

## CHAPTER I

### GENERAL

#### 1.1 Trend of Revenue Receipts

1.1.1 The revenue receipts of the State for the year 2016-17 comprised of:

- Tax and non-tax revenue raised by Government of Odisha
- State's share of net proceeds of divisible Union taxes
- Duties assigned to the State
- Grants-in-aid received from Government of India.

The details along with the corresponding figures for preceding four years have been depicted in **Table-1.1.1**.

**Table-1.1.1**

#### Trend of Revenue Receipts

(₹ in crore)

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1.	<b>Revenue raised by State Government</b>					
	• Tax revenue	15,034.13	16,891.59	19,828.29	22,526.96	22,852.39
	• Non-tax revenue	8,078.04	8,378.60	8,070.87	8,711.24	8,043.10
	<b>Total</b>	<b>23,112.17</b>	<b>25,270.19</b>	<b>27,899.16</b>	<b>31,238.20</b>	<b>30,895.49</b>
2.	<b>Receipts from Government of India</b>					
	• State's net proceeds of divisible Union taxes and duties	13,965.01	15,247.24	16,181.22	23,573.78	28,321.50 <sup>1</sup>
	• Grants-in-aid	6,859.73	8,429.42	12,917.50	14,129.46	15,082.40
	<b>Total</b>	<b>20,824.74</b>	<b>23,676.66</b>	<b>29,098.72</b>	<b>37,703.24</b>	<b>43,403.90</b>
3.	Total revenue receipts of the State Government (1 and 2)	43,936.91	48,946.85	56,997.88	68,941.44	74,299.39
4.	<b>Percentage of 1 to 3</b>	<b>52.60</b>	<b>51.63</b>	<b>48.95</b>	<b>45.31</b>	<b>41.58</b>

Source: Finance Accounts for the year 2016-17 of Government of Odisha

In the year 2016-17, the revenue raised by the State Government (₹ 30,895.49 crore) was 41.58 *per cent* of total revenue receipts. The balance (₹ 43,403.90 crore) 58.42 *per cent* of the receipts was from the Government of India.

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

<sup>1</sup> For details, please see Statement No 14- Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Odisha for the year 2016-17. Figures under the minor head 901-Share of net proceeds assigned to the States 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 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.

**Table-1.1.2  
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	
1.	OVAT including Odisha Sales Tax (OST)	9,016.20	8,929.61	10,195.00	9,882.03	11,505.69	10,892.11	11,651.41	12,211.26	12,642.90	12,428.70	(+) 1.78
	Central Sales Tax (CST)	783.80	755.07	900.00	846.52	929.59	924.62	953.59	885.73	973.10	973.65	(+) 9.93
2.	Taxes and Duties on Electricity	580.00	590.48	640.00	670.11	768.00	1,722.60	950.00	1,212.21	1,610.00	1,637.14	(+) 35.05
3.	Land Revenue	480.00	420.21	400.00	431.26	440.00	645.64	470.00	588.81	590.00	460.00	(-) 21.88
4.	Taxes on Vehicles	850.00	746.19	900.00	859.67	972.00	910.31	1,068.00	1,043.73	1,230.00	1,216.08	(+) 16.51
5.	Taxes on Goods and Passengers	1,350.00	1,342.54	1,500.00	1,613.46	1,740.00	1,710.87	1,750.00	1,662.99	1,870.00	1,760.51	(+) 5.86
6.	State Excise	1,500.00	1,498.64	1,725.00	1,780.13	2,100.00	2,035.24	2,390.00	2,546.94	3,000.00	2,786.02	(+) 9.39
7.	Stamp Duty and Registration Fee	550.00	544.88	620.00	605.48	802.32	800.23	2,267.00	2,157.07	1,065.00	1,363.72	(-) 36.78
8.	Other Taxes and Duties on Commodities and Services	60.28	70.52	65.00	53.23	40.06	17.70	30.00	42.65	32.01	46.40	(+) 8.79
9.	Other Taxes on Income and Expenditure- Tax on Professions, Trades, Callings and Employments	140.00	135.99	160.00	149.70	176.00	168.97	170.00	175.57	186.99	180.17	(+) 2.62
	<b>Total:</b>	<b>15,310.28</b>	<b>15,034.13</b>	<b>17,105.00</b>	<b>16,891.59</b>	<b>19,473.66</b>	<b>19,828.29</b>	<b>21,700.00</b>	<b>22,526.96</b>	<b>23,200.00</b>	<b>22,852.39</b>	

Source: Finance Accounts for the year 2016-17 of Government of Odisha

The respective Departments reported the following reasons for variation:

**Odisha Value Added Tax (OVAT) including OST/ Central Sales Tax (CST):** Increase in VAT collection (1.78 per cent) over the previous year 2015-16 was primarily due to increase in business and revenue augmentation measures taken by Government.

**Stamp Duty and Registration Fee:** Decrease (36.78 per cent) in comparison to previous year 2015-16 was attributed to registration of less number of Mining lease.

**Taxes and Duties on Electricity:** Increase (35.05 per cent) over the previous year 2015-16 was due to hike in Electricity Duty rate.

The other Departments, despite being requested (April and July 2017), did not furnish the reasons for variations in receipts from that of the previous year (2015-16).

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

**Table-1.1.3**  
**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	
1.	Non-ferrous Mining and Metallurgical Industries	5,000.00	5,695.70	5,515.00	5,518.80	5,660.07	5,310.09	6,000.00	5,798.96	6,171.00	4,925.79	(-) 15.06
2.	Interest Receipts	200.00	588.25	300.00	1,241.18	408.98	330.67	330.00	560.42	310.00	427.40	(-) 23.74
3.	Forestry and Wildlife	117.46	188.92	30.22	95.11	31.73	61.51	98.85	152.99	41.00	131.58	(-) 13.99
4.	Irrigation & Inland Water Transport	295.28	396.76	380.30	451.70	435.77	629.60	616.00	707.11	686.60	775.87	(+) 9.72
5.	Other Administrative Services	10.24	12.76	13.30	24.44	23.86	29.75	33.66	37.86	37.86	43.84	(+) 15.80
6.	Public Works	40.04	49.77	47.00	69.72	63.03	88.59	81.81	77.48	81.84	66.31	(-) 14.42
7.	Police Receipts	33.97	52.62	37.15	44.70	52.38	50.00	59.30	59.61	60.00	54.37	(-) 8.79
8.	Education	10.17	89.10	16.63	75.86	27.69	18.87	62.73	66.89	66.89	30.79	(-) 53.97
9.	Medical and Public Health	9.90	10.55	28.84	28.71	30.81	33.15	37.03	52.70	52.70	50.83	(-) 3.55
10.	Miscellaneous General Services	7.11	225.60	11.00	126.50	29.54	118.84	175.36	192.08	193.06	383.91	(+) 99.87
11.	Power	2.17	2.14	2.30	4.70	41.95	2.18	39.36	2.25	2.26	8.05	(+) 257.78
12.	Co-operation	2.20	2.97	2.30	3.34	2.47	2.56	2.05	2.50	2.97	3.16	(+) 26.40
13.	Other Non-tax Receipts	308.24	762.90	441.10	693.84	796.87	1,395.06	1,463.85	1,000.40	1,116.75	1,141.21	(+) 14.07
	<b>Total:</b>	<b>6,036.78</b>	<b>8,078.04</b>	<b>6,825.14</b>	<b>8,378.60</b>	<b>7,605.15</b>	<b>8,070.87</b>	<b>9,000.00</b>	<b>8,711.24</b>	<b>8,822.93</b>	<b>8,043.10</b>	

Source: Finance Accounts for the year 2016-17 of Government of Odisha

The respective Departments reported the following reasons for variation:

**Non-ferrous Mining and Metallurgical Industries:** Decrease as compared to last year 2015-16 (15.06 per cent) was due to decrease of rate of royalty on Iron and Chromite ore.

**Forestry and Wildlife:** Decrease in revenue collection during 2016-17 as compared to 2015-16 was due to less deposit of arrear revenue by Odisha Forest Development Corporation Ltd.

**Police Receipts:** Decrease (8.79 per cent) was due to surrender of Police Guards during the year 2016-17 by the All India Radio, Doordarshan Kendras, SBI and non-reimbursement of claim (for the year 2014-15) by the South Eastern Railways, Kolkata.

The other Departments despite being requested (April and July 2017), did not furnish the reasons for variation in receipts from that of the previous year (2015-16).

## 1.2 Analysis of Arrears of Revenue

The arrears of revenue, as on 31 March 2017, on some principal heads of revenue amounted to ₹ 11,973.59 crore relating to VAT, Entry Tax (ET) and Mineral receipts. Out of this, ₹ 4,566.07 crore was outstanding for more than five years as detailed in Table-1.2.

**Table-1.2**  
**Arrears of Revenue**

(₹ in crore)

Sl. No.	Head of Revenue	Total amount outstanding as on 31 March 2017	Amount outstanding for more than five years as on 31 March 2017	Replies of Department
<b>A-Tax Revenue</b>				
<b>0040- Taxes on Sales, Trade, etc.</b>				
1.	VAT (including OST and CST)	7,058.49	2,764.89	Department stated reasons of arrears as under: <ul style="list-style-type: none"> <li>• Amount covered by show cause notices and penalty <span style="float: right;">1,537.48</span></li> <li>• Amount stayed by                             <ul style="list-style-type: none"> <li>➢ Departmental Authorities <span style="float: right;">1,618.56</span></li> <li>➢ Supreme Court/ High Court <span style="float: right;">3,315.76</span></li> </ul> </li> <li>• Demands covered by tax recovery proceedings <span style="float: right;">580.02</span></li> <li>• Amount likely to be written off <span style="float: right;">6.67</span></li> </ul>
<b>0042-Taxes on Goods and Passengers</b>				
2.	Entry Tax	2,630.97	451.56	Department stated reasons of arrears as under: <ul style="list-style-type: none"> <li>• Amount covered by show cause notices and penalty <span style="float: right;">688.17</span></li> <li>• Recoveries stayed by                             <ul style="list-style-type: none"> <li>➢ Departmental Authorities <span style="float: right;">576.94</span></li> <li>➢ Supreme Court/ High Court <span style="float: right;">1,323.81</span></li> </ul> </li> <li>• Demands covered by certificate proceedings <span style="float: right;">41.98</span></li> <li>• Amount likely to be written off <span style="float: right;">0.07</span></li> </ul>
<b>0041-Taxes on Vehicles</b>				
3.	Taxes on Vehicles	255.34	--	Department stated reasons of arrears as under: <ul style="list-style-type: none"> <li>• Demands covered by certificate proceedings/ tax recovery proceedings <span style="float: right;">70.19</span></li> <li>• Recoveries stayed by Departmental Authorities <span style="float: right;">2.38</span></li> <li>• Recoveries stayed in court of law <span style="float: right;">1.28</span></li> <li>• Other stages <span style="float: right;">181.49</span></li> </ul>
<b>0039-State Excise</b>				
4.	State Excise	56.41	--	Department stated reasons of arrears as under: <ul style="list-style-type: none"> <li>• Recoveries stayed by Supreme Court / High Court <span style="float: right;">38.01</span></li> <li>• Demands covered by certificate proceedings/ tax recovery proceedings <span style="float: right;">11.65</span></li> <li>• Other stages <span style="float: right;">6.75</span></li> </ul>
<b>B-Non-Tax Revenue</b>				
5.	Mining Receipts	1,972.38	1,349.62	Department stated reasons of arrears as under: <ul style="list-style-type: none"> <li>• Certificate cases <span style="float: right;">1.55</span></li> <li>• Amount likely to be written off <span style="float: right;">2.37</span></li> <li>• Courts of law <span style="float: right;">1,857.27</span></li> <li>• Recoverable dues <span style="float: right;">119.19</span></li> </ul>
	<b>Total:</b>	<b>11,973.59</b>	<b>4,566.07</b>	

Source: Replies of concerned Departments

It would be seen from above that arrears of ₹ 2,197.88 crore were pending with the departmental authorities as departmental proceedings. An amount of ₹ 705.39 crore remained outstanding under Certificate cases<sup>2</sup> / tax recovery proceedings. An amount of ₹ 9.11 crore referred to Government for write off was yet to be disposed off.

### 1.3 Arrears in Assessments

The details of assessment cases pending as on 31 March 2017 relating to Commercial Tax wing of Finance Department are given in **Table-1.3**.

**Table-1.3**

#### Arrears in Assessments

Head of Revenue	Opening Balance	New cases due for assessment during 2016-17	Total assessments due	Cases disposed off during 2016-17	Balance at the end of the year	Percentage of disposal (Col. 5 to 4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Odisha Sales Tax	4,943	23	4,966	1,477	3,489	29.74
CST	582	220	802	385	417	48.00
VAT	1,537	2,258	3,795	2,499	1,296	65.84
Entry Tax	686	1,167	1,853	1,200	653	64.76
Professional Tax	33,209	25,274	58,483	24,977	33,506	42.71
Entertainment Tax	82	122	204	75	129	36.76

Source: Commercial Tax wing of the Finance Department

It would be seen from the above that 3,489 assessments under the erstwhile Odisha Sales Tax Act were still pending as on 31 March 2017 although the Act had been repealed on 1 April 2005.

### 1.4 Evasion of Tax

The details of cases of evasion of tax detected by the Commercial Tax wing of Finance Department as on 31 March 2017 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 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	
1.	Odisha Sales Tax	26	0	26	0	0.00	26
2.	Entry Tax	13	116	129	75	8.10	54
3.	Value Added Tax	371	287	658	404	113.64	254
4.	Central Sales Tax	3	22	25	9	11.52	16
<b>Total:</b>		<b>413</b>	<b>425</b>	<b>838</b>	<b>488</b>	<b>133.26</b>	<b>350</b>

Source: Commercial Tax wing of the Finance Department

<sup>2</sup> Certificate is a prescribed form signed by a Certificate Officer for realisation of public demand.

During the period, 488 cases (58.23 *per cent*) out of total of 838 cases were disposed off. Twenty six cases relating to the repealed Odisha Sales Tax Act were pending for assessment.

### 1.5 Pendency of Refund Cases

The details of refund cases as on 31 March 2017 are given in **Table-1.5**.

**Table-1.5**

#### Details of Pendency of Refund Cases

(₹ in crore)

Sl. No.	Particulars	Sales Tax / VAT		Entry Tax	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	1,103	123.74	274	47.78
2.	Claims received during the year	858	322.09	237	22.53
	<b>Total (1+2)</b>	1,961	445.83	511	70.31
3.	Refunds made during the year	992	294.70	190	16.96
	(a) Refunds granted				
	(b) Refunds rejected/adjusted	314	56.55	111	29.24
	<b>Total (a+b)</b>	1,306	351.25	301	46.20
4.	Balance outstanding at the end of the year	655	94.58	210	24.11

**Source: Commercial Tax wing of the Finance Department**

It would be seen from the above that only 66.60 *per cent* of refund cases relating to Sales Tax / VAT and 58.90 *per cent* relating to Entry Tax were disposed off during 2016-17.

Odisha VAT Act provided for payment of simple interest at the rate of eight *per cent* per annum if the refund was not made to the dealer within 60 days from the date of receipt of order for refund or within 90 days from the date of receipt of application for refund till the refund was made. Government may incur liability for payment of interest if refund cases were not cleared expeditiously. During the year 2016-17, Government had paid interest of ₹ 8.06 lakh<sup>3</sup> due to such delay in disposal of refund cases.

### 1.6 Response of Departments / Government towards Audit

Periodical inspections of the Government Departments were conducted by the Principal Accountant General (E&RSA), Odisha (PAG). It was done to test check the transactions and verify maintenance of important accounts and other records as prescribed in the rules and procedures. Inspection Reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot were issued to the heads of the offices inspected. Copies were issued to the next higher authorities for taking prompt corrective action. The heads of offices / Government were required to promptly comply with the observations contained in the IRs, rectify the defects and omissions. The compliance was to be reported through initial reply within one month from the date of issue of the

<sup>3</sup> Interest paid ₹ 8.06 lakh under CST Act as per orders of Hon'ble High Court due to delay in payment.

IRs. Serious financial irregularities were reported to the heads of the Department and the Government.

Inspection Reports issued up to December 2016 disclosed that 7,549 paragraphs of 3,032 IRs involving ₹ 22,976.92 crore remained outstanding at the end of June 2017. The details are mentioned below along with the corresponding figures for the preceding two years in **Table-1.6**.

**Table-1.6****Department-wise details of IRs**

	June 2015	June 2016	June 2017
Number of IRs pending for settlement	2,891	2,818	3,032
Number of outstanding audit observations	6,768	6,768	7,549
Amount of revenue involved (₹ in crore)	14,540.00	21,505.09	22,976.92

Source: Records of the Principal Accountant General (E&RSA)

**1.6.1** The Department-wise details of IRs and audit observations outstanding as on 30 June 2017 including the amounts of revenue receipts are mentioned in **Table-1.6.1**.

**Table-1.6.1(a)****Department-wise details of IRs (Revenue Receipts)**

(₹ in crore)

Sl. No.	Name of the Department	Nature of Receipts	Number of outstanding IRs	Number of outstanding audit observations	Money Value involved
1.	Finance	OVAT including OST / CST	884	2,230	2,884.58
		Entry Tax	330	643	498.76
		Professional Tax	15	18	17.05
		Entertainment Tax	4	4	4.71
2.	Excise	State Excise	196	574	406.42
3.	Revenue & Disaster Management	Stamp Duty and Registration Fee	548	1,098	454.45
4.	Steel & Mines	Mining Receipts	166	476	18,210.64
5.	Transport	Taxes on Vehicles and Taxes on Goods and Passengers	347	1,174	390.81
<b>Total</b>			<b>2,490</b>	<b>6,217</b>	<b>22,867.42</b>

Source: Records of the Principal Accountant General (E&RSA)

**Table-1.6.1(b)****Department-wise details of IRs (Expenditure)**

(₹ in crore)

Sl. No.	Name of the Department	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1.	Finance	110	183	1.94
2.	Excise	91	132	0.18
3.	Revenue & Disaster Management	46	278	0.90
4.	Steel & Mines	39	84	8.71
5.	Transport	256	655	97.77
<b>Total</b>		<b>542</b>	<b>1,332</b>	<b>109.50</b>

Source: Records of the Principal Accountant General (E&RSA)

Audit did not receive even the first replies in respect of 190 IRs issued during 2016-17 from the heads of offices within one month from the date of issue of the IRs. Pendency of IRs due to non-receipt of the replies was indicative of lack of action for rectification of defects, omissions and irregularities pointed out in the IRs.

### 1.6.2 Departmental Audit Committee (DAC) Meetings

The Government had set up audit committees to monitor and expedite the progress of settlement of IRs and paragraphs contained therein. The details of audit committee meetings held during the year 2016-17 and the paragraphs settled are mentioned in **Table-1.6.2**.

**Table-1.6.2**

**Details of Departmental Audit Committee Meetings**

(₹ in crore)

Sl. No.	Name of the Department	Number of meetings held	Number of Paras settled	Amount
1.	Finance	12	219	101.38
2.	Transport	11	83	1.62
3.	Excise	4	80	18.58
4.	Revenue & Disaster Management	3	76	0.58
5.	Steel & Mines	0	0	0
<b>Total</b>		<b>30</b>	<b>458</b>	<b>122.16</b>

Source: Records of the Principal Accountant General (E&RSA)

### 1.6.3 Non-production of records to Audit for scrutiny

The programme of local audit of Tax Revenue / Non-Tax Revenue offices was drawn up in advance. The intimations were 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, as many as 1,869 assessment files, returns, refund registers and other relevant records involving tax effect of ₹ 1,654.66 crore were not made available to audit for scrutiny. Break-up of these cases are given in **Table-1.6.3**.

**Table-1.6.3**

**Details of non-production of records**

(₹ in crore)

Name of the Department	Type of Tax/ Non-tax revenue	Year in which it was to be audited	Number of cases not audited due to non-production of records to Audit	Tax Amount
Finance (Commercial Tax)	Taxes / VAT on sales, trade, etc.	Upto 2015-16	906	538.40
		2016-17	963	1,116.26
<b>Total:</b>			<b>1,869</b>	<b>1,654.66</b>

Source: Records of the Principal Accountant General (E&RSA)

There was no case of non-production of records in other departments.

### 1.6.4 Response of Departments to Draft Audit Paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India were forwarded by the Principal Accountant General to the Principal Secretaries / Secretaries of the concerned Departments drawing their attention to audit findings. They were also requested to send their response within six weeks. Meetings were also held with concerned Department /Government and their views and written replies furnished subsequently were suitably incorporated. The fact of non-receipt of replies has also been included in the Audit Report.

Audit forwarded 34 draft paragraphs to the Principal Secretaries / Secretaries of the respective Departments between June and September 2017. The Principal Secretaries / Secretaries of the Departments did not send replies to three draft paragraphs despite issue of reminders and those paras have been included in this Report without their response.

### 1.6.5 Follow-up on Audit Reports - summarised position

Finance Department issued (December 1993) instructions to Secretaries of all Departments to submit explanatory notes on paragraphs included in the Audit Reports within three months from the date of placing of Report in Odisha Legislative Assembly, indicating the action taken or proposed to be taken. This was based on the recommendations of the High Powered Committee on response of the State Governments to the Audit Reports of the Comptroller and Auditor General of India. In spite of these instructions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately.

Reports of the Comptroller and Auditor General of India on Revenue Receipts/ Revenue Sector of the Government of Odisha for the years ended 31 March 2008 to 31 March 2016 were placed before the State Legislative Assembly between February 2009 and September 2017. Of these Reports, six paragraphs could only be discussed in Public Accounts Committee (PAC) during the above period and 370 paragraphs<sup>4</sup> (including all 15 Performance Audits) remained pending (October 2017).

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

The system of addressing the issues highlighted in the Inspection Reports / Audit Reports by the Departments / Government in respect of one Department was evaluated. The evaluation was on action taken on the paragraphs and PAs included in the Audit Reports of the last 10 years and were included in this Audit Report.

The performance of the Commercial Tax wing of Finance Department under revenue head 0040-Taxes on Sales, Trade, etc. and the cases detected in local audit during the last 10 years have been discussed. Further, the cases included in the Audit Reports for the years 2007-08 to 2016-17 have also been discussed in the succeeding paragraphs 1.7.1 to 1.7.2.

<sup>4</sup> Audit Paragraphs prior to 2007-08, were deemed to be settled as decided by the PAC (August 2016).

### 1.7.1 Position of Inspection Reports

The summarised position of the IRs issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2017 are given in **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		
		IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
1.	2007-08	836	2,178	319.71	80	216	66.85	64	429	41.87	852	1,965	344.69
2.	2008-09	852	1,965	344.69	69	219	299.16	80	263	20.97	841	1,921	622.88
3.	2009-10	841	1,921	622.88	97	261	136.95	202	314	55.33	736	1,868	704.50
4.	2010-11	736	1,868	704.50	167	378	168.51	88	367	33.23	815	1,879	839.78
5.	2011-12	815	1,879	839.78	62	154	35.72	15	86	9.58	862	1,947	865.92
6.	2012-13	862	1,947	865.92	265	594	121.76	54	183	13.99	1,073	2,358	973.69
7.	2013-14	1,073	2,358	973.69	111	300	180.41	61	161	12.15	1,123	2,497	1,141.95
8.	2014-15	1,123	2,497	1,141.95	143	435	431.10	120	358	152.55	1,146	2,574	1,420.51
9.	2015-16	1,146	2,574	1,420.51	134	390	1,680.13	69	191	93.82	1,211	2,773	3,006.82
10.	2016-17	1,211	2,773	3,006.82	146	383	379.35	34	166	34.09	1,323	2,990	3,352.08

**Source: Records of the Principal Accountant General (E&RSA)**

The Government arranged *ad hoc* Committee meetings between the Commercial Tax wing of Finance Department and PAG's office to settle the old paragraphs. The outstanding IRs as on 31 March 2017 was 1,323. They contained 2,990 paragraphs and remained outstanding for settlement as on 31 March 2017.

### 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 Commercial Tax wing of Finance Department and the amount recovered have been mentioned in **Table 1.7.2**.

**Table-1.7.2**

#### Details of recovery of accepted cases

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year	Cumulative position of recovery of accepted cases as on 31 March 2017
2006-07	16	36.35	14	18.98	--	2.62
2007-08	16	65.04	14	48.67	--	0.73
2008-09	20	182.74	12	12.05	--	1.24
2009-10	09	59.26	08	14.35	1.64	1.64
2010-11	22	61.57	10	36.74	0.03	0.03
2011-12	22	133.22	18	128.36	0.26	0.26
2012-13	22	258.53	20	257.13	--	--
2013-14	18	279.91	15	278.22	--	--
2014-15	11	152.11	08	137.76	20.32	20.32
2015-16	10	223.22	09	222.79	--	--

**Source: Records of the Principal Accountant General (E&RSA)**

The progress of recovery even in accepted cases was very slow except for the year 2014-15. The recovery of accepted cases was to be pursued as arrears recoverable from the concerned parties. No mechanism for pursuance of the accepted cases was put in place by the Department / Government.

## 1.8 Audit Planning

The unit offices under various Departments have been 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 was prepared on the basis of risk analysis which included critical issues in Government revenue and tax administration. These issues *inter alia* included 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, audit coverage and its impact during past five years, etc.

During the year 2016-17, there were 513 auditable units relating to five<sup>5</sup> departments of which 229 units had been planned and 234 were audited which constituted 45.61 *per cent* of the total auditable units.

Besides the above, four detailed Audits on different issues were also taken up to assess the efficiency and effectiveness of Government mechanism in implementing the Acts and Rules as envisaged from time to time and applicable to those issues.

## 1.9 Results of Audit

### Position of local audit conducted during the year

Audit test checked records of 166 units relating to Value Added Tax, Goods and Passengers Tax, State Excise Duty, Stamp Duty and Registration Fee, Motor Vehicle Tax and other Non-Tax receipts conducted during the year 2016-17. Audit observed underassessment/short levy/loss of revenue aggregating ₹ 2,087.44 crore in 1,36,144 cases. During the year, Departments concerned accepted underassessment and other deficiencies of ₹ 995.71 crore involved in 1,05,278 cases which were pointed out in audit during 2016-17. An amount of ₹ 44.56 crore was realised in 356 cases pertaining to audit findings of 2016-17 and previous years.

Similarly, Audit test checked expenditure records of 177 units under Commercial Taxes, Excise, Revenue & Disaster Management, Transport and Steel & Mines Departments during the year 2016-17. Audit noted irregular expenditure / payment amounting to ₹ 8,759.43 crore in 334 cases. During the year, the Departments concerned accepted irregularities of ₹ 1.44 lakh involved in 145 cases pointed out in audit during 2016-17 and realised ₹ 0.65 lakh in 8 cases pertaining to previous years.

<sup>5</sup> Excise, Finance, Revenue & Disaster Management, Steel & Mines and Transport Department.

## **1.10 Coverage of this Report**

This Report contains 27 paragraphs selected from the audit findings detected during the local audit carried out in 2016-17 and in earlier years, which could not be included in previous reports.

The financial effect of the paragraphs of this report was ₹ 534.19 crore. The Departments/Government have accepted audit observations involving ₹ 509.01 crore out of which ₹ 1.63 crore had been recovered. The replies in the paragraphs involving ₹ 20.05 crore have not been received (November 2017). These are discussed in succeeding Chapters II to VII.