

CHAPTER I

GENERAL

1.1 Trend of revenue receipts

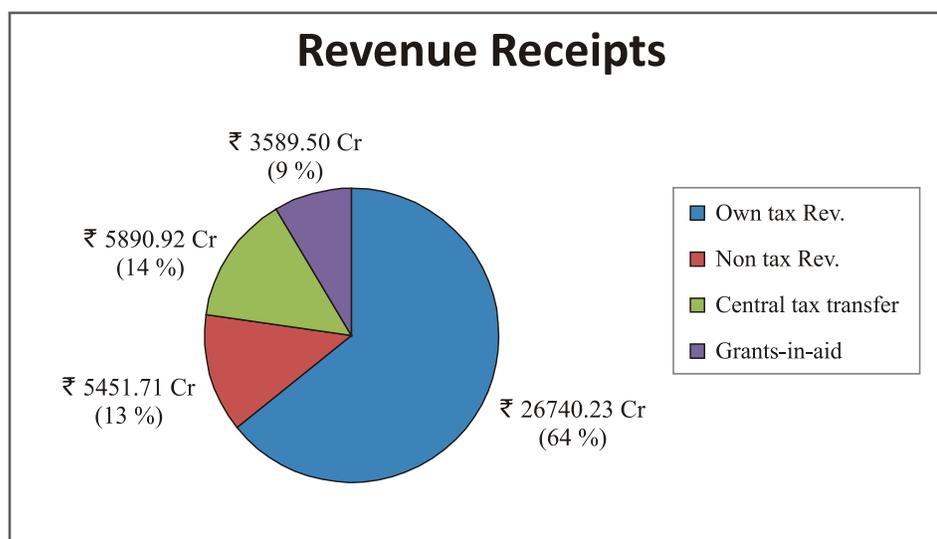
1.1.1 The tax and non-tax revenue raised by the Government of Gujarat during the year, the State's share of net proceeds of divisible Union Taxes and duties assigned to the State and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four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

(₹ in crore)

Sl. no.	Particular	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Revenue raised by the State Government					
	• Tax revenue	15,698.11	18,464.63	21,885.57	23,557.03	26,740.23
	• Non-tax revenue	3,353.37	4,948.78	4,609.31	5,099.32	5,451.71
	Total	19,051.48	23,413.41	26,494.88	28,656.35	32,191.94
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	3,372.43	4,425.95	5,426.09	5,725.86	5,890.92
	• Grants-in-aid	2,642.96	3,162.86	3,768.88	4,293.50	3,589.50
	Total	6,015.39	7,588.81	9,194.97	10,019.36	9,480.42
3.	Total revenue receipts of the State Government (1 and 2)	25,066.87	31,002.22	35,689.85	38,675.71	41,672.36¹
4.	Percentage of 1 to 3	76	76	74	74	77

The above table indicates that during the year 2009-10, the revenue raised by the State Government (₹ 32,192 crore) was 77 per cent of the total revenue receipts against 74 per cent in the preceding year. The balance 23 per cent of the receipts during 2009-10 was from the Government of India.

¹ For details, please see statement No. 11, Detailed Accounts of revenue by minor heads in the Finance Accounts of the Government of Gujarat for the year 2009-10. Figures under the Heads "0020 - Corporation tax, 0021 - Taxes on Income other than corporation tax, 0028 - Other taxes on income and expenditure, 0032 - Taxes on wealth, 0037 - Customs, 0038 - Union excise duties, 0044 - Service tax, 0045 - Other taxes and duties on commodities and services", - share of net proceeds assigned to states booked in the Finance Accounts under A - 'Tax Revenue', have been excluded from revenue raised by the State and included in State's share of divisible union taxes in this statement.



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

(₹ in crore)

Sl. no.	Heads of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+) or decrease (-) in 2009-10 over 2008-09
1.	Sales tax/VAT	8,646.13	10,886.21	13,199.04	15,143.86	15,651.20	(+) 3.35
	Central sales tax	1,915.21	1,931.25	1,905.50	1,666.79	2,548.59	(+) 52.90
2.	Taxes and duties on electricity	1,899.68	2,087.77	2,046.52	2,369.91	2,643.65	(+) 11.55
3.	Stamp duty and registration fees	1,153.16	1,425.03	2,018.43	1,728.50	2,556.72	(+) 47.92
4.	Land revenue	380.23	498.71	683.09	543.50	1,161.20	(+) 113.65
5.	Taxes on vehicles	1,153.97	1,191.15	1,310.09	1,381.66	1,542.64	(+) 11.65
6.	Taxes on goods and passengers	156.30	5.96	151.62	169.35	6.91	(-) 95.92
7.	State excise	48.06	41.94	47.20	48.71	65.94	(+) 35.37
8.	Other taxes on income and expenditure	119.32	131.07	149.67	185.84	196.87	(+) 5.94
9.	Other taxes	226.05	265.54	374.41	318.91	366.51	(+) 14.93
	Total	15,698.11	18,464.63	21,885.57	23,557.03	26,740.23	(+) 13.51

The reasons for variations wherever substantial though called for in May 2010 were not reported (December 2010) by the concerned Departments except in case of electricity in which the Department stated that the rate of electricity duty is on *ad valorem* basis. Hence, increase in electricity charges of licensee coupled with increase in sale of electricity resulted in increase in electricity duty collection.

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

(₹ in crore)

Sl. no.	Heads of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+) or decrease (-) in 2009-10 over 2008-09
1.	Non-ferrous mining and metallurgical industries	1,880.18	2,173.76	2,082.14	1,559.82	2,138.98	(+) 37.13
2.	Interest receipts	130.91	283.07	329.88	567.81	419.44	(-) 26.13
3.	Major and medium irrigation	248.62	330.61	452.82	455.77	504.61	(+) 10.72
4.	Miscellaneous general services	217.57	968.96	588.53	643.29	847.14	(+) 31.69
5.	Other administrative services	35.11	36.57	47.93	189.44	110.80	(-) 41.51
6.	Police	71.28	90.66	86.24	77.44	101.45	(+) 31.00
7.	Medical and public health	53.83	66.68	66.25	126.50	62.40	(-)50.67
8.	Public works	26.99	30.64	27.19	31.69	51.06	(+) 61.12
9.	Forestry and wild life	42.76	36.91	35.08	40.51	39.76	(-) 1.85
10.	Other non-tax receipts	646.12	930.92	893.25	1,407.05	1,176.07	(-) 16.42
Total		3,353.37	4,948.78	4,609.31	5,099.32	5,451.71	(+) 6.91

The concerned Departments did not inform (December 2010) the reasons for variations, despite being requested (May 2010).

1.1.4 The following irregularities were noticed wherein Government money was retained either in excess of requirement or unauthorisedly which affects the cash balances in Government account with avoidable loss of interest.

1.1.4.1 Lack of monitoring over delay in credit of Government revenue by the banks

Paragraph 5.11 of the Memorandum of instructions issued by the RBI in 2006 authorised State Government to charge interest from the defaulting banks for delay in credit of Government revenue by the collecting banks with effect from 1 January 2006. Accordingly, the Director of Accounts and Treasury issued instructions (April 2006) to all the District Treasury Officers (DTOs) to keep a watch over the cases of delay and charge interest as per the RBI's guidelines by raising a demand against the defaulting banks every month. The DTOs were required to maintain a register in respect of cases of delay, interest recoverable and recovered. Also a statement of interest recoverable and recovered was to be furnished to the DAT every month by every DTO.

During scrutiny of the records of the DTO, Ahmedabad, Vadodara, Gandhinagar and Surat, we noticed that in all these treasury offices, the banks collecting Government revenue had delayed crediting of Government revenue in Government account in a large number of cases. This indicated that there was weak monitoring by DAT and DTOs over timely remittances by the banks. These DTOs did not charge interest on such delays despite specific instructions of RBI and DAT.

Though TAS had provision to work out the interest leviable due to delay in credit to Government, it was not levied by DTOs since the available reports were not utilised. Our scrutiny revealed non/short levy of interest of ₹ 4.91 crore for delay in credit of Government revenue by the banks as mentioned in the following table :

District treasury	Period for which cases were checked in audit	Defaulting banks	Delay ranged between	Number of cases	Interest not charged/ short charged (₹ in crore)
Ahmedabad	01.01.2006 to 31.03.2009	BOB, SBI, Corporation Bank, Dena Bank, HDFC Bank, ICICI Bank, IOB	One day to 2,034 days	496	4.66
Vadodara	01.04.2008 to 31.03.2009	-do-	One day to 1,093 days	495	0.11
Surat	01.02.2008 to 31.03.2009	-do-	One day to 32 days	354	0.06
Gandhinagar	01.04.2007 to 31.03.2009	-do-	One day to 58 days	242	0.08
Total				1,587	4.91

The non-levy of interest was worked out by us in respect of only those cases where either *challans* were furnished by DTOs or delay statement could be generated in Treasury Accounting System (TAS). The actual delay may be more in other cases.

The Government stated (November 2010) that there is a well established system for reviewing the delay in crediting the Government receipts by banks and charging the penal interest. Under Integrated Financial Management System a report for delay credit has been designed to strengthen the process. District treasury office, Ahmadabad has recovered the eligible interest. The reply received is not convincing as can be seen from the table above that in all four treasury offices, the delays were huge and insufficient monitoring was evident. They had therefore not levied the interest as per the instructions.

The Government may consider taking up this matter with the defaulting banks for avoiding further delay and ensure that in all such cases of delay, interest is invariably recovered/charged to the defaulting banks.

1.1.4.2 Funds released in excess of requirements

Under the Rule 193(2) of the Gujarat Treasury Rules, 2000, no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands.

For implementation of various projects/schemes, Urban Development and Urban Housing Department had allotted grants to GMFB for disbursement of funds to the Municipalities/Municipal Corporations. On scrutiny of records, we noticed that the Board drew funds from the Government account in excess of requirements during 2004-05 to 2007-08 in respect of four schemes viz., National Slum Development Programme (NSDP), *Vajpayee Nagar Vikas Yojana* (VNVY) – Centrally Sponsored schemes, Municipal Finance Development Fund (MFDF), Entertainment Tax Grant (ET) and Urban Development Fund (UDF) – State schemes. The retention of Government fund without requirement ranged from ₹ 161.57 crore to ₹ 202.47 crore as shown in the table below:

Funds retained by GMFB in excess of requirements

(₹ in crore)

Year	Funds retained in excess of requirements in respect of					Total fund retained in excess of requirement
	NSDP	VNVY	MFDF	ET	UDF	
2004-05	53.45	20.77	24.68	103.57	---	202.47
2005-06	58.16	60.04	10.10	33.27	---	161.57
2006-07	74.83	53.89	17.59	31.09	9.60	187.00
2007-08	74.93	71.95	Nil	34.23	2.89	184.00

In respect of three schemes (NSDP, VNVY and MFDF Scheme), utilisation by the Board was even less than funds kept in balance at the beginning of the year.

Also, out of above funds, NSDP fund of ₹ 53.45 crore to ₹ 74.93 crore during the year 2004-05 to 2007-08, VNVY fund of ₹ 20.77 crore to ₹ 71.39 crore for 2004-05 and 2007-08 and ET fund of ₹ 103.57 crore for 2004-05 were kept idle with the Board. These funds were neither utilised nor invested in banks or financial institutions. Further, these funds were not returned to the State Government for use elsewhere.

Release of funds to GMFB by the Urban Development and Urban Housing Department without immediate requirements and retention of accumulated fund also resulted in loss of interest to the State Government. Reply of the Department has not been received (December 2010).

We recommend that the State Government may consider issuing instructions to all the Departments to release the funds to the Boards/ Corporations etc., under their control only after proper assessment of their requirements.

1.1.4.3 Lack of monitoring over remittance of Government money by Government Board/Authority

Gujarat Municipal Finance Board (GMFB – under Urban Development and Urban Housing Department) received funds from the State Government for various projects/schemes. These funds were disbursed to various municipalities/municipal corporations/project implementing authorities (PIAs-municipalities, PSUs etc.) as loan (70 per cent) and grant (30 per cent) for implementation of projects/schemes. GMFB recovered these loans along with interest from the beneficiaries for their remittances into Government account.

During test check of records of GMFB, we noticed that after collection of loan principal and interest, they did not credit these amounts in Government account immediately. The GMFB retained these funds for a period ranging from 291 days to 668 days in five cases. Unauthorised retention of Government money deprived the State to earn interest thereon. Notional loss of interest to Government worked out to ₹ 4.98 crore at bank rate of 5.55 per cent which could have been realised through investment in Cash Balance Investment Account.

We reported the matter to the Department and the Government in May 2010; their reply has not been received (January 2011).

1.2 Response of the Departments/Government towards audit

In the following paragraphs from 1.2.1 to 1.2.6, response of the Departments/Government towards various aspects related to audit process has been discussed.

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

Principal Accountant General (Commercial and Receipt Audit) Gujarat, Ahmedabad (PAG), 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 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 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 PAG 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 12,998 paragraphs involving ₹ 7,290.79 crore relating to 4,374 IRs remained outstanding at the end of June 2010 as mentioned in the following table along with the corresponding figures for the preceding two years.

Particulars	As at the end of		
	June 2008	June 2009	June 2010
Number of outstanding inspection reports	3,794	4,035	4,374
Number of outstanding audit observations	10,607	11,426	12,998
Amount of revenue involved (₹ in crore)	4,120.45	4,987.77	7,290.79

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2010 and the amounts involved are mentioned below:

Sl. no.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1	Finance	Taxes/VAT on sales, trade etc.,	1,403	5,167	2,488.37
		Professional Tax	16	27	0.04
2	Home	State excise	13	21	0.28
3	Revenue	Land revenue	398	822	314.68
4	Ports and Transport	Taxes on motor vehicles	373	1,555	658.04
5	Revenue	Stamp duty and registration fees	1,230	3,294	1,036.75
6	Industries and Mines	Receipts from non-ferrous mining and metallurgical industries	249	855	2,472.25
7	Energy and Petrochemicals	Electricity duty	61	92	138.81
8	Forest and environment	Forestry and wild life	94	144	7.20
9	Information and Broadcasting	Entertainments tax, luxury tax, etc.	537	1,021	174.37
Total			4,374	12,998	7,290.79

Even the first replies required to be received from the heads of office within one month from the date of issue of the IRs were not received for 207 IRs issued up to December 2009. 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 PAG in the IRs.

We recommend that the Government take suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as take 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 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 below:

(₹ in crore)

Sl. no.	Name of the Department/ Head of revenue	No. of meetings held	No. of IRs/ paragraphs settled		Amount
			IRs	Paragraphs	
1.	Finance (Sales tax/VAT)	1	-	18	8.55
2.	Ports and Transport (Motor vehicles tax)	1	-	73	146.20
3.	Information and Broadcasting (Luxury tax)	1	12	31	3.31

It would be seen from the above paragraph that though the amount of the outstanding observations had increased from ₹ 4987.77 crore to ₹ 7290.79 crore i.e increase of 46 per cent, only three meetings were held during the year.

Considering the large pendency of IRs and audit paragraphs, the Departments need to hold more audit committee meetings to clear the outstanding paragraphs.

1.2.3 Non-production of records to Audit for scrutiny

The programme of local audit of all the Departments 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, 8497 tax assessment records relating to 87 Commercial tax offices were not made available to audit. The tax effect was not available with the assessing authority. Of these cases, 15 assessments pertained to three special circles where assessments of major dealers are dealt with. 3,772 documents relating to Stamp Duty and Registration Fees in one office and copies of powers of attorney authorised to execute the sale deeds in three offices were not made available to us. Annual returns of lease holders were not made available to audit by seven² District Geologists whereby the correct tax liability of the lease holders could not be ascertained. Details of the cases are mentioned below :

² Ahmedabad, Amreli, Anand, Bhavnagar, Junagadh, Patan and Surendranagar.

Sl. No.	Name of Office	No of units	Year in which it was to be audited	Number of assessment cases/documents not produced
1.	Commercial Tax Offices	87	2006-07 to 2009-10	8497
2.	Sub-Registrar Office (Navagam)	one	2008	3772
3.	Sub-Registrar Offices (Rajkot, Morbi, Gondal)	three	2008	No power of attorney was produced (Number of documents not ascertainable)
4.	Sub-Registrar Office (Savli)	one	2008	Daily cash book and receipts not produced
5.	District Geologists	seven	2005-06 to 2008-09	Annual returns of lease holders not produced (Number of returns not ascertainable)

1.2.4 Response of the Departments to the draft audit paragraphs

According to the hand book of instructions for speedy settlement of draft paragraphs issued by the Finance Department on 12 March 1992, results of verification of facts contained in the draft paragraphs are required to be communicated to the Accountant General (AG) within six weeks from the date of their receipt. In exceptional cases where it is not possible to furnish the final reply to the draft paragraph within the above time limit, an interim reply should be given to the AG.

Sixty six draft paragraphs (clubbed into 43 paragraphs) proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2010 (Revenue Receipts) were forwarded to the Secretaries of the respective Departments between March and August 2010 through demi-official letters. The Secretaries of the respective Departments did not reply to 31 draft paragraphs. The paragraphs of the reviews have been included in this report after incorporating the response of the Secretaries of the concerned Departments, wherever received.

1.2.5 Follow up on Audit Reports - summarised position

As per instructions issued by the Finance Department on 12 March 1992, administrative Departments are required to submit explanatory notes on paragraphs and reviews included in the Audit Reports (AR) within three months of presentation of the ARs to the Legislature, without waiting for any notice or call from the Public Accounts Committee, duly indicating the action taken or proposed to be taken.

The AR for the years 2008-09 was presented to the State Legislature on 30 March 2010. Explanatory notes in respect of paragraphs included in AR 2008-09 were not yet furnished by the Departments as mentioned in the following table (December 2010).

Name of the Department	2008-09 (Paragraphs)	2008-09 (Sub paragraphs- Reviews)	Total
Finance (Sales tax/VAT)	08	11	19
Revenue (Stamp duty)	12	--	12
(Land revenue)	5	--	5
Ports and Transport (Motor vehicles tax)	2	12	14
Information and Broadcasting (Entertainments tax)	4	--	4
(Luxury tax)	1	--	1
Industries and Mines (Mining receipts)	--	11	11
Energy and Petrochemicals (Mining receipts)	--	11	11
(Electricity Duty)	2	--	2
Total	34	45	79

1.2.6 Compliance with the earlier Audit Reports

During the years between 2004-05 and 2008-09, the Departments/Government accepted audit observations involving ₹ 716.20 crore of which an amount of ₹ 60.13 crore had been recovered till 31 March 2010 as mentioned below:

(₹ in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2004-05	247.14	131.34	14.96
2005-06	441.53	427.76	36.54
2006-07	94.53	23.84	2.56
2007-08	304.96	86.28	2.55
2008-09	5,743.47	46.98	3.52
Total	6831.63	716.20	60.13

The recovery in respect of the accepted cases was very low (eight *per cent* of the accepted money value).

We recommend the Government to advise the concerned Departments to take necessary steps for speedy recovery at least in those cases/ paragraphs which have been accepted by the concerned Departments in the interest of revenue.

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 five years in respect of Commercial Tax Department (CTD) is evaluated and included in this Audit Report.

The succeeding paragraphs 1.3.1 to 1.3.2.2 discuss the performance of the Commercial Tax Department to deal with the cases detected in the course of local audit conducted during the last five years and also the cases included in the Audit Reports for the years 2005-06 to 2009-10.

1.3.1 Position of Inspection Reports

The summarised position of inspection reports issued during the last five years, paragraphs included in these reports and their status as on 31 March 2010 are tabulated below :

(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs ³	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
2005-06	1073	1298	33.45	98	230	155.77	337	513	7.43	834	1015	181.79
2006-07	834	1015	181.79	117	334	66.02	165	163	1.10	786	1186	246.71
2007-08	786	1186	246.71	145	228	158.94	165	110	1.26	766	1304	404.39
2008-09	766	1304	404.39	125	271	68.04	275	423	4.39	616	1152	468.04
2009-10	616	1152	468.04	110	272	14.98	110	103	0.75	616	1321	482.27

There was continuous increase in the number (except in 2008-09) and money value of the objections as at the end of the year from 2005-06 to 2009-10. This indicates failure of the Department to take timely action on the audit objections. During five years period from 2005-06 to 2009-10, Commercial Tax Department conducted 20 ACMs and settled 1,176 paragraphs and 99 IRs involving money value of ₹ 13.92 crore.

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 five years, those accepted by the Department and the amount recovered are mentioned in the following table.

³ Includes only those observations which were not included in Audit Reports.

Year of AR	Number of paragraphs included	Money value of the paragraphs (₹ in crore)	Money value of accepted paragraphs (₹ in crore)	Cumulative position of recovery of accepted cases (₹ in crore)
2004-05	17	105.38	41.43	2.16
2005-06	14	311.89	25.71	1.60
2006-07	12	27.86	10.98	1.49
2007-08	12	134.90	21.81	1.43
2008-09	17	5,013.96	24.62	0.64
Total	72	5,593.99	124.55	7.32

Out of observations of ₹ 124.55 crore accepted, the Department recovered an amount of ₹ 7.32 crore during the period of five years which was very low (5.88 per cent of accepted amount of observations).

We recommend the Department to consider taking effective steps to recover the amount of accepted money value utilising the powers of Commercial Tax authorities for recovery of tax as arrears of Land Revenue and speed up the recovery.

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

The draft performance reviews conducted by the PAG are forwarded to the concerned Departments/Government for their information with the request to furnish their replies. These reviews are also discussed in an exit conference and the Department/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 Commercial Tax Department featured in the last five years' ARs 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
2004-05	Working of Enforcement Branch in Sales Tax Department	Four	Government had accepted all the recommendations.	Government stated that suitable proceedings had been made through internal audit.
2005-06	Assessment and collection of tax	Three	--	Government did not accept any of the recommendations.
2007-08	Administration and recovery of deferred sales tax	Four	Government response on these recommendations is awaited.	-
2008-09	Transition from Sales tax to Value Added Tax	14	Government response on these recommendations is awaited.	-

The Department/Government had accepted the recommendation of the review on “Working of enforcement Branch in Sales Tax Department”, which appeared in the report of the Comptroller and Auditor General of India for the year 2004-05, for suitable provisions to make the system of transit pass in respect of goods passing through the State more effective and to prevent loss of revenue due to diversion of goods. Accordingly, Government inserted provision to levy penalty for the failure to carry transit pass in respect of the goods passing through the State. However, in view of extent of vehicular traffic and in the absence of any system for checking goods vehicles on road by the Department, detection of diversion of goods in the State meant for other states will be a remote chance till the exit check post takes action.

Review on “Assessment and collection of tax” which appeared in the Audit Report 2005-06, highlighted a number of cases where assessments were treated as simple assessments though the dealers did not fulfil conditions prescribed in public circular to merit finalisation as simple assessments. Government did not propose any corrective measures to avoid recurrence of such cases.

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* include 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 961 auditable units, of which 599 units were planned and audited during the year, which is 62 *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 sales tax/VAT, land revenue, state excise, motor vehicles tax, stamp duty and registration fees, electricity duty, other tax receipts, forest receipts and other non-tax receipts conducted during the year 2009-10 revealed under assessment/short levy/loss of revenue amounting to ₹ 2,470.95 crore in 1,783 cases. During the year, the Departments accepted under assessment of ₹ 103.87 crore in 185 cases and recovered ₹ 3.28 crore in 99 cases pointed out in 2009-10 and earlier years.

1.5.2 This Report

This report contains 43 paragraphs including two performance reviews on “Receipts from conversion of land” and “Interest receipts” relating to short/non levy of tax, duty and interest, penalty etc., involving financial effect of ₹ 352.04 crore. The Departments/Government have accepted audit observations involving ₹ 63.08 crore out of which ₹ 7.81 crore has been recovered. The replies in the remaining cases have not been received (December 2010). These are discussed in succeeding Chapters II to VII.