

CHAPTER-I GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by Government of Kerala during the year 2016-17, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grant-in-aid received from Government of India during the year and the corresponding figures for the preceding four years, are mentioned in **Table - 1.1**.

Table - 1.1
Trend of revenue receipts

(₹ in crore)						
Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1	Revenue raised by the State Government					
	• Tax revenue	30,076.61	31,995.02	35,232.50	38,995.15	42,176.37
	• Non-tax revenue ¹	4,198.51 (3,272.25)	5,575.03 (4,059.49)	7,283.69 (5,097.95)	8,425.49 (5,902.45)	9,699.98 (6,683.27)
	Total	34,275.12 (33,348.86)	37,570.05 (36,054.51)	42,516.19 (40,330.45)	47,420.64 (44,897.60)	51,876.35 (48,859.64)
2	Receipts from Government of India					
	• Share of net proceeds of divisible Union taxes and duties	6,840.65	7,468.68	7,926.29	12,690.67	15,225.02
	• Grants-in-aid	3,021.53	4,138.20	7,507.99	8,921.35	8,510.35
	Total	9,862.18	11,606.88	15,434.28	21,612.02	23,735.37
3	Total revenue receipts of the State Government (1 and 2)	44,137.30 (43,211.04)	49,176.93 (47,661.39)	57,950.47 (55,764.73)	69,032.66 (66,509.62)	75,611.72 (72,595.01)
4	Percentage of 1 to 3	78	76	73	69	69

Source : Finance Accounts prepared by AG(A&E), Kerala.

The above table indicates that during the year 2016-17, the revenue raised by the State Government (₹ 51,876.35 crore) was 69 *per cent* of the total revenue receipts. The balance 31 *per cent* of the revenue during 2016-17 was share of net proceeds of divisible Union taxes and duties and Grants-in-aid from the Government of India.

¹ The receipt from State lotteries for the year 2016-17 was ₹ 7,283.29 crore, which was 75.09 *per cent* of non-tax revenue. The difference between the figures shown in column and bracket represent expenditure on prize winning tickets of lotteries conducted by the Government.

1.1.2 The details of the tax revenue raised during the period 2012-13 to 2016-17 are given in **Table - 1.2**.

Table - 1.2
Details of Tax Revenue raised

(₹ in crore)

Sl. No.	Head of revenue	2012-13		2013-14		2014-15		2015-16		2016-17		Percentage of increase (+) or decrease (-) in 2016-17 over 2015-16	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
1	0040 - Tax on Sales, Trade etc.	23,450.52	22,511.09	28,456.62	24,885.25	31,913.47	27,908.33	34,712.28	30,736.78	36,952.98	33,453.49	6.46	8.84
2	0041 - Taxes on vehicles	1,694.49	1,924.62	2,570.65	2,161.09	2,799.82	2,364.95	3,087.35	2,814.30	3,351.49	3,107.23	8.56	10.41
3	0030-Stamps and Registration Fees	3,775.71	2,938.38	4,207.01	2,593.29	3,733.67	2,659.02	4,311.33	2,877.73	3,469.41	3,006.58	(-) 19.53	4.48
4	0039 - State Excise	2,550.65	2,313.95	2,801.75	1,941.72	3,208.36	1,777.42	2,600.66	1,964.16	2,397.36	2,019.30	(-) 7.82	2.81
5	0029 - Land Revenue	127.72	121.58	135.49	88.78	169.57	139.03	138.46	182.28	191.34	124.15	38.19	(-) 31.89
6	0043 - Taxes and Duties on Electricity	250.00	24.71	284.15	42.25	309.14	48.71	189.06	57.66	225.04	63.30	19.03	9.78
7	0022 - Taxes on Agricultural Income	15.98	18.92	23.99	21.55	26.35	8.60	28.33	2.01	10.94	2.37	(-) 61.38	17.91
8	Others ²	257.14	223.36	291.44	261.09	307.11	326.44	360.56	360.23	445.05	399.95	23.43	11.03
Total		32,122.21	30,076.61	38,771.10	31,995.02	42,467.49	35,232.50	45,428.03	38,995.15	47,043.61	42,176.37	3.56	8.16

Source : Budget Estimates and Finance Accounts of the respective years.

² Taxes on immovable property other than agricultural land, Luxury tax and Entertainment tax.

1.1.3 The details of non-tax revenue raised during the period 2012-13 to 2016-17 are indicated in **Table - 1.3**.

Table - 1.3
Details of Non-Tax Revenue raised

(₹ in crore)

Sl. No.	Head of revenue	2012-13		2013-14		2014-15		2015-16		2016-17		Percentage of increase (+) or decrease (-) in 2016-17 over 2015-16	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
1	0075-00-103- Miscellaneous General Services- State Lotteries	1,381.20	1,747.51	2,307.00	2,280.15	2,875.00	3,259.14	4,105.60	3,748.37	5,728.90 ³	4,266.57 ⁴	39.54	13.82
2	0406 - Forestry and Wild Life	321.26	237.33	328.83	329.95	376.17	300.40	468.73	283.04	446.48	296.85	(-) 4.75	4.88
3	0202 - Education, Sports, Art and Culture	222.07	182.78	259.18	308.13	253.15	246.41	369.71	243.63	376.83	282.35	1.93	15.89
4	Others ⁵	1,092.08	1,104.63	1,333.56	1,141.26	1,473.15	1,292.00	1,725.98	1,627.41	2,046.21	1,837.50	18.55	12.91
Total		3,016.61	3,272.25	4,228.57	4,059.49	4,977.47	5,097.95	6,670.02	5,902.45	8,598.42	6,683.27	28.91	13.23

Source: Budget Estimates and Finance Accounts of the respective years.

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2017 on some principal heads of revenue amounted to ₹ 12,590.97 crore, of which, ₹ 5,182.78 crore was outstanding for more than five years, as detailed in **Appendix I**.

Ineffective implementation of the systems for the realisation of arrears of revenue such as prompt reporting of arrears to Revenue Department and pursuance by the departments concerned for realising the arrears were the main reason for this huge pendency. The arrears of ₹ 5,182.78 crore pending for more than five years in

³ The District Lottery Officers are authorised to incur expenditure towards prize winning tickets (small denominations upto and including ₹ 5,000) by appropriating the receipts collected in the respective offices. The other expenditures are met from the budget allocation of the State. From gross receipts (budget estimates) of ₹ 7,990 crore, expenditure on prize winning tickets of lotteries (budget estimates) of ₹ 2,261.10 crore was deducted.

⁴ From gross receipts of ₹ 7,283.28 crore, expenditure of ₹ 3,016.71 crore on prize winning tickets was deducted, but other expenditure like commission to agents (₹ 2,326.71 crore), establishment expenses (₹ 333.92 crore), etc., were not deducted.

⁵ Receipts from Interest receipts, Medical and Public Health, Crop Husbandry, Animal Husbandry, Public Works, Other Administrative Services, Police, Co-operation, Major Irrigation Projects, Judiciary, Jail, Stationery, etc.

eleven departments including those of Excise Department from 1952 onwards. The cases referred to Government for write off (₹ 111.14 crore) were also not pursued by the departments/offices concerned.

1.3 Arrears in assessments

The particulars regarding the arrears in assessment such as 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 2016-17 were called for (May 2017) from the Revenue and Disaster Management (R&DM) Department and the Commercial Taxes Department. The details furnished by the R&DM Department and the Commercial Taxes Department were given in **Table -1.4**.

Table - 1.4
Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2016-17	Total assessments due	Cases disposed of during 2016-17	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
Revenue and Disaster Management Department						
Building Tax	11,801	1,67,813	1,79,614	1,66,599	13,015	92.75
Plantation Tax	2,815	1,229	4,044	2,595	1,449	64.17
Commercial Taxes Department						
1) a. Sales Tax/VAT	2,278	1,821	4,099	2,075	2,024	50.62
b. Motor Spirit Tax	54	52	106	29	77	27.36
c. Luxury Tax	7,711	6,924	14,635	7,167	7,468	48.97
d. Tax on Works Contracts	1,421	934	2,355	1,374	981	58.34
e. Others	27,384	18,108	45,492	27,297	18,195	60.00
Total	38,848	27,839	66,687	37,942	28,745	56.90
2) Taxes on Agricultural Income	446	296	742	455	287	61.32

Source : Details obtained from respective Departments.

During the year, the R&DM Department cleared 9,631 out of 11,801 arrear cases of building tax and 1,560 out of 2,815 cases of plantation tax.

In the Commercial Taxes Department, the clearance of arrears in assessments was 22,946 out of 39,294 cases.

1.4 Evasion of tax detected by the Departments

The details of cases of evasion of tax detected by the Departments were called for by Audit in May 2017. The details as furnished by Commercial Taxes, Motor Vehicles, Registration and Land Revenue Departments are given in **Table - 1.5**.

Table - 1.5
Details of evasion of tax detected

Sl. No.	Head of revenue	Cases pending as on 31 March 2016	Cases detected during 2016-17	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 2017
					Number of cases	Amount of demand (₹ in crore)	
1	0040-Tax on Sales, Trade etc.	10,849	38,410	49,259	38,447	1,660.48	10,812
2	0041-Taxes on vehicles	104	197	301	5	0.02	133
3	0030-Stamps and Registration Fees	10,13,732	11,160	10,24,892	9,63,461	236.02	61,431
4	0029-Land Revenue	2,106	7,576	9,682	7,397	6.34	2,285

Source : Details obtained from respective Departments.

Out of 301 cases of evasion of tax detected by the Motor Vehicles Department, the Department finalised assessments in 168 cases and raised demand in five cases. The reason for pendency of these cases was not furnished by the Department (January 2018).

The number of cases pending as on 31 March 2016 was revised to 2106 from 702 as per the information furnished by Land Revenue Department on 28 March 2017.

The Excise, Power, Forest, PWD, State Lotteries, Health, Animal Husbandry and Stationery Departments stated (between May 2017 and September 2017) that no case of evasion of tax was detected by them.

1.5 Pendency of refund cases

The details of refund cases pending at the beginning of the year 2016-17, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2016-17 as reported by the Commercial Taxes and Excise Departments are given in **Table - 1.6**.

Table - 1.6
Details of pendency of refund cases

(₹ in crore)

Sl. No.	Particulars	Commercial Taxes		State Excise	
		No. of cases	Amount	No. of cases	Amount
1	Claims outstanding at the beginning of the year 2016-17	5,449	173.24	10	0.93
2	Claims received during the year	5,820	145.51	21	4.37
3	Refunds made during the year	2,444	31.11	17	3.41
4	Balance outstanding at the end of the year 2016-17	8,825	287.64	14	1.89

Source : Details obtained from respective Departments.

In Commercial Taxes Department, number of refund cases outstanding at the end of March 2017 was 8,825, of which, 8,823 cases pertain to refund of value added tax. The reason for huge pendency of outstanding cases was not explained by the Department.

1.6 Analysis of cases in which stay was granted

An analysis of arrears of revenue, which were under various stages of collection revealed that the arrears pending collection as on 31 March 2017 included collections stayed by various authorities at various stages on some principal heads of revenue as detailed in **Table -1.7**.

Table - 1.7
Stages of stay granted

(₹ in crore)

Sl. No.	Head of revenue	Total arrear amount	Stage wise details of		Total amount under stay	% of stay to total arrear
			Stay by Court and other judicial authorities	Stay by Government		
1	0040-Tax on Sales, Trade etc.	8,785.55	3,274.10	78.59	3,352.69	38.16
2	0043-Taxes and Duties on Electricity	1,053.86	24.13	0	24.13	2.29
3	0406-Forestry and Wild Life	340.21	2.56	67.72	70.28	20.66
4	0039-State Excise	199.32	47.43	0	47.43	23.80
5	0029-Land Revenue	168.60	89.36	28.58	117.94	69.95
6	0030-Stamps and Registration Fees	28.24	9.36	0	9.36	33.14
7	1051-Ports and Light Houses	4.89	2.33	0	2.33	47.65
8	0853-Non-Ferrous Mining and Metallurgical Industries	1.72	0.12	0.40	0.52	30.23
Total		10,582.39	3,449.39	175.29	3,624.68	34.25

Source : Details obtained from respective Departments.

An amount of ₹ 3,624.68 crore in respect of the above heads of revenue was pending under stay, which was 34.25 *per cent* of the total arrear amount. The Departments need to take effective action to vacate the stay and to realise the amount.

The arrears of revenue pending under stay in respect of Motor Vehicle, Police, Kerala State Audit, Stationery, Town Planning, Labour Departments and Factories and Boilers were nil.

1.7 Response of the Government/Departments to Audit

The Accountant General (E&RSA), Kerala, conducts periodical inspection of the Government Departments to test check the transactions and verifies the maintenance of 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 the offices/Government are required to furnish first reply within four weeks from the date of receipt of the Inspection Report. Even if final reply to certain paras in Inspection Report are not furnished within the prescribed time limit, an interim reply may be furnished indicating the action taken to rectify the defects pointed out by Audit. Serious financial irregularities are reported to the heads of the Departments and the Government.

Inspection reports issued upto December 2016 disclosed that 26,848 paragraphs involving ₹ 8,017.53 crore relating to 3,243 IRs were outstanding at the end of June 2017 as mentioned in **Table - 1.8**.

Table - 1.8
Details of pending Inspection Reports

	June 2015	June 2016	June 2017
Number of IRs pending for settlement	3,193	2,672	3,243
Number of outstanding audit observations	24,691	24,662	26,848
Amount of revenue involved (₹ in crore)	9,146.67	7,253.02	8,017.53

Source : Details compiled by AG (E&RSA) and reconciled with respective Departments.

1.7.1 Department-wise details of IRs

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2017 and the amounts involved are mentioned in the **Table - 1.9**.

Table - 1.9
Department-wise details of IRs

(₹ in crore)

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1	Commercial Taxes	Tax on Sales, Trade, etc.	1,908	20,478	4,210.73
		Taxes on agricultural income	161	742	164.48
2	Power	Electricity duty	28	115	3,176.12
3	Revenue	Land Revenue	411	2,299	307.87
4	Motor Vehicles	Taxes on vehicles	346	2,223	119.42
5	Excise	State Excise	100	238	27.02
6	Registration	Stamp and Registration Fees	261	710	9.48
7	Lotteries	Receipt from lotteries	28	43	2.41
Total			3,243	26,848	8,017.53

Source : Details compiled by AG (E&RSA) and reconciled with respective Departments.

Audit did not receive even first replies in case of 176 IRs within four weeks from the date of issue of the IRs from seven heads of offices during 2016-17. This large pendency of the IRs due to non-receipt of the replies was 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 large pendency of IRs due to non-receipt of replies shows the failure of monitoring of clearing the pending audit observations by the Audit Monitoring Committees at Secretary level and Apex Committee at Chief Secretary level.

The Government needs to put in place effective system for ensuring prompt and appropriate response to audit observations within the time frame prescribed in the circular⁶ issued by the Finance Department.

1.7.2 Departmental Audit Committee Meetings

The Government set up audit committees to monitor and expedite the progress of settlement of local audit reports and paragraphs in the local audit reports. The details of the audit committee meetings held during the year 2016-17 and the paragraphs settled are mentioned in **Table - 1.10**.

⁶ Circular memorandum No. 57374/Ins.2/65/Fin. dated 15 November 1965.

Table - 1.10
Details of Departmental audit committee meetings

(₹ in lakh)

Sl. No.	Head of revenue	Number of meetings held	Number of audit observations pending as on 31 March 2016	Number of paragraphs settled
1	0040-Tax on Sales, Trade etc.	4	21,131	559
2	0041-Taxes on vehicles	8	2,579	757
3	0029-Land Revenue	2	2,252	90
4	0030-Stamps and Registration Fees	9	947	344
5	0043-Taxes and Duties on Electricity	2	138	18
6	0039-State Excise	4	380	44
7	0022-Taxes on Agricultural Income	3	876	35
8	0075-00-103-Miscellaneous General Services-State Lotteries	0	59	0
Total		32	28,362	1,847

Source : Details obtained from respective Departments.

The progress of settlement of paragraphs pertaining to the Commercial Taxes Department and Revenue Department were negligible compared to the huge pendency of the local audit reports and paragraphs despite holding departmental audit committee meetings.

1.7.3 Non-production of records to Audit for scrutiny

The programme of local audit of Tax Revenue/Non-tax Revenue offices is drawn up sufficiently in advance and 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 2016-17, files relating to Kerala Value Added Tax (KVAT) assessments, in which, the turnover of the assessee was above ₹ 60 lakh and Kerala General Sales Tax (KGST) assessments, in which, the tax effect was above ₹ two lakh were called for by Audit for scrutiny in Commercial Taxes Department. However, 1,912 tax assessment files relating to 63 offices were not made available to Audit. Of these, 292 files pertained to 15 special circles and works contract offices, where assessments of major dealers are dealt with (**Appendix II**).

Circle/division-wise analysis showing the names of head of offices for the years 2012-13 to 2016-17 is given in **Appendix III**.

Non-production of large number of transaction records involving substantial revenue hinders Audit in discharging the constitutional responsibility and comes in the way of assuring the State Government about the quality and risk involved in these transactions involving revenue for the State Government. The possibility of fraud or misappropriation or business malfeasance remaining hidden/suppressed and escaping detection during audit also remains high.

1.7.4 Response of the Departments to the draft paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are sent by the Accountant General to the Principal Secretaries/Secretaries of the respective Departments drawing their attention to audit findings and requesting their response within six weeks.

Thirty seven draft paragraphs including one performance audit report were sent to the Principal Secretaries/Secretaries of the respective Departments by name between June and October 2017. The Principal Secretaries/Secretaries of the Departments furnished replies to all the draft paragraphs.

1.7.5 Follow up on the Audit Reports-summarised position

The internal working system of the Public Accounts Committee (PAC), notified in December 2002, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government to the Legislature Secretariat with copies to Accountant General and Finance (PAC) Department within two months of tabling the Report, for consideration of the Committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. In the Reports of the Comptroller and Auditor General of India on Revenue Sector of the Government of Kerala for the years ended 31 March 2012 to 31 March 2016 placed before the State Legislative Assembly between 19 March 2013 to 6 March 2017, 160 paragraphs (including performance audit) were included. The action taken explanatory notes from the Departments concerned on 107 paragraphs were received late with an average delay of four months to 42 months in respect of these Audit Reports and action taken on the rest of the paras are yet to be received. Action taken explanatory notes in respect of 29 paragraphs from three departments (Taxes, Transport and Revenue & Disaster Management) were not received for the Audit Report for the year ended 31 March 2016 so far (January 2018).

The PAC discussed 48 paragraphs pertaining to the Audit Reports for the years from 2012 to 2016. PAC Reports containing its recommendations were not received on these paras during the respective tenure of the Committee during the period 2011-2019.

It was noticed that five departments did not submit action taken explanatory notes on audit paragraphs as of January 2018 in respect of 53 paragraphs (45 individual and eight PAs/Review paragraphs) featured in the C&AG's Audit Reports from the year ended 31 March 2013 to the year ended 31 March 2016. In respect of 45 individual transaction audit paragraphs, compliance was not furnished by three departments. The departments largely responsible for non-submission of action taken explanatory notes were Taxes, Transport and Revenue and Disaster Management. The non-receipt of ATNs were brought to the notice of the Chief Secretary to the Government in the Apex Committee meetings held on 8 December 2016, 15 June 2017 and 11 December 2017.

As on 31 March 2017, Action Taken Notes (ATN) on PAC recommendations were not received in respect of 148 paragraphs. Out of these, 119 recommendations pertained to three departments i.e., Taxes, Transport and Revenue and Disaster Management as mentioned in the **Table - 1.11**.

Table - 1.11
Details of non-receipt of ATN from three Departments

Year	Name of Department			Total
	Taxes	Transport	Revenue and Disaster Management	
2004-06	-	-	1	1
2006-08	3	-	7	10
2008-11	13	1	6	20
2011-14	5	10	-	15
2014-16	13	11	1	25
2016-19	48	-	-	48
Total	82	22	15	119

Source : Records maintained by AG and reconciled with Departmental figures.

1.8 Status of the mechanism for dealing with the issues raised in 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 and performance audits included in the Audit Reports of the last 10 years for one Department was evaluated and included in this Audit Report.

The following paragraphs 1.8.1 and 1.8.2 discuss the performance of the Registration Department under revenue head 0030-Stamps and Registration Fees and cases detected in the course of local audit during the last 10 years and also the cases included in the Audit Reports for the years 2006-07 to 2015-16.

1.8.1. Position of Inspection Reports

The summarised position of the inspection reports issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2016 are tabulated below in **Table - 1.12**.

Table - 1.12
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	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
1	2006-07	587	1,338	123.48	179	601	43.82	303	837	127.17	463	1,102	40.13
2	2007-08	463	1,102	40.13	166	650	1.67	122	500	38.98	507	1,252	2.82
3	2008-09	507	1,252	2.82	164	586	7.02	167	485	1.15	504	1,353	8.69
4	2009-10	504	1,353	8.69	168	598	7.41	284	898	3.87	388	1,053	12.23
5	2010-11	388	1,053	12.23	172	525	5.99	93	444	4.52	467	1,134	13.70
6	2011-12	467	1,134	13.70	160	513	3.31	143	516	3.61	484	1,131	13.40
7	2012-13	484	1,131	13.40	106	277	3.71	152	597	3.72	438	811	13.39
8	2013-14	438	811	13.39	60	207	0.65	158	344	3.96	340	674	10.08
9	2014-15	340	674	10.08	82	251	0.86	61	164	1.17	361	761	9.77
10	2015-16	361	761	9.77	105	501	3.60	115	315	2.67	351	947	10.70

Source : Figures compiled by AG and reconciled with Departmental figures.

The Audit Monitoring Committee and Apex Committee meetings were held between the Department and the Office of the Accountant General to settle the old paragraphs. As a result of these meetings, 5,100 paragraphs were settled from 2006-07 to 2015-16 and 947 paragraphs were outstanding as on 31 March 2016.

1.8.2. Recovery in accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Department and the amount recovered are mentioned in **Table - 1.13**.

Table - 1.13
Details of paragraphs included in Audit Reports

(₹ in crore)

Sl. No.	Year of Audit Report	Number of paragraphs included	Money value of paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year	Cumulative position of recovery of accepted cases as of 31.03.2016
1	2006-07	-	-	-	-	-	-
2	2007-08	-	-	-	-	-	-
3	2008-09	3	0.47	-	0.10	-	-
4	2009-10	3	4.37	-	-	-	-
5	2010-11	2	0.25	1	0.07	-	-
6	2011-12	2	0.94	-	0.10	-	-
7	2012-13	1	14.47	-	0.14	-	-
8	2013-14	2	0.05	1	0.05	-	-
9	2014-15	1	0.09	1	0.09	-	-
10	2015-16	1	0.37	1	0.37	-	-

Source : Figures furnished by the Registration Department.

It is evident from the above table that the progress of recovery in accepted cases was nil throughout the last 10 years. The recovery in accepted cases was to be pursued as arrears recoverable from the parties concerned.

1.9 Action taken on the recommendations accepted by the Departments/Government

The draft reports of Performance Audit (PA) conducted by the Accountant General are forwarded to the Department concerned/Government with a request to furnish their replies. These reports are also discussed in an Exit Conference and the views of the Department/Government are included while finalising the Audit Reports.

The details of eight Performance Audit Reports on the Departments of Commercial Taxes, Revenue and Disaster Management (R&DM), Power and Lotteries featured in the Reports for the last five years along with recommendations and their status are given in **Appendix IV**. The PAs on Commercial Taxes Department covered the areas such as Levy and collection of VAT on evasion prone commodities/areas, Assessment, levy and collection of VAT on transfer of goods involved in the execution of works/supply contract, Effectiveness of Kerala Value Added Tax Information System (KVATIS) in Tax administration and System of assessment under KVAT. The PAs on the R&DM Department covered areas such as Land Management and Disaster Management in the State. The audit also focused on the levy, collection and accounting of

Electricity duty, surcharge and inspection fee under the Power Department. In tune with the recommendations of Audit, the Commercial Taxes Department decided for restoration of audit assessment wing, incorporation of audit assessment module in KVATIS, periodic fixation/refixation of floor rates on evasion prone commodities, electronic verification of PAN in KVATIS, upgradation of e-governance infrastructure and constituted Economic Intelligence Wing for cross verification of information obtained from other departments with KVATIS.

1.10 Audit planning

The unit offices under various departments were categorised into high, medium and low risk units according to their revenue position, past trends of audit observations, complaints, media reports, non-production of records, information regarding malpractice obtained through RTI and misappropriation. The annual audit plan was prepared on the basis of risk analysis, which *inter-alia* included critical issues in government revenue, tax administration i.e. budget speech, reports of the Finance Commission (State and Central), recommendation 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 the past five years, etc.

During the year 2016-17, there were 823 audit units, of which 443 units were planned and 388 units were audited.

1.11 Results of audit

Position of local audit conducted during the year

Test check of the records of 388 units⁷ of Sales Tax/Value Added Tax, State Excise, Motor Vehicles and other Departmental offices conducted during the year 2016-17 showed under-assessment/short-levy/loss of revenue aggregating to ₹ 989.47 crore in 1,862 cases. Deficiencies in the utilisation of Central Fund for Mission Mode Project for Computerisation of Commercial Taxes Administration and Infructuous expenditure on purchase with expenditure impact of ₹ 7.78 crore were also noticed in two cases. During the course of the year, the Departments concerned accepted under-assessment and other deficiencies of ₹ 450.63 crore involved in 328 cases, which were pointed out in audit during 2016-17. The Departments collected ₹ 25.14 crore in 1,296 cases during 2016-17, pertaining to the audit findings of previous years.

⁷ In the case of remaining 60 units, IRs were issued during the year 2017-18.

1.12 Coverage of this Report

The Report contains 28 paragraphs, which came to notice in the course of test audit of records during the year 2016-17 as well as those in earlier years involving revenue impact of ₹ 426.98 crore and expenditure impact of ₹ 7.43 crore. Instances relating to the period subsequent to 2016-17 were also included, wherever necessary. The Department/Government accepted audit observations involving ₹ 434.36 crore, out of which, ₹ 12.93 crore were recovered. These are discussed in succeeding Chapters II to VI.