

Chapter I

Overview

1.1 About this Report

This Report contains significant findings of audit of receipts of major revenue earning Departments of Government of Andhra Pradesh. Audit has been conducted under the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971.

The Report contains one Performance Audit on “Functioning of Prohibition and Excise Department” and 18 compliance audit paragraphs with a tax effect of ₹89.77 crore. 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 the general principles governing sound public financial management and the conduct of public officials.

The primary purpose of this Report is to bring to the notice of the State Legislature, significant results of audit. The findings of audit 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 the records made available to audit by the Government departments concerned. There may be similar irregularities, errors/ omissions in other units of these departments but not covered in the test audit. Departments may, therefore, examine all the units to ensure that the taxes are assessed, levied, collected and accounted for, as per the provisions of the related Acts and Rules.

This Chapter presents an overview of the revenue receipts of the Government of Andhra Pradesh during the year 2018-19, analyses the trend of receipts over the five year period 2014-15 to 2018-19, and details the arrears of tax revenue pending collection as of 31 March 2019. Further, Audit approach to examination of revenue receipts of the State is outlined and the response of the State Government to audit findings is also discussed.

1.2 Trend of Revenue Receipts

A summary of the revenue (tax and non-tax revenue, the State’s share of net proceeds of divisible Union taxes and duties assigned to it, Grants-in-Aid received from the Government of India (GoI) during the year 2018-19 and the corresponding figures for the preceding four years) of Government of Andhra Pradesh is given in **Table-1.1**.

Table 1.1: Trend of revenue receipts

		(₹ in crore)				
Sl. No.	Particulars	2014-15**	2015-16	2016-17	2017-18	2018-19 ¹
1.	Revenue raised by the State Government					
	Tax revenue	42,618	39,907	44,181	49,486	58,031
	Non-tax revenue	10,976	4,920	5,193	3,814	4,396
	Total	53,594	44,827	49,374	53,300	62,427
2.	Receipts from the Government of India					
	Share of net proceeds of divisible Union taxes and duties	15,299	21,894	26,264	29,001	32,787
	Grants-in-Aid	21,779	21,927	23,346	22,761	19,457
	Total	37,078	43,821	49,610	51,762	52,244
3.	Total revenue receipts of the State Government (1 +2)	90,672	88,648	98,984	1,05,062	1,14,671
4.	Percentage of 1 to 3	59	51	50	51	54

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

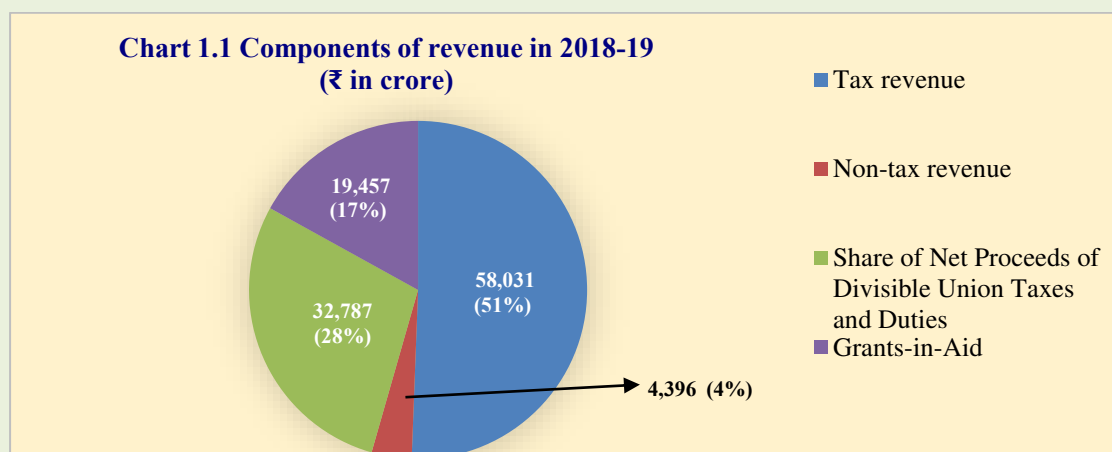
** Data pertains to composite State of Andhra Pradesh for 23 districts up to 01 June 2014 and the successor State of Andhra Pradesh with 13 districts with effect from 02 June 2014 to 31 March 2015.

The State's performance in mobilisation of resources is assessed in terms of tax revenue and non-tax revenue excluding the State's share in Central taxes and Grants-in-Aid, which are based on the recommendations of the Finance Commission.

As can be seen from the Table above, the tax revenue raised by the State has increased during the post bifurcation period 2015-19 (by 11 *per cent* in 2016-17; 12 *per cent* in 2017-18 and 17 *per cent* in 2018-19).

However, non-tax revenue showed a mixed trend with a dip during 2017-18, before picking up pace during 2018-19. The percentage of tax and non-tax revenue raised by the State Government to the total revenue of the State has also been 50 *per cent* and above post bifurcation.

The nature and composition of revenue receipts of the State during the year 2018-19 are shown in **Chart-1.1**.



¹ For details, please see Statement No.14- Detailed accounts of revenue by Minor Heads in the Finance Accounts of Government of Andhra Pradesh for the year 2018-19. Figures under the Minor Head 901-share of net proceeds assigned to the States under the Major Heads 0005-Central Goods and Services Tax, 0008-Integrated Goods and Services Tax, 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 and 0045-Other Taxes and Duties on Commodities and Services booked in the Finance Accounts under A-Tax Revenue have been excluded from the revenue raised by the State and exhibited as State's share of divisible Union taxes.

1.2.1 Tax Revenue

Details of tax revenue raised during the period from 2014-15 to 2018-19 are given in Table 1.2.

Table 1.2: Details of tax revenue raised

(₹in crore)							
Head of Revenue	Budget Estimates/ Actuals	2014-15**	2015-16	2016-17	2017-18	2018-19	Percentage increase (+)/ decrease (-) in 2018-19 over 2017-18
Taxes on Sales, Trade etc.& SGST [^]	Budget Estimates	28,749	32,840	37,434	39,321	45,940 ^{^^}	17
	Actuals	30,524	29,104	32,484	36,155	42,525 ^{##}	18
State Excise	Budget Estimates	4,027	4,680	5,756	5,886	7,358	25
	Actuals	4,352	4,386	4,645	5,460	6,220	14
Stamp Duty and Registration Fee	Budget Estimates	2,460	3,500	5,180	4,000	4,880	22
	Actuals	3,250	3,527	3,476	4,271	5,428	27
Taxes on Vehicles	Budget Estimates	1,384	1,977	2,412	2,950	3,688	25
	Actuals	3,687	2,082	2,467	3,039	3,341	10
Land Revenue	Budget Estimates	66	632	631	300	300	0
	Actuals	62	52	167	107	57	(-)47
Taxes and Duties on Electricity	Budget Estimates	189	190	214	350	350	0
	Actuals	156	176	333	16	11	(-)31
Others	Budget Estimates	17,361	604	691	910	1,019	12
	Actuals	587	580	609	438	449	2
Total	Budget Estimates	54,236	44,423	52,318	53,717	63,535	18
	Actuals	42,618	39,907	44,181	49,486	58,031	17

Source: Budget Estimates and Finance Accounts of Government of Andhra Pradesh for relevant years

** Data pertains to composite State of Andhra Pradesh for 23 districts up to 01 June 2014 and the successor State of Andhra Pradesh with 13 districts thereafter.

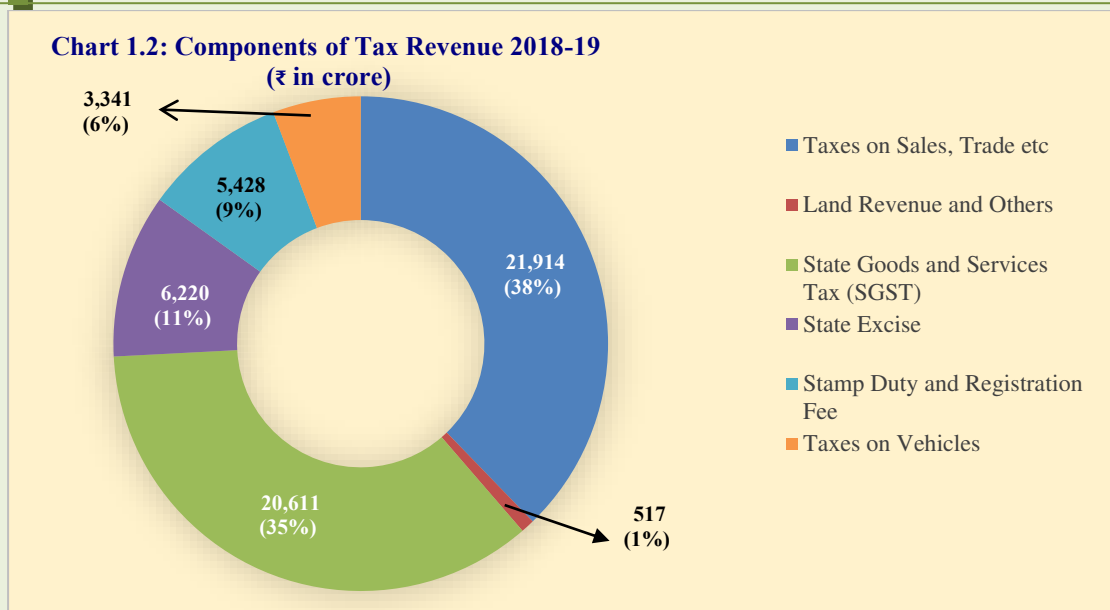
[^] State Goods and Services Tax was introduced with effect from 1 July 2017.

^{^^} includes SGST of ₹ 7,492 crore.

^{##} includes SGST of ₹ 20,611 crore.

Receipts under sales tax and SGST have not matched the expectations projected by the State Government in its Budget in any year during the four year period 2015-19. Same is the case with land revenue, which lagged behind budgetary projections during 2014-19. Revenue from taxes on vehicles exceeded budgetary projections during 2014-18 but lagged behind during 2018-19. Taxes and duties on electricity could not meet budgetary expectations during the period 2015-16 and 2017-19.

Component-wise break-up of tax revenue for the year 2018-19 is shown in **Chart-1.2**.



Tax revenue accounted for 51 *per cent* (₹58,031 crore) of the total revenue (₹1,14,671 crore) of the State during the year 2018-19.

There has been a net increase of 17 *per cent* of tax revenue during the year 2018-19 over the previous year. While revenue under the heads – State Excise, Stamp Duty and Registration Fee, Taxes on Vehicles and others had increased, receipts under Land Revenue and Taxes and Duties on Electricity decreased.

The decrease in Land Revenue was attributed by the Department to drought conditions in five Districts during the period 2014-2018 and non-availability of adequate water due to inadequate rainfall, resulting in the inability of the farmers to pay water tax. There was, however, nothing on record to evidence the waiver of water tax formally by the State Government. Further, Government of Andhra Pradesh reduced (by Act 13 of 2018) rates of one time conversion tax from five *per cent* to two *per cent* in Vijayawada, Visakhapatnam Municipal Corporation areas and from nine *per cent* to three *per cent* in the remaining areas.

Director of Electrical Safety and Chief Electrical Inspector to Government communicated (September 2019) that AP distribution companies have not paid ₹429.75 crore dues of Electricity duty payable from May 2016 to March 2018.

1.2.2 Non-Tax Revenue

Details of non-tax revenue raised during the period from 2014-2015 to 2018-19 are given in **Table-1.3**.

Table-1.3: Details of Non-Tax Revenue raised

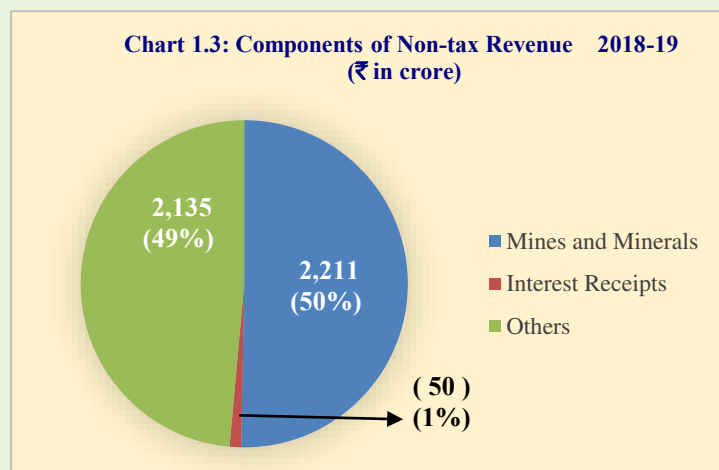
		(₹ in crore)					
Head of Revenue	Budget Estimates/ Actuals	2014-15**	2015-16	2016-17	2017-18	2018-19	Percentage increase (+)/ decrease (-) in 2018-19 over 2017-18
Interest Receipts	Budget Estimates	4,813	154	154	131	275	(+) 109.92
	Actuals	4,795	133	113	96	50	(-) 47.91
Mines and Minerals	Budget Estimates	1,226	1,359	1,705	2,200	2,500	(+) 13.63
	Actuals	1,219	1,523	1,628	2,156	2,211	(+) 2.55
Others	Budget Estimates	2,972	3,828	3,636	2,761	2,571	(-) 6.88
	Actuals	4,962	3,264	3,452	1,562	2,135	(+) 36.68
Total	Budget Estimates	9,011	5,341	5,495	5,092	5,346	(+) 4.98
	Actuals	10,976	4,920	5,196	3,814	4,396	(+) 15.25

Source: Budget Estimates and Finance Accounts of Government of Andhra Pradesh for relevant years.

** Data pertains to composite State of Andhra Pradesh for 23 districts up to 01 June 2014 and the Successor State of Andhra Pradesh with 13 districts from 02 June 2014.

Component wise break up of non-tax revenue for the year 2018-19 is shown in **Chart-1.3**.

Non-tax revenue increased by 15 per cent during the year 2018-19 over the previous year and accounted for 3.83 per cent (₹4,396 crore) of the total revenue (₹1,14,671 crore) of the State during the year.



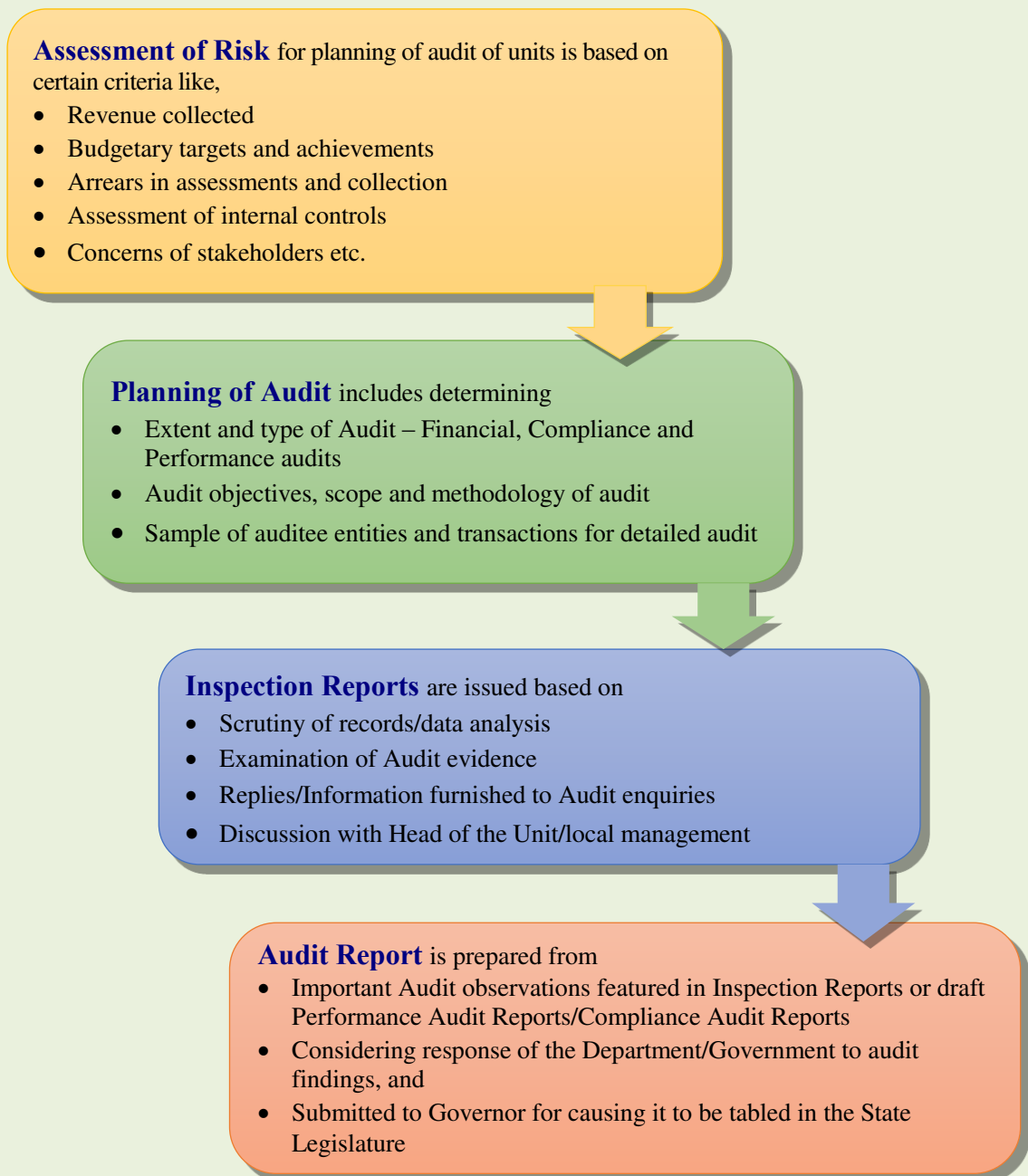
1.3 Authority for audit

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). CAG audits receipts of the Government under Section 16 of the 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



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 2018-19, audit of 281 units out of total 1397 auditable units under seven Departments² was planned and a total of 228 units were audited. One Performance Audit on ‘Functioning of Prohibition and Excise’ was conducted.

1.5 Analysis of Arrears of Revenue

As of 31 March 2019, the arrears of revenue were ₹10,997.30 crore from some principal heads of revenue like Taxes on Sales, Trades, etc., State Excise, Stamps & Registration Fees, Taxes on Vehicles and Non-ferrous Mining and Metallurgical industries and taxes and duties on Electricity detailed in **Table-1.4**.

Table 1.4: Arrears of Revenue

(₹ in crore)

Head of Revenue	Details of amount outstanding as on 31 March 2019		Reasons
	Total	For more than five years (per cent)	
MH 0040 - Taxes on Sales, Trade etc.	2,754.28	1,248.71 (45)	Department did not furnish the reasons for pendency in arrears outstanding for more than five years.
MH 0039 – State Excise	20.24	16.49 (81)	Commissioner replied (September 2020) that an amount of ₹7.27 crore was referred for write off during the period 2018-19.
MH 0030 - Stamps and Registration Fees	50.63		Commissioner and Inspector General of Registration and Stamps did not furnish (September 2020) the details of amount outstanding for more than five years and the reasons for pendency.
MH 0041 – Taxes on Vehicles	2,805.89		Department stated (September 2020) that APSRTC did not pay taxes since 2012-13.
MH 0043 - Taxes and Duties on Electricity	4,815.19	4,388.90 (91)	Department attributed arrears to the following:
			Recovery due from A.P. Gas Power Corporation Ltd. (covered by AP Revenue Recovery (RR Act). 138.31
			Amount due from Rural Electric Supply Co-operative Societies. 2.69
			Amount due from licencees and generating companies (covered by AP RR Act). 1,175.75
			Amount due from APGENCO (Government had been addressed for waiver of the duty). 3,028.04
			Duties due from A.P. Southern/Eastern/Central Power Distribution Corporations. 470.40
MH 0853 - Non-ferrous Mining and Metallurgical Industries	209.78	130.14 (62)	Director of Mines and Geology replied (September 2020) that most of the leases had expired and demand notices were issued to defaulters. Collections are being pursued under AP RR Act.
Land Revenue	341.29	283.63 (83)	Department replied (October 2020) that due to drought conditions collections as per the target could not be achieved.
Total	10,997.30	6,067.87 (55)	

Source: Information furnished by the Departments concerned.

As can be seen from Table-1.4, recovery of ₹6,067.87 crore was pending for more than five years. This constituted 55 per cent of the total revenue realisable, which indicates

² Commercial Taxes (37), Endowments (15), Industries and Commerce (Mines and Minerals) (14), Land Revenue (28), Prohibition and Excise (32), Registration and Stamps (99) and Transport(3).

inaction by the departments concerned to act timely on huge arrears. Out of total arrear amount of ₹10,997.30 crore, an amount of ₹1,314.06 crore (11.95 *per cent*) has been referred under A.P. Revenue Recovery Act. Government may take necessary measures to recover the remaining arrears amounting to ₹9,683.24 crore constituting 88.05 *per cent* of revenue due for recovery.

The departments need to review the status of recovery of arrears of revenue on a regular basis and monitor the progress of collection.

1.6 Evasion of tax

The details of cases of evasion of tax detected by the departments, cases finalised, the demands of additional tax raised and cases pending finalisation as on 31 March 2019 are given in **Table 1.5**.

Table 1.5: Evasion of tax

Sl. No	Name of Tax/Duty	Cases pending as on 31 March 2018	Cases detected during 2018-19	Total	No. of cases in which assessments/investigations completed and additional demand including penalty etc., raised (₹ in crore)		No. of cases pending finalisation as on 31 March 2019
					No. of Cases	Amount of demand	
1.	VAT	4,983	3,409	8,392	4,866	1,718.81	3,526
2.	Taxes on Vehicles	97,347	7,24,887	8,22,234	5,76,289	159.91	2,45,945
3	Stamp Duty and Registration Fee	561	238	799	799 [^]	707.77	89 [^]

Source: Information furnished by Departments concerned.

[^] There is a discrepancy in the data furnished by the Registration and Stamps department. Matter has since been taken up with the Department.

It can be seen from Table 1.5 that only 58 *per cent* of assessments/ investigations were completed by the Commercial Taxes Department (VAT) whereas it was 70 *per cent* with respect to Taxes on Vehicles. There is a need for speedy finalisation of the pending cases.

Discrepancy was noticed in the information furnished by Department of Prohibition and Excise. Commissioner has been addressed in the matter. Departments of Land Revenue and Mines and Minerals did not furnish any information although called for (June 2019, February 2020 and July 2020).

1.7 Arrears in assessments

As per the provisions of the AP VAT Act, every dealer shall be deemed to have been assessed to tax, based on the return filed by him, if no assessment is made within a period of four years from the date of filing the return. Assessments under the CST Act are to be completed within four years. The details of assessment cases pending as on 31 March 2019 relating to Commercial Taxes Department are given in **Table 1.6**.

Table 1.6: Arrears in Assessments

Name of tax	Opening balance	New cases due for assessment during 2018-19	Total assessments due	Cases disposed off during 2018-19	(No. of cases)	
					Balances at the end of March, 2019	Percentage of cases disposed off
CST	36,413	27,401	63,814	29,004	34,810	45
VAT	4,394	1,970	6,364	4,020	2,344	63
Luxury Tax	354	387	741	467	274	63
Total	41,161	29,758	70,919	33,491	37,428	47

Source: Information furnished by Commercial Taxes Department.

The disposal of assessments by the Commercial Taxes Department was only 47 per cent of total assessments during 2018-19. With the introduction of GST, the clearance of this backlog of legacy assessments would need to be prioritised and expedited.

1.8 Pendency of refund cases

The details of refund cases as on 31 March 2019 are given in Table-1.7.

Table 1.7: Details of pendency of refund cases

Sl. No	Particulars	(₹ in crore)							
		State Excise		Stamps & Registration		Commercial Taxes		Transport	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year as on 1 April 2018	6 [^]	0.53 [^]	85	0.19	530	113.98 [^]	12	0.58
2.	Claims received during the year	0	0	134	1.06	1,751	367.38	25	0.45
3.	Total	6	0.53	219	1.25	2,281	481.36	37	1.03
4.	Refunds made during the year	0	0	99	0.80	1,946	398.46	12	0.23
5.	Cases pending as on 31 March 2019	6	0.53	120	0.45	335	82.90	25	0.80

Source: Information furnished by the Departments concerned.

[^] Claims outstanding at the beginning of the year as on 1 April 2018 do not tally with the pending amount as on 31 March 2018. Matter has since been taken up with the Department.

It would be seen from the above that pendency had increased in terms of amount and number of cases in respect of Stamps & Registration and Transport Departments. Hence, suitable steps need to be taken for speedy disposal of refund claims.

Departments of Mines and Geology, Land Revenue and Energy did not furnish the information.

1.9 Response of Departments to audit findings

1.9.1 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 Accountant General's office with officers of the Departments concerned.

A review of IRs issued upto December 2018 pertaining to eight departments showed that 22,809 paragraphs relating to 5,439 IRs valuing ₹5,042 crore were outstanding at

the end of June 2019 (**Appendix 1.1**). Of these, 2,525 IRs containing 5,159 paragraphs valuing ₹703.93 crore are outstanding for more than 10 years. Even first replies from the Heads of offices which were to be furnished within one month have not been received in respect of 178 IRs issued during 2018-19.

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

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.

1.9.2 Response of Government 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 2018-19, 49 draft compliance audit paragraphs and one Performance Audit Report on "Functioning of Prohibition and Excise Department" were forwarded to the Special Chief Secretaries/ Principal Secretaries/ Secretaries of the Departments⁴ concerned, drawing their attention to the audit findings and requesting them to send their response within six weeks followed by DO reminder in November 2020. 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.

Despite this, the Departments concerned did not furnish replies to the draft Performance Audit Report/ Compliance Audit Paragraphs as on the date of finalisation of this Report (December 2020).

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

Administrative Departments are required to submit Explanatory Notes on paragraphs and reviews included in Audit Reports⁵, within three months 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 Revenue Sector of the Government of Andhra Pradesh contained 142 paragraphs (including four Performance Audits) for the years from 2013-14 to 2017-18. These Audit Reports were placed before the State Legislative Assembly between March 2015 and December 2020. Of these, 115 paragraphs pertain exclusively to Andhra Pradesh and 27 paragraphs

³ as per paragraph 4.7 of Finance Department's Handbook of Instructions.

⁴ Commercial Taxes, State Excise, Registration and Stamps, Transport, Land Revenue and Industries and Commerce (Mines and Minerals).

⁵ as per instructions issued by Finance and Planning Department vide U.O. No.23810-c/200/PAC/93-2 dated 3 November 1993.

(including one Performance Audit) were common to both Andhra Pradesh and Telangana States. Explanatory notes in respect of 95 paragraphs from seven Departments⁶ have not been received.

1.9.4 Response of Government to recommendations of the Public Accounts Committee (PAC)

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

Government instructed⁷ that all the departments should furnish Action Taken Notes (ATNs) on PAC recommendations to the PAC 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 120 recommendations relating to Audit Reports (Revenue Sector) were due as of March 2019. Of these, 18 recommendations pertain to Andhra Pradesh exclusively and 102 pertain to the composite State of Andhra Pradesh and Telangana.

1.9.5 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 2018-19, one Audit Committee Meeting of Commercial Taxes Department was conducted and 188 paragraphs amounting to ₹17.87 crore were settled.

Recommendation

Government needs to set up Audit Committees expeditiously to enable discussion of pending IRs, Paragraphs and address the issues of non-compliance with relevant Acts/Rules/Codes, pointed out in these IRs/ Paragraphs.

1.9.6 Constraints in Audit

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

During the year (2018-19), 40 offices pertaining to five departments⁸ did not produce crucial documents like VAT Register, *Jamabandi* Records (Village Accounts), Cash Book, Demand Collection and Balance Register, Challan Remittance Register and Reconciliation statements etc.

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

⁶ Commercial Taxes, Endowment, Industries and Commerce, Prohibition and Excise, Land Revenue, Registration & Stamps and Transport, Roads & Buildings.

⁷ Government of Andhra Pradesh U.O.Note No. 1576-A/32/PAC/95 dated 17 May 1995.

⁸ Commercial Taxes, Prohibition and Excise, Registration and Stamps, Land Revenue and Endowments.

Where the records were made available, under assessment/ short levy/loss of revenue aggregating ₹190.81 crore in 1,000 cases pertaining to 228 test checked units of seven departments⁹ was observed. During the year, the Departments accepted under assessments and other deficiencies of ₹153.90 crore in 437 cases, of which 129 cases involving ₹1.98 crore were pointed out in earlier years. An amount of ₹6.23 crore was realised in 198 cases during the year 2018-19. Of this, recovery of ₹1.94 crore in 174 cases relate to previous years.

Recommendation

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.

1.9.7 Analysis of the mechanism for dealing with the issues raised by Audit in Prohibition and Excise 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 2018-19, action initiated by Prohibition and Excise Department was reviewed to assess the action taken on the cases detected in local audit during 2015-16 to 2018-19 and Performance Audit Reports included in the Audit Reports for the years 2010-11 to 2017-18.

The overall performance of the Department in clearance of IRs and action taken on recommendations of Audit is given in **Table 1.8**.

Table-1.8: Position of Inspection Reports (IRs)

Year	Opening balance			Additions during the year			Clearance during the year			Closing balance		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
2015-16	209	471	101.63	19	33	1.06	108	292	55.07	120	212	47.62
2016-17	120	212	47.62	12	31	6.10	5	15	0.16	127	228	53.56
2017-18	127	228	53.56	11	32	88.32	1	1	0.02	137	259	141.86
2018-19	137	259	141.86	5	21	30.57	0	2	0.005	142	278	172.42

Source- Records of office of Accountant General (Audit), Andhra Pradesh.

The performance of the Department in clearance of Inspection Reports and Paragraphs was encouraging in the year 2015-16. There has been overall clearance of 67 IRs and 193 Paragraphs during the four-year period between 2015-16 and 2018-19.

Audit of "Functioning of Prohibition and Excise Department" was conducted covering the period from 2005-06 to 2009-10 and a standalone report was brought out.

Explanatory Notes were not received from the Government in respect of these Performance Audit Reports as of December 2020. Details of recommendations are given in **Appendix-1.2**. A follow up Audit on this was featured in Audit Report 2015-16 (Report No.7 of 2016).

⁹ Commercial Taxes (37), Endowments (15), Industries and Commerce (Mines and Minerals) (14), Land Revenue (28), Prohibition and Excise (32), Registration and Stamps (99) and Transport (3).

1.10 Significant audit observations

This Report contains results of Performance Audit of “Functioning of Prohibition and Excise Department” and 18 paragraphs of non-compliance/deviation from various Acts/ Rules/ Codes, involving non-levy/short levy/non-realisation of revenue etc., of ₹89.77 crore. The Departments/ Government accepted audit observations of ₹6.40 crore as of December 2020.

Significant results of audit that featured in this Report are summarised below.

1.10.1 Value Added Tax, Central Sales Tax and Goods and Services Tax

- Assessing Authorities have not levied/ short levied penalty of ₹3.18 crore on dealers, who had under declared tax of ₹3.81 crore in five offices involving seven dealers.

(Paragraph 2.3.1)

- Interest of ₹0.44 crore and penalty of ₹1.15 crore totalling to ₹1.59 crore was not levied on belated payments of taxes in 15 offices involving 38 dealers. The delay ranged from 1 to 586 days.

(Paragraph 2.3.2)

- Tax of ₹82.68 lakh on works contracts was short levied in two cases under the jurisdiction of two offices due to incorrect determination of taxable turnover and incorrect exemption. The dealers have not maintained detailed accounts in these two cases contravening provisions of the Act.

(Paragraph 2.5.1)

- Incorrect exemption/incorrect rate of tax resulted in short levy of tax of ₹1.37 crore on inter-State sale turnover of ₹16.93 crore not supported by ‘C’ declaration Forms.

(Paragraph 2.6)

- Declaration of tax at lower rate resulted in short levy of tax of ₹70.35 lakh by two dealers in two offices.

(Paragraph 2.8)

1.10.2 State Excise Duties

Performance Audit on “Functioning of Prohibition and Excise Department” was conducted for the period from June 2014 to March 2019 in 32 selected offices. Significant findings are as follows:

- Letters of Intent were sanctioned without collecting the applicable fee resulting in loss of revenue of ₹22.40 crore.

(Paragraph 3.8.1)

- License fee/enhanced license fee of ₹13.24 crore on expanded quantities and penal interest of ₹6.02 crore on recoverable arrears was due from seven distilleries.

(Paragraph 3.8.2)

- License fee of ₹1.01 crore for the period from August 2012 to March 2019 was not realized from a distillery unit.

(Paragraph 3.8.3)

- In two offices of Prohibition and Excise Superintendents, 11 licencees did not pay additional license fee of ₹1.17 crore though plinth area exceeded 300 square meters.

(Paragraph 3.8.7)

- Wilful offences like loose sale of liquor, sale of liquor at higher than Maximum Retail Price were compounded contrary to the provisions of the Act. Resorting to compounding of offence instead of stringent action like cancellation of License encourages repetition of offence.

(Paragraph 3.9.3)

1.10.3 Stamp Duty and Registration Fee

- Loans secured from various banks by creating charge on instruments on *Paripassu* basis are required to be registered by charging 0.5 *per cent* on the loan amount. Registering authorities collected ₹10,000 on each document instead of charging 0.5 *per cent* on the amount of loan secured resulting in short levy of registration fee of ₹11.66 crore.

(Paragraph 4.4)

- Due to lack of coordination between Departments of Land Revenue and Registration, agricultural rate was adopted for lands which had already been converted to non-agricultural use in 15 offices of District Registrars/ Sub-Registrars resulting in short levy of stamp duty and registration fees of ₹1.26 crore.

(Paragraph 4.5.1)

- Irregular exemption of stamp duty and registration fee contrary to Government order on 'Gannavaram Airport Land Pooling Scheme' resulted in short levy of duties of ₹94.06 lakh.

(Paragraph 4.6)

1.10.4 Land Revenue

- Advance possession of land was given and alienation proposals were not finalised /approved even after a period of 5 to 19 years of handing over the

possession of these lands. This has resulted in non-realisation of ₹3.08 crore towards cost of land.

(Paragraph 5.3)

1.10.5 Motor Vehicle Taxes

- Life tax of ₹3.58 crore was short levied due to levy of tax at 12 *per cent* instead of 14 *per cent* on registration of second and subsequent sale of non-transport vehicles.

(Paragraph 6.3)

- Green tax amounting to ₹3.22 crore was not levied on 665 non-transport vehicles and 1,59,590 transport vehicles.

(Paragraph 6.4)

- Quarterly road tax and penalty of ₹3.36 crore was not realised from owners of 1,656 Heavy Goods Vehicles.

(Paragraph 6.5)

- Mandatory annual fitness test of 49,524 vehicles was not conducted by the department. This resulted in non-realisation of Fitness Certificate Fee of ₹97.36 lakh besides compromising on road safety.

(Paragraph 6.6)