

CHAPTER-I GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Uttar Pradesh during the year 2014-15, the State's share of net proceeds of divisible Union taxes and duties assigned to the state and grant-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned in **Table 1.1.1**.

Table- 1.1.1

Trend of revenue receipts

						(₹ in crore)
Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1.	Revenue raised by the State Government					
	• Tax revenue	41,355.00	52,613.43	58,098.36	66,582.08	74,172.42
	• Non-tax revenue	11,176.21	10,145.30	12,969.98	16,449.80	19,934.80
	Total	52,531.21	62,758.73	71,068.34	83,031.88	94,107.22
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	43,218.90	50,350.95	57,497.86	62,776.70	66,622.91 ¹
	• Grants-in-aid	15,433.65	17,760.02	17,337.79	22,405.17	32,691.47
	Total	58,652.55	68,110.97	74,835.65	85,181.87	99,314.38
3.	Total revenue receipts of the State Government (1 and 2)	1,11,183.76	1,30,869.70	1,45,903.99	1,68,213.75	1,93,421.60
4.	Percentage of 1 to 3	47	48	49	49	49

Source: Finance Accounts of the Government of Uttar Pradesh

The above table indicates that during the year 2014-15, the revenue raised by the State Government (₹ 94,107.22 crore) was 49 *per cent* of the total revenue receipts (₹ 1,93,421.60 crore). The balance 51 *per cent* of the receipts during 2014-15 was from the Government of India.

¹ For details, please see Statement No. 14 - detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Uttar Pradesh for the year 2014-15. Figures under the major 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 and 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 details of the tax revenue raised during the period 2010-11 to 2014-15 are given in **Table 1.1.2**.

Table 1.1.2

Details of Tax Revenue raised

Sl. No.	Head of revenue						₹ in crore)	
		2010-11	2011-12	2012-13	2013-14	2014-15	Percentage of increase (+) or decrease (-) in 2014-15 over 2013-14	
1.	Tax on Sales, Trade etc.	BE	26,978.34	32,000.00	38,492.18	43,936.00	47,497.92	(+)8.11
		Actual	24,836.52	33,107.34	34,870.16	39,645.45	42,931.54	(+)8.29
2.	State excise	BE	6,763.23	8,124.08	10,068.28	12,084.00	14,500.00	(+)19.99
		Actual	6,723.49	8,139.20	9,782.49	11,643.84	13,482.57	(+)15.79
3.	Stamps and Registration Fees	BE	5,000.00	6,612.00	9,308.00	10,555.00	12,722.67	(+)20.54
		Actual	5,974.66	7,694.40	8,742.17	9,520.92	11,803.34	(+)23.97
4.	Taxes on Vehicles, Goods and Passengers (0041 & 0042)	BE	2,089.90	2,329.95	3,093.90	3,713.00	3,950.00	(+)6.38
		Actual	2,058.58	2,380.67	2,993.96	3,442.01	3,797.58	(+)10.33
5	Others ²	BE	1,472.96	1,268.12	1,094.68	1,905.00	2,327.34	(+)22.17
		Actual	1,761.75	1,291.80	1,709.58	2,329.86	2,157.39	(-)7.40
Total		BE	42,304.43	50,334.15	62,057.04	72,193.00	80,997.93	(+)12.20
		Actual	41,355.00	52,613.41	58,098.36	66,582.08	74,172.42	(+)11.40

Source: Finance Accounts of the Government of Uttar Pradesh

The respective Departments reported the following reasons for variation:

Tax on Sales, Trade etc: The reason attributed by the Department for non-achievement of Budget Estimate was reduction in price of petroleum product during the year. However actual receipt was higher than the previous year.

State Excise Department: The reason attributed by the Department for non-achievement of Budget Estimate was mainly due to short fall in consumption of foreign liquor during the year and reasons for increase in actual receipt than the previous year was mainly due to increase in MGQ, consideration fee of country liquor and beer and from settlement of shops.

Stamps and Registration Fees: The reason attributed by the Department for non-achievement of Budget Estimate was due to lack of interest shown by the public in real estates especially in western Uttar Pradesh. However, actual receipt was higher than the previous years' due to increase in annual rate list.

The other Departments despite being requested did not intimate the reasons for variation in Budget Estimate and receipts from that of previous year (November 2015).

² Others includes receipts (less than five *per cent* of tax revenue) from the following :
Taxes and duties on Electricity, Land Revenue, Hotel Receipt Tax, Entertainment Tax and Betting Tax.

1.1.3: The details of the non-tax revenue raised during the period 2010-11 to 2014-15 are indicated in **Table 1.1.3**.

Table 1.1.3**Details of Non-tax revenue raised**

								(₹ in crore)
Sl. No.	Head of revenue		2010-11	2011-12	2012-13	2013-14	2014-15	Percentage of increase (+) or decrease (-) in 2014-15 over 2013-14
1	Miscellaneous General Services	BE	7,118.06	4,216.01	3,264.23	2,970.98	4,037.81	(+) 35.91
		Actual	5,120.67	4,035.23	4,494.11	3,194.28	6,400.41	(+) 100.37
2	Education, Sports, Art and Culture	BE	2,987.49	3,000.00	5,410.00	5,852.75	6,887.18	(+) 17.67
		Actual	2,614.11	2,008.55	4,211.69	6,414.09	5,798.52	(-) 9.60
3	Interest Receipts	BE	1,229.49	861.62	924.36	858.36	1,434.90	(+) 67.17
		Actual	689.32	789.22	1,186.41	1,619.35	2,302.82	(+) 42.21
4	Non-Ferrous Mining and Metallurgical Industries	BE	838.97	900.00	954.00	1,000.00	1,100.00	(+) 10.00
		Actual	653.39	593.28	722.13	912.52	1,029.42	(+) 12.81
5	Other Non-tax receipts ¹	BE	2,811.46	3,133.93	3,621.23	2,500.39	6,772.06	(+) 170.84
		Actual	2,098.72	2,719.02	2,355.64	4,309.56	4,403.63	(+) 2.18
Total		BE	14,985.47	12,111.56	14,173.82	13,182.48	20,231.95	(+)53.48
		Actual	11,176.21	10,145.30	12,969.98	16,449.80	19,934.80	(+)21.19

Source: Finance Accounts of the Government of Uttar Pradesh

The respective Departments reported the following reasons for variation:

Non-Ferrous Mining and Metallurgical Industries: The reason attributed by the Department for non-achievement of Budget Estimate was many mining leases were either closed or not renewed due to non receipt of environment clearance certificate from the pollution control board and the reason for increase of receipt than the previous year was due to special attention on enforcement and prevention of illegal mining.

The other Departments despite being requested did not intimate the reasons for variation in receipts from that of previous year (November 2015).

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2015 in respect of some principal heads of revenue amounted to ₹ 26,837.24 crore of which ₹ 11,572.73 crore was outstanding for more than five years, as detailed in **Table 1.2**.

¹ Others includes receipts (less than five per cent of non-tax revenue) from the following :
Other Fiscal Services, Dividends and Profits, Public Service Commission, Police, Jail, Stationery & Printing, Public Works, Other Administrative Services, Contribution & Recoveries towards pension and other retirement benefits, Medical & Public Health, Family Welfare, Water Supply & Sanitation, Housing, Urban Development, Information & Publicity, Labour & Employment, Social Security & Welfare, Other Social Services, Crop Husbandry, Animal Husbandry, Dairy Development, Fisheries, Forest & Wild Life, Agriculture & Research & Education, Cooperation, Other Agriculture Programs, Land Reforms, Other Rural Development Programs, Other special areas programs, Major Irrigation, Medium Irrigation, Minor Irrigation, Power, Non Conventional Source of Energy, Village & Small Industries, Industries, Other Industries, Civil Aviation, Roads & Bridges, Road Transport, Tourism, Civil Supply and Other General Economic Services.

Table 1.2
Arrears of revenue

(₹ in crore)				
Sl. No.	Head of revenue	Total Amount outstanding as on 31 March 2015	Amount outstanding for more than five years as on 31 March 2015	Replies of Department
1.	Tax on Sales, Trade etc.	26,347.13	11,462.56	Out of ₹ 26,347.13 crore, demand for ₹ 2,594.53 crore had been certified for recovery as arrears of land revenue; recovery certificates for ₹ 1,276.72 crore have been sent to other states; recoveries for ₹ 4,441.96 crore had been stayed by the courts/appellate authority and Government; recoveries for ₹ 560.79 crore were outstanding against the Government/semi Government Departments; the demand for recovery of ₹ 1,613.14 crore was likely to be written off; and ₹ 45.02 crore was outstanding from transporters. For remaining amount of ₹ 15,814.97 crore, specific action is underway in the Department.
2.	Stamps and Registration Fees	202.77	The Department has no such data	The details of arrears outstanding for more than five years were not available with the Department. The Department could not furnish stages under which recovery is pending.
3.	Taxes on Vehicles	136.82	The Department has no such data	The details of arrears outstanding for more than five years were not available with the Department. The Department could not furnish stages under which recovery is pending.
4.	Non-Ferrous Mining and Metallurgical Industries	77.52	51.15	The details of arrear were not available with the Department at Directorate level.
5.	State Excise	53.12	52.62	Demand for the entire outstanding amount i.e. ₹ 53.12 crore had been certified for recovery as arrears of land revenue. Out of ₹ 53.12 crore, recovery certificates for ₹ 0.06 crore have been sent to other states; demand for ₹ 16.87 crore had been stayed by the Hon'ble courts and ₹ 5.85 crore was likely to be written off.
6.	Entertainment Tax	19.88	6.40	Out of ₹ 19.88 crore, demand for ₹ 9.88 crore had been stayed by the Hon'ble courts and demand for ₹ 8.65 crore had been certified for recovery as arrears of land revenue. The remaining amount of ₹ 1.35 crore was pending before appellate authorities.
Total		26,837.24	11,572.73	

Source: Information provided by the Departments

Out of the total outstanding of ₹ 26,837.24 crore, ₹ 3,910.30 crore was certified for recovery as arrears of land revenue, ₹ 4,468.71 crore was held up by the Courts, other appellate authorities, ₹ 560.79 crore outstanding against the Government/semi Government Departments and ₹ 1,618.99 crore likely to be written off, whereas specific action taken in respect of the remaining ₹ 16,278.45 crore was not intimated by the concerned departments.

1.3 Arrears in assessment

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year as furnished by the Commercial Tax Department in respect of Taxes on Sales, Trade, etc. (Sales Tax, Value Added Tax, Entry Tax, Central Sales Tax and tax on works contracts) was as below in **Table 1.3.**

Table 1.3

Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2014-15	Total assessments due	Cases disposed of during 2014-15	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
Tax on Sales, Trade etc.	7,413	3,14,328	3,21,741	2,55,480	66,261	79.41

Source: Information provided by the Department

The Department has stated that all the arrear cases have been finalised by 30 April 2015 as extension of one month for finalisation of all the pending assessment cases was sought and provided by the Government.

1.4 Evasion of tax detected by the Departments

The details of cases of evasion of tax detected by the Commercial Tax, Stamps and Registration, Transport, and Entertainment Tax Department, cases finalised and the demands for additional tax raised as reported by the Department are given in Table 1.4.

Table 1.4

Evasion of Tax

							(₹ in crore)
Sl. No.	Head of revenue	Cases pending as on 31 March 2014	Cases detected during 2014-15	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty etc. raised		Number of cases pending for finalisation as on 31 March 2015
					Number of cases	Amount of demand	
1.	Tax on Sales, Trade etc.	9,955	5,604	15,559	6,556	2,669.76	9,003
2.	Stamps and Registration Fees	15,792	33,508	49,300	30,469	N.A.	18,831
3.	Taxes on Vehicles	5,090	144	5,234	8	2.00	5,226
4.	Entertainment Tax	0	47	47	30	0.01	17
Total		30,837	39,303	70,140	37,063	2,671.77	33,077

Source: Information provided by the Departments

It would be seen from the above table that the number of cases pending at the end of the year has increased from the number of cases pending at the start of the year.

1.5 Pendency of refund cases

The number of refund cases pending at the beginning of the year 2014-15, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2014-15 as reported by the Commercial Tax and State Excise Department is given in Table 1.5.

Table 1.5

Details of pendency of refund cases

						(₹ in crore)
Sl. No.	Particulars	Sales tax / VAT		State Excise		
		No. of cases	Amount	No. of cases	Amount	
1.	Claims outstanding at the beginning of the year	338	100.55	02	0.18	
2.	Claims received during the year	8,380	595.46	37	24.60	
3.	Refunds made during the year	8,547	668.13	37	22.93	
4.	Balance outstanding at the end of the year	171	27.88	02	1.83	

Source: Information provided by the Departments

Uttar Pradesh VAT Act provide for payment of interest, at the rate of one *per cent* per month, if the excess amount is not refunded to the dealer within 30 days from the date of order of refund passed by the assessing authority till the refund is made. Though the progress of refund cases of sales tax/ VAT was considerable but the pendency of the refund at the end of the year is vulnerable for payment of interest. In State Excise Department the claims pending for refund increased from previous year.

1.6 Response of the Government / Departments towards audit

The Accountant General (E&RSA), Uttar Pradesh conducts periodical inspection of the Government Departments to test check the transactions and verify the maintenance of 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 Department and the Government.

Analysis of Inspection reports issued upto December 2014 disclosed that 38,049 audit observations involving ₹ 6,813.44 crore relating to 10,899 IRs remained outstanding at the end of June 2015 as mentioned below alongwith the corresponding figures for the preceding two years in **Table 1.6**.

Table 1.6

Details of pending Inspection Reports

	June 2013	June 2014	June 2015
Number of IRs pending for settlement	10,808	11,104	10,899
Number of outstanding audit observations	30,694	34,446	38,049
Amount of revenue involved (₹ in crore)	6,305.36	6,816.69	6,813.44

Source: Information available in the audit office

1.6.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2015 and the amounts involved are mentioned in the **Table 1.6.1**.

Table 1.6.1

Department-wise details of IRs

(₹ in crore)					
Sl. No.	Name of the Department	Nature of receipts	Numbers of outstanding IRs	Numbers of outstanding audit observations	Money value involved
1.	Finance	Taxes on Sales, Trade etc.	5,792	21,986	3,567.00
		Entertainment tax	173	318	13.65
2.	State Excise	State Excise	1,099	2,123	965.15
3.	Transport	Taxes on vehicles	1,043	4,784	809.92
4.	Stamps and Registration	Stamps and registration fees	2,649	8,098	727.80
5.	Geology and Mining	Non-ferrous mining and metallurgical industries	143	740	729.92
Total			10,899	38,049	6,813.44

Source: Information available in the audit office

Audit did not receive even the first replies from the heads of offices within one

month from the date of issue of the IRs, for 1,135 IRs issued during 2014-15. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

The Government may consider to have an effective system for prompt and appropriate response to audit observations.

1.6.2 Departmental audit committee meetings

The Government sets up audit committees to monitor and expedite the progress of the settlement of the IRs and paragraphs in the IRs. The details of the audit committee meetings held during the year 2014-15 and the paragraphs settled are mentioned in **Table 1.6.2**.

Table 1.6.2

Details of Departmental audit committee meetings

Sl. No.	Head of revenue	Number of meetings held	Number of paras settled	(₹ in crore)
				Amount
1.	Tax on Sales, Trade etc.	39	36	0.47
2.	State Excise	18	395	160.05
3.	Stamp and Registration fees	05	49	0.69
4.	Entertainment Tax	18	58	0.69
Total		80	538	161.90

Source: Information available in the audit office

The progress of settlement of paragraphs pertaining to the Commercial Tax Department and Stamp and Registration Department was negligible as compared to the huge pendency of the IRs and paragraphs; despite holding Departmental audit committee meetings. Transport Department and Geology and Mining Department did not hold any Departmental audit committee meetings despite the request.

1.6.3 Response of the Departments to the draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the AG to the Principal Secretaries / Secretaries of the concerned Department, drawing their attention to audit findings and requesting them to send their response within six weeks. The fact of non-receipt of the replies from the Departments / Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Thirty one draft paragraphs including one Performance audit were sent to the Principal Secretaries of the respective Departments by name between June 2015 and July 2015. The replies of the Government/Department have been included in this Report.

1.6.4 Follow up on the Audit Reports-summarised position

To ensure accountability of the executive in respect of all the issues dealt in the various Audit Reports (ARs), the Department of Finance issued instructions in June 1987 to initiate *suo moto* action on all paragraphs/

Performance audits figuring in the Audit Reports irrespective of whether the cases were taken up for examination by the Public Accounts Committee (PAC) or not. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. Two hundred and three paragraphs (including Performance audits) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Uttar Pradesh for the years ended 31 March 2010, 2011, 2012, 2013 and 2014 were placed before the State Legislature Assembly between 08 August 2011 and 17 August 2015. The action taken explanatory notes from the Departments concerned on these paragraphs were received late. For the Audit Reports 2009-10 to 2013-14, against 203 paragraphs action taken explanatory notes of 114 paragraphs were received late with delay ranging between one month and 11 months. Action taken explanatory notes in respect of 89 paragraphs from the Departments had not been received for the Audit Report year ended 31 March 2011, 2012, 2013 and 2014 so far (November 2015).

The PAC discussed 90 selected paragraphs pertaining to the Audit Reports for the years from 2009-10 to 2012-13. However, Action Taken Notes (ATNs) have not been received in respect of 90 paragraphs of the PAC from the Departments concerned as mentioned in **Table 1.6.4**.

Table 1.6.4

Summarised position of ATNs of Audit Reports

Year	Name of the Department	Total
2009-10	Commercial Tax, State Excise, Transport, Stamp & Registration, Forest, Irrigation, Medical and Public Health	20
2010-11	State Excise, Transport and Stamp & Registration	15
2011-12	Commercial Tax, State Excise, Transport, Stamp & Registration, Geology and Mining, Medical Health and Family Welfare/ Forest	52
2012-13	State Excise	3
	Total	90

Source: Information available in the audit office

1.7 Analysis of the mechanism for dealing with the issues raised by Audit

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 included in the Audit Reports of the last 10 years for Entertainment Tax Department is evaluated and included in this Audit Report.

The succeeding paragraphs 1.7.1 to 1.7.2 discuss the performance of the Entertainment Tax Department under revenue head 0045 and cases detected in the course of local audit during the last ten years and also the cases included in the Audit Reports for the years 2005-06 to 2014-15.

1.7.1 Position of Inspection Reports

The summarised position of the Inspection Reports issued to Entertainment Tax Department during the last 10 years, paragraphs included in these reports and their status as on 31 March 2015 are tabulated in below **Table-1.7.1**.

Table 1.7.1
Position of Inspection Reports

(₹ in crore)													
Sl. No.	Year	Opening Balance			Addition during the year			Clearance during the year			Closing balance during the year		
		IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value
1.	2005-06	178	242	6.52	14	22	1.16	52	83	0.80	140	181	6.88
2.	2006-07	140	181	6.88	0	0	0	14	23	0.55	126	158	6.34
3.	2007-08	126	158	6.34	9	15	0.19	9	12	0.09	126	161	6.44
4.	2008-09	126	161	6.44	16	30	0.57	44	55	1.15	98	136	5.86
5.	2009-10	98	136	5.86	24	46	1.67	5	5	0.05	117	177	7.48
6.	2010-11	117	177	7.48	27	49	0.89	20	23	0.82	124	203	7.55
7.	2011-12	124	203	7.55	29	62	17.91	4	9	0.06	149	256	25.40
8.	2012-13	149	256	25.40	17	67	2.12	3	7	0.19	163	316	27.33
9.	2013-14	163	316	27.33	21	76	2.05	1	8	0.03	183	384	29.35
10.	2014-15	183	384	29.35	15	41	0.37	18	64	0.72	180	361	29.01

Source: Information available in the audit office

The Government arranges Audit Committee Meetings between the Department and AG's office to settle the old paragraphs. As would be evident from the above table, against 178 outstanding IRs with 242 paragraphs as on start of 2005-06, the number of outstanding IRs increased to 180 with 361 paragraphs at the end of 2014-15. This is indicative of the fact that adequate steps were not taken by the Department in this regard resulting in enhancement of the outstanding IRs and paragraphs.

1.7.2 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Entertainment Tax Department and the amount recovered are mentioned in **Table 1.7.2**.

Table 1.7.2
Recovery of accepted cases

(₹ in lakh)					
Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered
2004-05	0	0	0	0	0
2005-06	2	557.93	0	0	0
2006-07	0	0	0	0	0
2007-08	1	6.80	0	0	0
2008-09	1	10.08	0	0	0
2009-10	0	0	0	0	0
2010-11	1	9.54	1	0.25	0.25
2011-12	1	21.03	1	21.03	6.05
2012-13	2	11.74	2	11.00	4.71
2013-14	3	7.22	2	7.22	0.49

Source: Information available in the audit office

It is evident from the above table that the progress of recovery even in accepted cases was negligible during the last ten years. The recovery of accepted cases was to be pursued as arrears recoverable from the concerned parties. No mechanism for pursuance of the accepted cases had been put in place by the Department/Government. In the absence of a suitable mechanism, the Department could not monitor recovery of accepted cases.

The Department may take immediate action to pursue and monitor prompt recovery of the dues involved in accepted cases.

1.8 Action taken on recommendations accepted by the Departments/ Government

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

The details of accepted recommendations and their status in respect of Performance audits on the Department of Commercial Tax, Transport Department and Stamp and Registration featured in the last five years Reports are shown in the **Appendix-I**.

1.9 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 the 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, factors of the tax administration, audit coverage and its impact during past five years etc.

During the year 2014-15, there were 2,639 auditable units, of which 1,261 units were planned and 1,135 units had been audited, which is 43 *per cent* of the total auditable units. Due to Lok Sabha election, 126 planned units could not be audited.

Besides, the compliance audit mentioned above, one Performance audit was also taken up to examine the efficacy of the tax administration of these receipts.

1.10 Results of audit

Position of local audit conducted during the year

During the year 2014-15 we test checked the records of 1,135 units relating to Tax on Sales, Trade, etc., State Excise, Taxes on Vehicles, Goods and Passengers, Stamps and Registration fees, Entertainment Tax and Mining Receipts and found underassessment/ short levy/ loss of revenue aggregating to ₹ 851.14 crore in 5,145 cases. During the course of the year, the

Departments concerned accepted underassessment and other deficiencies of ₹ 20.92 crore involved in 456 cases, of which an amount of ₹ 19.21 crore was realised in 349 cases during the year 2014-15.

1.11 Coverage of this Report

This Report contains 31 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) including one Performance audit on “**System of Assessment Under VAT**”, involving financial effect of ₹ 560.72 crore .

The Departments/Government have accepted audit observations involving ₹ 532.41 crore out of which ₹ 65.12 lakh had been recovered (November 2015). These are discussed in succeeding Chapters II to VI.