008	June 2009	June 2010
Number of outstanding IRs	1,875	1,955	1,990
Number of outstanding audit observations	7,059	7,266	7,462
Amount involved (₹ in crore)	2,711.75	2,847.14	3,313.41

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2010 and the amount involved are mentioned in the following table:

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money involved (₹ in crore)
1.	Finance	Taxes/VAT on sales, trade etc	344	2,234	311.18
		Electricity duty	8	25	115.88
		Entertainment tax	56	72	1.78
2.	Stamp and Registration	Stamp and registration fees	228	559	27.33
3.	Revenue	Land Revenue	475	1,270	350.14
4.	Transport	Taxes on motor vehicles	101	681	79.09
5.	Excise	State Excise	102	289	264.25
6.	Mines and Geology	Non-ferrous mining and metallurgical industries	114	387	468.13
7.	Other tax Departments	Other receipts	286	1,041	651.03
8.	Forest (Revenue)	Forest receipts	276	904	1,044.60
Total			1,990	7,462	3,313.41

Even the first replies required to be received from the heads of offices within one month from the date of issue of the IRs were not received for 87 IRs issued upto March, 2010. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and heads of the Departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

It is recommended that the Government needs to take suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as taking action against officials/officers who fail to send replies to the IRs/paragraphs as per the prescribed time schedules and also fail to take action to recover loss/outstanding demand in a time bound manner.

1.2.2 Departmental Audit Committee meetings

The Government has set up audit committees (during various periods) to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. The details of the audit committee meetings held during the year 2009-10 and the paragraphs settled are mentioned in the following table:

(₹ in crore)

Head of revenue	Number of meetings held	Number of paragraphs settled	Amount
Non-ferrous mining and metallurgical industries	01	13	2.01
Forestry	01	22	2.54
Taxes on vehicles	02	41	9.92
Public Works	01	03	1.35
Total	05	79	15.82

Despite repeated reminders (September 2009, December 2009, January 2010 and June 2010) for conducting audit committee meetings, Registration Department did not take any initiative to organise a single meeting.

It is recommended that more ACMs may be taken to reduce outstanding paras.

1.2.3 Non-production of records to Audit for scrutiny

The programme of local audit of Commercial Tax is drawn up sufficiently in advance and intimations are issued, usually one month before the commencement of audit, to the Department to enable them to keep the relevant records ready for audit scrutiny.

During 2009-10, commercial tax assessment records relating to eight offices were not made available to audit as mentioned below:

Sl. No.	Name of office	Year in which it was audited	Number of assessment cases not audited	Number of cases in which revenue involved could be ascertained	Revenue involved
1.	Commercial Tax Officer, Circle-III, Raipur	4/2004 to 3/2009	3	N.A	N.A
2.	Assistant Commissioner, Raipur (Shri Uday Shankar)	4/2004 to 3/2009	22	N.A	N.A
3.	Assistant Commissioner, Raipur(Shri K.R.Jhariya)	4/2005 to 3/2009	12	N.A	N.A
4.	Assistant Commissioner, Raipur (Smt. Uma Singh)	4/2005 to 3/2009	7	N.A	N.A
5.	ACCT, Raigarh	4/2006 to 3/2009	5	N.A	N.A
6.	ACCT, Korba	4/2007 to 3/2009	6	N.A	N.A
7.	CTO, Manendragarh	4/2001 to 3/2009	6	N.A	N.A
8.	ACCT-I	4/2006 to 3/2009	23	N.A	N.A
	Total		84		

During 2009-10, records of Forest Department relating to one office were not made available to audit as mentioned in the following table:

Sl. No.	Name of office	Year in which it was audited	Number of assessment cases not audited	Number of cases in which revenue involved could be ascertained	Revenue involved
1.	Divisional Forest Officer, East Raipur	2009-10	3	N.A	N.A

1.2.4 Response of the Departments to the draft audit paragraphs

As per standing instructions of the Finance Department, all Departments are to send their response to the draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within three weeks of their receipt. The draft paragraphs are forwarded to the Secretaries of the Department concerned through demi-official letters requesting them to send their response within three weeks. The fact of non-receipt of replies from the Government is invariably indicated at the end of each such paragraph included in the Audit Report.

Twenty two draft paragraphs (clubbed into 19 paragraphs) proposed to be included in the report of the Comptroller and Auditor General of India (Revenue receipts) for the year ended 31 March 2010 were forwarded to the Secretaries of the respective Departments between March 2010 and July 2010. Out of 22 draft paragraphs, the Departments have accepted the audit observations in respect of 19 paragraphs.

1.2.5 Follow up on Audit Reports - summarised position

According to the instructions issued by the Finance Department, all Departments were required to furnish explanatory memoranda, vetted by audit, 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.

As on March 2010, six Departments had not furnished the Departmental notes in respect of ten paragraphs included in the Audit Reports for the years between 2004-05 and 2007-08 for vetting and the period of delay ranged from 11 to 45 months as mentioned in the following table:

Sl. No.	Name of the Department	Year of report	Date of presentation to the legislature	Last date by which departmental notes were due	Number of paragraphs for which departmental notes were due	Delay in months at the end of March, 2010
1.	Land revenue	2004-05 2007-08	23.3.06 20.2.09	23.6.06 20.5.09	1 1	45 11
2.	Geology and mining	2006-07	8.7.08	8.10.08	1	18
3.	Water resources	2006-07 2007-08	8.7.08 20.2.09	8.10.08 20.5.09	1 1	18 11
4.	Motor vehicle tax	2006-07 2007-08	8.7.08 20.2.09	8.10.08 20.05.09	1 2	18 11
5.	Co-operative	2007-08	20.2.09	20.05.09	1	11
6.	Forest receipt	2006-07	8.7.08	8.10.08	1	18
Total					10	

With a view to ensure accountability of the executive, the Public Accounts Committee (PAC) lays down in each case, the period within which Action Taken Notes (ATN) on its recommendations should be sent. The PAC discussed 159 selected paragraphs pertaining to the Audit Reports for the years 1998-99 to 2007-08 and gave its recommendations on 28 paragraphs. However, ATNs have not been received in respect of 28 recommendations of the PAC from the Departments concerned as mentioned in the following table:

Year	Name of the Department						Total
	Comm- ercial tax/State Excise	Co- operative	Urban development/ Registration	Motor vehicle/ Land revenue	Water resource / Mining	Food civil supplies /Public Works Department	
1998-99	--/2	1	--/4	2/1	2/--	1/--	13
1999-2000	--/--	--	--/--	--/--	--/3	--/--	03
2000-01	--/1	--	--/6	4/--	1/--	--/--	12
2001-02	--	--	--	--	--	--	--
2002-03	--	--	--	--	--	--	--
Total	--/3	1	--/10	6/1	3/3	1/--	28

1.2.6 Compliance with the earlier Audit Reports

In the Audit Reports of 2004-05 to 2008-09 cases of under assessment, non/short levy of taxes, loss of revenue, failure to raise demands etc. were indicated involving ₹ 894.04 crore. The Departments accepted observations of the Audit Reports involving ₹ 505.40 crore of which ₹ 8.46 crore only had been recovered till March, 2010 as mentioned in the following table:

(₹ in crore)

Sl. No.	Year of the Audit Report	Total money value	Amount accepted	Recovery made upto March 2010
1.	2004-05	46.00	1.05	1.43
2.	2005-06	253.10	2.22	1.88
3.	2006-07	15.99	2.92	1.35
4.	2007-08	92.87	52.88	3.34
5.	2008-09	486.08	446.33	0.46
Total		894.04	505.40	8.46

The Government needs to take effective steps to recover the outstanding amount.

1.3 Analysis of the mechanism for dealing with the issues raised by audit

In order to analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Departments/Government, the action taken on the paragraphs and reviews included in the Audit Reports of the last 9 years in respect of **one Department** is evaluated and included in each Audit Report.

The succeeding paragraphs 1.3.1 to 1.3.2.2 discuss the performance of the Registration Department to deal with the cases detected in the course of local audit conducted during the last 9 years and also the cases included in the Audit Reports for the years 2001-02 to 2009-10.

1.3.1 Position of Inspection Reports

The summarised position of inspection reports issued during the last 9 years, paragraphs included in these reports and their status as on 31 March 2010 are mentioned in the following table:

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Para-graphs	Money value (₹ in crore)	IRs	Para-graphs	Money value (₹ in crore)	IRs	Para-graphs	Money value (₹ in crore)	IRs	Para-graphs	Money value (₹ in crore)
2001-02	170	408	1,504.55	29	97	567.19	14	51	63.87	185	454	2,007.87
2002-03	185	454	2,007.87	20	20	90.34	--	--	--	205	474	2,098.21
2003-04	205	474	2,098.21	30	100	144.56	16	41	56.15	219	533	2,186.62
2004-05	219	533	2,186.62	9	34	579.49	11	42	53.19	217	525	2,712.92
2005-06	217	525	2,712.92	26	91	314.30	32	84	1,226.95	211	532	1,800.27
2006-07	211	532	1,800.27	13	40	129.46	7	20	55.94	217	552	1,837.79
2007-08	217	552	1,873.79	26	103	747.88	5	40	168.80	238	615	2,452.87
2008-09	238	615	2,452.87	28	76	480.47	18	81	255.22	248	610	2,678.12
2009-10	248	610	2,678.12	11	29	138.06	13	31	134.55	246	608	2,681.63

(IRs related to the year 2000-01 were not taken into consideration as the period relates to Madhya Pradesh Government)

It was proposed (September 2009) to conduct Departmental audit committee meetings in regular intervals to settle outstanding old paras. Despite repeated requests (December 2009, January and June 2010), the Registration Department did not respond to hold meetings.

1.3.2 Assurances given by the Department/Government on the issues highlighted in the Audit Reports

1.3.2.1 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last nine years, those accepted by the Department and the amount recovered are mentioned in the following table:

Year of AR	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year	(₹ in lakh)
						Cumulative position of recovery of accepted cases
2000-01	2	9	--	--	--	--
2001-02	3	174	--	--	--	--
2002-03	2	9	2	9	0.46	0.46
2003-04	2	1,230	2	1,230	--	0.46
2004-05	7	84	4	78	1.63	2.69
2005-06	3	34	3	34	10.15	12.24
2006-07	5	297	5	297	123.72	135.96
2007-08	--	--	--	--	--	--
2008-09	4	161	4	161	--	--
Total	28	1,998	20	1,809	135.96	151.81

28 paras (Money Value ₹ 1,998 lakh) had been included in the Audit Reports for the period 2000-01 to 2008-09, of which 20 paras (Money Value ₹ 1,809 lakh) were accepted by the Department, whereas only ₹ 135.96 lakh (7.51 per

cent) was realised during the year (2008-09) in the accepted cases, which works out to nearly seven *per cent* of the total money value of the paragraphs. The Government needs to take effective steps to recover outstanding revenue.

Information regarding mechanism existing in the Department if any, to monitor the recovery in the accepted cases have been called for (October 2010) from the Department but the same is still awaited.

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

The draft performance reviews conducted by the AG are forwarded to the concerned Departments/Government for their information with a request to furnish their replies. These reviews are also discussed in an exit conference and the Department's/Government's views are included while finalising the reviews for the Audit Reports.

The following paragraphs discuss the issues highlighted in the reviews on the Registration Department featured in the last nine Audit Reports including the recommendations and action taken by the Department on the recommendations accepted by it as well as the Government.

Year of AR	Name of the review	Number of recommendations	Details of the recommendations accepted	Status
2006-07	Levy and collection of stamp duty and registration fee	10	4.2.7 Absence of database of revenue forgone	Informatory
			4.2.8 Remission of stamp duty on instruments of industrial units ₹ 48.12 lakh (47 cases)	An amount of ₹ 1.15 lakh recovered in 8 cases.
			4.2.9 Concession/remission of stamp duty on instruments of mortgage deed on agricultural purposes ₹ 25.98 lakh (194 cases)	An amount of ₹ 0.28 lakh recovered in 3 cases.
			4.2.10 Failure to levy stamp duty on the market value of the immovable properties ₹ 178.89 (355 cases)	An amount of ₹ 16.82 lakh recovered.
			4.2.11 Non-levy of stamp duty on sale of industrial property ₹ 2.10 lakh (1 case)	An amount of ₹ 2.10 lakh is pending for recovery.
			4.2.12 Inspections	Department replied that inspection is being undertaken.
			4.2.13 Internal Audit	Department replied that two internal audit

				officers are posted.
			4.2.14 Short levy of stamp duty and registration fee due to misclassification of instruments ₹ 38.46 lakh (48 cases)	Verification is being done in 36 cases.
			4.2.15 Delay in disposal of referred cases and realisation of demand ₹ 574.63 lakh (932 cases)	An amount of ₹ 104.46 lakh recovered.
			4.2.16 Short levy due to non-inclusion for consideration of lease deeds ₹ 4.81 lakh (26 cases)	An amount of ₹ 1.09 lakh recovered in 6 cases.

671 instruments were mentioned in all the recommendations of the review excluding para No. 4.2.15 in which short levy of stamp duty and registration fee of ₹ 2.98 crore was depicted. In these instruments, the amount of ₹ 0.19 crore (6.48 *per cent*) have been realised which is nominal.

Besides the above, the recommendation cited at para 4.2.15 of the review in which it was depicted that 932 cases involving stamp duty of ₹ 5.75 crore pertaining to the year 2002-03 to 2006-07 were pending with the District Registrars (DRs) Bilaspur, Durg and Raipur for determination of correct market value of the properties mentioned in the cases. The sum of ₹ 1.04 crore (18.17 *per cent*) have been realised in the pending cases which is nominal.

In order to avoid loss of revenue, Government may consider framing suitable time frame for disposal of the pending cases.

Information regarding, the system if any, in the Department to monitor the action taken/to be taken on the assurance given by Department/Government on the recommendations in the review have been called for (October 2010) from the Department and the same is still awaited.

1.4 Audit planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter-alia* includes critical issues in Government revenues and tax administration i.e. budget speech, white paper on state finances, reports of the Finance Commission (state and central), recommendations of the taxation reforms committee; statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during past five years etc.

During the year 2009-10, the audit universe comprised of 485 auditable units, of which 94 units were planned and 116 units audited during the year which is 23.92 *per cent* of the total auditable units.

Besides, the compliance audit mentioned above, two performance reviews were also taken up to examine the efficacy of the tax administration of these receipts.

1.5 Results of audit

1.5.1 Position of local audit conducted during the year

Test check of the records of 116 units of commercial tax, land revenue, state excise, motor vehicles tax, stamps and registration fees and other non-tax receipts conducted during the year 2009-10 revealed underassessment/short levy/loss of revenue aggregating to ₹ 189.79 crore in 7,437 cases. During the course of the year, the departments concerned accepted underassessments and other deficiencies of ₹ 56.54 crore involved in 5,421 cases. The departments collected ₹ 5.04 crore in 535 cases during 2009-10.

1.5.2 This Report

This report contains 17 paragraphs (selected from the audit detections made during the local audit referred to above and during earlier years which could not be included in earlier reports) and two performance reviews on “**Levy and collection of Motor Vehicle taxes**” and “**Assessment and collection of Forest Receipts**” relating to short/non-levy of tax, duty and interest, penalty etc., involving financial effect of ₹ 99.21 crore. The departments/Government have accepted audit observations involving ₹ 20.89 crore out of which ₹ 10.31 crore had been recovered. The replies in the remaining cases have not been received (November 2010). These are discussed in succeeding chapters II to VIII.