

CHAPTER VII- ELECTRICITY DUTY

7.1 Tax administration

Electricity Department is one of the major revenue earning Department of the State and the contribution of the electricity receipts to the total tax revenue of the State during the last five years were between 5.58 and 9.29 *per cent*. Receipts from electricity comprise receipts derived from duty, fee, cess under the provisions of Electricity Duty Act and rules and notifications issued thereunder. The Department implements the undermentioned Acts and Rules:

- Madhya Pradesh Electricity Duty Act, 1949 (as adopted in Chhattisgarh)
- Madhya Pradesh *Upkar Adhiniyam*, 1981 (as adopted in Chhattisgarh)
- Chhattisgarh *Upkar Sanshodhan Adhiniyam*, 2004.

7.2 Analysis of budget preparation

There is no specific process adopted for the preparation of budget. Budget is prepared according to the schemes of the Government. Four offices are working under the administrative control of energy department whose budget are prepared separately. Information in respect of State budget are compiled in Chief Electrical Inspector office and submitted to Government for approval.

7.3 Trend of Revenue Receipts

Budget Estimates and Actual Receipts from Electricity Department during the years 2006-07 to 2010-11 alongwith the total tax receipts during the period is exhibited in the following table:

(₹ in crore)

| Year | Budget estimate | Actual receipts | Variation excess (+)/ shortfall (-) | Percentage of variation | Total tax receipts of the state | Percentage of the actual receipts vis-à-vis total tax receipts |
|---------|-----------------|-----------------|-------------------------------------|-------------------------|---------------------------------|--|
| 2006-07 | 500.95 | 469.12 | (-)31.83 | (-)6.35 | 5045.70 | 9.29 |
| 2007-08 | 481.10 | 394.86 | (-)86.24 | (-)17.93 | 5618.10 | 7.02 |
| 2008-09 | 476.75 | 415.10 | (-)61.65 | (-)12.93 | 6593.72 | 6.29 |
| 2009-10 | 528.25 | 416.91 | (-)111.34 | (-)21.08 | 7123.25 | 5.85 |
| 2010-11 | 554.31 | 502.53 | (-)51.78 | (-)9.34 | 9005.14 | 5.58 |

It is seen from the above table that the actual receipts were lesser than the Budget Estimates during the period. The variation between the Budget Estimates and actual receipts ranged between (-) 21.08 and (-)6.35 *per cent*. The percentage of actual receipts to total tax receipt ranged between 5.58 and 9.29 *per cent* during the period.

The wide variation between the Budget Estimates and the actual receipts indicates that the Budget Estimates was not prepared on realistic basis. Since Budget Estimates is an important part of the financial planning of the Government, it is desirable that these should be close to the actual. The

decrease in actual receipts during the year as intimated by the Department (September 2011) was due to non deposition of energy development cess by the consumers of captive power plants.

We recommend that the Government may issue suitable instructions to the Department for preparing the Budget Estimates on realistic basis so as to make the same closer to the actuals.

7.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2011 amounted to ₹199.64 crore of which ₹ 9.76 crore were outstanding for more than five years. The following table depicts the position of arrear of revenue during the period 2006-07 to 2010-11:

(₹ in crore)

| Year | Opening balance of arrears | Demand raised during the year | Amount collected during the year | Closing balance of arrears |
|---------|----------------------------|-------------------------------|----------------------------------|----------------------------|
| 2006-07 | 9.76 | Nil | 0.01 | 9.75 |
| 2007-08 | 9.75 | 35.23 | Nil | 44.98 |
| 2008-09 | 44.98 | 44.66 | 3.52 | 86.12 |
| 2009-10 | 86.12 | 68.34 | Nil | 154.46 |
| 2010-11 | 154.46 | 45.18 | Nil | 199.64 |

It may be seen from the above table that the Department had not taken any substantial efforts for the recovery of arrears during the years 2006-07 to 2010-11. Though it made efforts in 2006-07 and 2008-09, but the amount of recovery was negligible.

We recommend that the Department should take remedial measures for improving the collection of arrears of revenue. The Government needs to take appropriate measures to recover the arrears.

7.5 Impact of audit

7.5.1 Position of Inspection Reports (IR) : During the last five years, audit through its IR had pointed out non/ short realisation of electricity duty and cess and non-realisation of duty due to irregular exemption amounting to ₹ 113.73 crore in 45 cases. Of these, the Department/ Government had accepted audit observations in 10 cases involving ₹ 29.37 crore. The Department had recovered ₹ 0.18 crore. The details are shown in the following table:

(₹ in crore)

| Year of IR | No. of units audited | Amount objected | | Amount accepted | | Amount recovered | |
|--------------|----------------------|-----------------|---------------|-----------------|--------------|------------------|-------------|
| | | Cases | Amount | Cases | Amount | Cases | Amount |
| 2005-06 | 01 | 6 | 2.48 | Nil | Nil | Nil | Nil |
| 2006-07 | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| 2007-08 | 02 | 23 | 61.39 | 6 | 29.07 | 1 | 0.07 |
| 2008-09 | 02 | 16 | 49.86 | 4 | 0.30 | 1 | 0.11 |
| 2009-10 | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Total | 05 | 45 | 113.73 | 10 | 29.37 | 2 | 0.18 |

7.5.2 Position of Audit Reports: In the Audit Report 2005-06 to 2009-10, the cases of non/short realisation of duty and cess etc were indicated involving ₹ 82.74 crore. The Department accepted observations of ₹ 49.97 crore of which ₹ 0.36 crore had been recovered till March 2011 as shown in the following table:

(₹ in crore)

| S. No | Year of the Audit Report | Total money value | Amount accepted | Recovery made up to March 2011 |
|--------------|--------------------------|-------------------|-----------------|--------------------------------|
| 1. | 2005-06 | 1.30 | 0.46 | 0.36 |
| 2. | 2006-07 | Nil | Nil | Nil |
| 3. | 2007-08 | 57.76 | 28.03 | Nil |
| 4. | 2008-09 | 23.68 | 21.48 | Nil |
| 5. | 2009-10 | Nil | Nil | Nil |
| Total | | 82.74 | 49.97 | 0.36 |

As seen from the above table, the recovery made by the Department is only 0.72 per cent of the amount involved in the total accepted cases.

We recommend that the Government should intensify its measures to ensure expeditious recovery of revenue in respect of the accepted cases.

7.6 Internal Audit

The objective of an Internal Audit Wing (IAW) is to have a deterrent and reforming effect in the direction of prevention of mistakes and to play a corrective role by pointing out mistakes and ensuring remedies without loss of time.

There was no IAW in the Department, thus leaving it vulnerable to risk of control failure.

We recommend that the Government should expedite the setting up of IAW in the Department.

7.7 Results of audit

We conducted test check of the records of three units of the Electricity Department during the year 2010-11. We found non-recovery of electricity fee, cess, non-realisation of electricity fee, irregular exemption and other irregularities amounting to ₹ 579.31 crore in 69 cases. The observations broadly fall under the following categories as mentioned below:

(₹ in crore)

| Sl. No. | Category | No. of cases | Amount |
|--------------|--|--------------|---------------|
| 1. | Non-recovery of electricity fee and interest | 9 | 11.87 |
| 2. | Irregular exemption of electricity fee | 03 | 29.45 |
| 3. | Non-realisation of electricity fee | 15 | 2.02 |
| 4. | Non-recovery of arrears of cess | 27 | 534.41 |
| 5. | Other irregularities | 15 | 1.56 |
| Total | | 69 | 579.31 |

During the course of the year, the Department accepted deficiencies involving ₹ 577.75 crore in 64 cases. An amount of ₹ 0.83 lakh has been recovered in the cases pointed out by audit in earlier years.

An illustrative case involving ₹ 1.13 crore is mentioned in the following paragraph.

7.8 Non-realisation of cess and interest on single point connection.

According to Rule 3 of *Madhya Pradesh Upkaar Adhiniyam, 1981* (as adopted in Chhattisgarh) read with *Chhattisgarh Upkar (Sanshodhan) Adhiniyam 2004*, every distributor of electrical energy shall pay, in addition to the electricity duty, an energy development cess at the rate of five paise per unit on the total units of electrical energy sold or supplied to a consumer or consumed by himself or his employees. Further, as per Rule 5 (1) of the Act, the unpaid cess shall carry interest at the rates prescribed vide notification dated 22 July 1975.

We found in the test check of the records of the Divisional Electrical Inspectors (DEI) Bilaspur, (April 2010) that the Chhattisgarh State Power Distribution Company Limited (CSPDCL) distributed/sold 15,16,88,875 units of electricity to consumers under single point connection scheme. However, while collecting the energy charges, cess was not collected. This resulted in non-realisation of cess amounting ₹ 75.84 lakh and interest of ₹ 37.12 lakh.

After these cases were pointed out (between October 2010 to February 2011), the Department issued letters to concerned divisions for recovery of cess amount.

The matter was brought to the notice of the Government (October 2010) for their comments; their reply has not been received (January 2012).