

CHAPTER I

GENERAL

1.1 Trend of revenue receipts

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

Table 1.1.1

(₹ in crore)						
Sr. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1	Revenue raised by the State Government					
	Tax revenue ¹	1,03,448.58	1,08,597.96	1,15,063.32	1,26,608.10	1,36,616.32
	Non-tax revenue ²	9,977.74	11,279.81	12,447.26	13,307.53	12,585.84
	Total	1,13,426.32	1,19,877.77	1,27,510.58	1,39,915.63	1,49,202.16
2	Receipts from the Government of India					
	Share of net proceeds of divisible Union Taxes and duties	15,191.92	16,630.43	17,630.03	28,105.95	33,714.90
	Grants-in-aid	14,322.33	13,241.44	20,140.64	16,898.61	21,652.58
	Total	29,514.25	29,871.87	37,770.67	45,004.56	55,367.48
3	Total revenue receipts of the State Government (1 and 2)	1,42,940.57	1,49,749.64	1,65,281.25	1,84,920.19	2,04,569.64
4	Percentage of 1 to 3	79	80	77	76	73

Source: Finance Accounts

The above table indicates that during the year 2016-17, the revenue raised by the State Government (₹ 1,49,202.16 crore) was 73 per cent of the total revenue receipts against 76 per cent in the preceding year. The balance 27 per cent of the receipts during 2016-17 was from the Government of India.

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

¹ For details – refer statement no. 14 – Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Maharashtra for the year 2016-17. Figures under the head 0020- Corporation Tax, 0021- Taxes on income other than corporation tax, 0022- Taxes on agricultural income, 0032-Taxes on wealth, 0037-Customs, 0038-Union Excise Duties, 0044 Service Tax – share of net proceeds assigned to State booked in the Finance Accounts under A- Tax revenue have been excluded from the revenue raised by the State and included in the State's Share of divisible Union Taxes in this statement.

² Net figures after adjustment of expenditure on account of prize winning tickets under the Head "Lottery Receipts".

Table 1.1.2

								(₹ in crore)
Sr. No.	Head of revenue		2012-13	2013-14	2014-15	2015-16	2016-17	Percentage of increase (+)/ decrease (-) in 2016-17 over 2015-16
1	Taxes on sales, trade etc. (Including Central Sales Tax)	BE ³	53,361.68	62,422.50	69,089.60	74,616.77	81,437.69	
		RE ⁴	59,408.63	63,922.50	69,089.60	74,616.77	81,437.69	
		Actual	60,079.72	62,530.04	67,466.29	69,660.82	81,174.17	(+)16.52
2	State Excise	BE	9,450.00	10,535.00	11,500.00	13,500.00	15,343.86	
		RE	9,550.00	10,535.00	11,500.00	13,699.90	13,600.00	
		Actual	9,297.11	10,101.12	11,397.08	12,469.56	12,287.91	(-) 1.46
3	Stamp Duty and Registration fees	BE	15,730.00	17,403.08	19,426.00	21,000.00	23,547.66	
		RE	16,490.33	18,850.00	19,420.73	21,500.00	20,000.00	
		Actual	17,548.25	18,675.98	19,959.29	21,766.99	21,011.83	(-) 3.47
4	Taxes and Duties on Electricity	BE	4,809.93	5,830.00	6,501.00	7,150.00	7,912.58	
		RE	5,359.01	6,107.76	6,873.60	7,650.00	7,912.58	
		Actual	5,895.68	6,083.90	4,350.45	8,506.37	6,669.56	(-) 21.59
5	Taxes on Vehicles	BE	4,200.00	4,750.00	5,250.00	5,693.67	6,750.00	
		RE	4,510.00	4,900.00	5,244.17	5,693.67	6,750.00	
		Actual	5,027.42	5,095.92	5,404.97	6,017.19	6,741.21	(+) 12.03
6	Taxes on Goods and Passengers	BE	893.67	998.00	1,097.80	1,150.00	1,276.00	
		RE	930.72	1,225.00	1,097.80	1,150.00	1,276.00	
		Actual	690.74	1,240.68	586.56	1,582.13	1,876.71	(+) 18.62
7	Land Revenue	BE	1,600.86	1,760.39	1,867.29	3,200.15	3,200.15	
		RE	1,070.80	1,227.77	1,873.29	1,900.19	1,500.55	
		Actual	1,074.02	1,088.85	1,272.38	1,748.31	1,799.39	(+) 2.92
8	Others ⁵	BE	3,248.67	3,586.38	3,908.74	4,324.13	4,753.59	
		RE	3,263.43	3,606.39	3,908.74	4,324.13	4,753.59	
		Actual	3,835.64	3,781.47	4,626.30	4,856.73	5,055.54	(+) 4.09
Total	BE	93,294.81	1,07,285.35	1,18,640.43	1,30,634.72	1,44,221.53		
	RE	1,00,582.92	1,10,374.42	1,19,007.93	1,30,534.66	1,37,230.41		
	Actual	1,03,448.58	1,08,597.96	1,15,063.32	1,26,608.10	1,36,616.32	(+) 7.90	

Source: Finance Accounts

It would be seen from the above that -

- There has been a continuous increase in the revenue during the last five years.

³ BE – Budget Estimates.

⁴ RE – Revised Estimates.

⁵ Includes receipts under the heads “Other taxes on Income and Expenditure- Taxes on Professions, Trades, Callings and Employments” and “Other Taxes and Duties on Commodities and Services” and receipts misclassified under Union Excise Duties and Service Tax.

- There has been a sharp decrease of 21.59 *per cent* in receipts under the head “Taxes and Duties on electricity” during 2016-17 over 2015-16 which was attributable to less collection of taxes under the sub-head “Taxes on consumption and sale of Electricity” (21.81 *per cent*) under the Bombay Electricity Duty Act, 1958 and decreased collection on account of Maharashtra Tax on Sale of Electricity (Amendment) Act, 2004.
- The increase of 18.62 *per cent* in receipts under the head “Taxes on Goods and Passengers” was due to more receipts from tax on passengers and tax on entry of goods into local area.

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

Table 1.1.3

								(₹ in crore)
Sr. No.	Head of revenue		2012-13	2013-14	2014-15	2015-16	2016-17	Percentage of increase (+)/ decrease(-) in 2016-17 over 2015-16
1	Interest Receipts	BE	1,325.79	1,338.80	2,973.70	2,973.70	1,122.37	
		RE	1,929.53	3,142.60	2,973.70	2,973.70	2,981.31	
		Actual	2,464.41	3,933.81	3,351.46	3,079.45	3,259.07	(+) 5.83
2	Non-ferrous mining and Metallurgical Industries	BE	2,405.71	2,632.82	2,767.00	3,000.00	3,400.00	
		RE	2,113.17	2,517.00	2,767.00	3,095.72	3,250.00	
		Actual	2,037.76	2,141.17	2,335.85	3,064.05	3,104.79	(+) 1.33
3	Miscellaneous General Services ⁶	BE	396.14	393.19	413.97	2,434.42	2,430.15	
		RE	324.81	328.37	413.97	634.42	1,428.37	
		Actual	311.52	155.69	316.25	361.90	129.49	(-) 64.22
4	Power	BE	780.10	780.00	850.00	828.00	910.80	
		RE	688.80	1,209.00	850.00	828.00	1,729.24	
		Actual	451.41	617.50	523.77	619.98	760.04	(+) 22.59
5	Major and Medium Irrigation	BE	909.21	1,117.97	798.53	938.90	1,132.79	
		RE	909.21	740.46	798.53	938.90	260.24	
		Actual	531.89	496.91	657.93	624.68	309.06	(-) 50.53
6	Others ⁷	BE	5,069.23	5,730.88	5,705.82	10,489.85	11,001.13	
		RE	5,103.55	4,820.13	5,716.50	6,228.04	6,970.82	
		Actual	4,180.75	3,934.73	5,262.00	5,557.47	5,023.39	(-) 9.61
Total		BE	10,886.17	11,993.66	13,509.02	20,664.87	19,997.24	
		RE	11,069.07	12,757.56	13,519.70	14,698.78	16,619.98	
		Actual	9,977.74	11,279.81	12,447.26	13,307.53	12,585.84	(-) 5.42

Source: Finance Accounts

⁶ Includes net lottery receipts after adjustment of prize money paid.

⁷ Includes receipts under the heads Other Administrative Services, Dairy Development, Forestry and Wild life, Medical and Public Health, Co-operation, Public Works, Police and other non-tax receipts.

It would be seen from the above table that -

- There has been a continuous increase in the revenue during the period from 2012-13 to 2015-16, however, it dropped during 2016-17.
- The actual receipts for the period have always been less than the budget estimates of the respective years.
- The sharp decrease of 64.22 *per cent* in receipts under the head “Miscellaneous General Services” was due to decreased receipts on Unclaimed Deposits, Guarantee Fees and Miscellaneous other receipts.
- The sharp decrease of 50.53 *per cent* in receipts under the heads “Major Irrigation” and “Medium Irrigation” was mainly due to reduced receipts on sale of water for domestic, irrigation and other purposes and Local Cess on water charges.
- The increase of 22.59 *per cent* in receipts under the head “Power” was mainly due to more receipts from the Maharashtra State Electricity Distribution Company Ltd.

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2017 under major heads of revenue amounted to ₹ 1,03,532.50 crore of which ₹ 20,726.92 crore was outstanding for more than five years, as detailed in **Table 1.2**.

Table 1.2

(₹ in crore)		
Head of revenue	Total amount outstanding as on 31 March 2017	Amount outstanding for more than five years as on 31 March 2017
Taxes on Sales, Trade, etc.	1,02,699.59	19,984.32
Taxes and Duties on Electricity	588.43	585.30
State Excise Duty	4.22	3.83
Stamps and Registration Fees	134.91	134.91
Taxes on vehicles	105.35	18.56
Total	1,03,532.50	20,726.92

Source: Information furnished by the Departments

The Departments may take appropriate steps to reduce the pendency of arrears, especially those more than five years before the possibility of recovery thereof becomes remote.

1.3 Evasion of tax detected by the Department

The details of cases of evasion of tax detected under major heads of revenue, cases finalised and demands for additional tax raised as reported by the concerned Departments are given in **Table 1.3**.

Table 1.3

Head of revenue	Number of cases						(₹ in crore)
	Pending as on 31 March 2016	Detected during 2016-17	Total	Investigation completed	Pending for finalisation as on 31 March 2017	Additional demand with penalty etc. raised	
Taxes on Sales, Trade, etc.	3,442	3,552	6,994	4,801	2,193	5,226.34	
State Excise	4	---	4	4	---	2.51	
Stamps & Registration fees	6,156	8,606	14,762	7,844	6,918	70.37	
Taxes on vehicles	138	105	243	176	67	31.96	
Total	9,740	12,263	22,003	12,825	9,178	5,331.18	

Source: Information furnished by the Departments

As seen from the above table that the Departments completed investigation in 12,825 cases (58 per cent of total cases) and raised additional demand with penalty etc. of ₹ 5,331.18 crore.

1.4 Response of the Government/Departments towards audit

The Principal Accountant General (Audit)-I, Mumbai (PAG) and the Accountant General (Audit)-II, Nagpur (AG) conduct periodical inspections of the Government departments to test check transaction of the tax and non-tax receipts and verify the maintenance of important accounting 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 PAG/AG within one month from the date of issue of the IRs. The offices of the PAG/AG report serious financial irregularities to the heads of the Department and the Government. Half yearly reports are sent to the Secretaries of the concerned departments in respect of the pending IRs to facilitate the monitoring of audit observations.

Scrutiny of IRs issued up to December 2016 disclosed that 10,888 audit observations involving ₹ 3,164.96 crore relating to 4,423 IRs remained outstanding at the end of June 2017. Details of the same along with the corresponding figures for the preceding two years are mentioned in **Table 1.4**.

Table 1.4

Particulars	June 2015	June 2016	June 2017
Number of IRs pending for settlement	5,430	5,385	4,423
Number of outstanding audit observations	12,611	12,650	10,888
Amount of revenue involved (₹ in crore)	4,767.06	3,967.76	3,164.96

1.4.1 The department-wise details of the IRs issued up to 31 December 2016 and audit observations outstanding as on 30 June 2017 and the amounts involved are mentioned in **Table 1.4.1**.

Table 1.4.1

(₹ in crore)					
Sr. No.	Name of the Department	Nature of receipts	Number of out-standing IRs	Number of outstanding audit observations	Money value involved
1	Home	State Excise	80	148	3.93
2		Taxes on vehicles	334	1,030	564.07
3		Police Receipts (Non-Tax)	10	11	2.37
4	Revenue and Forest	Land Revenue	325	522	1,445.91
5		Entertainments Duty	361	663	23.80
6		Stamps and registration fees	1,227	2,867	697.84
7		Forest Receipts (Non-Tax)	87	116	23.21
8	Finance	Taxes on Sales, Trade etc.	1,473	4,845	265.57
9		Taxes on Profession, etc.	107	141	2.53
10	Industries, Energy and Labour	Taxes and duties on Electricity	61	107	4.58
11	Urban Development	Education Cess and Employment Guarantee Cess	146	224	118.95
12		Maharashtra Tax on Buildings (with larger Residential Premises)	97	133	3.65
13	Housing	Repair Cess	24	34	8.55
14	Water Resources	User Charges (Non-Tax)	32	36	0.00
15	Public Works	Non-Tax Receipts	9	11	0.00
Total			4,423	10,888	3,164.96

The first replies in respect of each IR though required to be received from the concerned head(s) of office(s) within one month from the date of issue of the IRs, was not received for 308 IRs issued up to 31 December 2016. The pendency of the IRs due to non-receipt of the replies is indicative of the fact that the Head(s) of Office(s) and the departments did not initiate action to

rectify the defects, omissions and irregularities pointed out by the PAG/AG in the IRs.

The Government may consider issuing instructions to the concerned Head(s) of the office(s) for furnishing first replies to the IRs issued by the PAG/AG within the stipulated period of one month and take appropriate steps for settlement of the audit observations raised in these IRs.

1.4.2 Departmental Audit Committee Meetings

The Government had set up Audit Committees during various periods to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. The details of the Audit Committee Meetings (ACMs) held during the year 2016-17 and the paragraphs settled are mentioned in **Table 1.4.2**.

Table 1.4.2

(₹ in crore)						
Sr. No.	Department	Nature of receipts	Number of meetings held	Number of paras discussed	Number of paras settled	Amount
1	Home	State Excise	2	134	67	9.26
2	Revenue and Forests	Land Revenue	4	1,489	1,226	1,471.98
3		Stamps and Registration Fees	1	477	296	40.40
4	Finance	Taxes on Sales, Trade, etc.	3	372	205	1.39
Total			10	2,472	1,794	1,523.03

The progress of settlement of paragraphs pertaining to “Taxes on Sales, Trade, etc.” and “Stamps and Registration Fees” was on lower side in comparison to the pendency of the IRs and paragraphs.

1.4.3 Arrears in assessments

The Value Added Tax (VAT) system relies on self-assessment and envisages Departmental audit of returns filed by the dealer, with the necessity of assessment arising only in case of the audit findings being disputed by the dealers. As per Section 20 of Maharashtra Value Added Tax Act, 2002, (MVAT Act) every registered dealer having a turnover of ₹ ten lakh per annum (₹ five lakh per annum till 26th June 2014) has to file correct, complete and self-consistent returns. Dealers having annual tax liability exceeding ₹ 10 lakh or claiming refunds exceeding ₹ one crore are required to file monthly returns, dealers having tax liability between ₹ one lakh and ₹ 10 lakh or claiming refunds between ₹ 10 lakh and ₹ one crore are required to file quarterly returns and all other dealers are required to file six-monthly returns. These returns are scrutinized by Maharashtra Vikrikar Automation System (MAHAVIKAS), which is the IT system of the Department and follow up action is taken by the Returns Branch. The registered dealer who fails to file the return within the prescribed period has to pay a late fee before filing the return. The non-filers are either unilaterally assessed or prosecuted. The dealers who pay tax less than the tax payable declared in their return are treated as short-filers. The cases of short filers are closed after recovery of tax

dues. Every dealer, subject to certain conditions, is required to file an Audit Report in Form 704 relating to verification and certification, computation of tax liability etc. within ten months from the end of the year to which it relates under Section 61 of the MVAT Act.

The system of audit or assessment under MVAT Act is of cases selected on the basis of risk analysis. When the findings of the Departmental audit under Section 22 of the Act are accepted by the dealer and he files revised returns and pays up the dues, if any, arising out of such audit, the case is treated as closed. The necessity of assessment under Section 23 of the Act arises in case of the audit findings being disputed by the dealers. The dealers' returns will be deemed assessed if no assessment is conducted within time limit prescribed in the Act, which is four years from the end of the year for which the returns were filed.

Prior to 1 January 2016, cases were audited /assessed by the Large Taxpayers unit (LTU) Branch, Business Audit Branch and the Refund and Refund Audit Branch. Further, with effect from March 2012, a new concept called Issue Based Audit (IBA) was introduced, with a view to recover the taxes which were obvious and did not require much verification. From 2013-14, refund cases up to ₹ five lakh were also brought under the scope of IBA.

The Sales Tax Department (STD) was restructured with effect from 1 January 2016 and the existing functional setup was changed into a single desk multifunctional set up (single window system). The functions of the LTU Branch, being a single window system, was continued. However, other functions such as Registration, Business Audit, Refund and Refund Audit, Recovery etc. of non LTU dealers in a particular area designated by PIN codes were transferred to Nodal offices who were appointed to preside over that area.

The number of returns⁸ filed by the dealers during the period from 2014-15 to 2016-17, and the Departments' action on thereon is shown in **Table 1.4.3 (A)**.

Table 1.4.3 (A)

Year	No. of returns filed by dealers	No. of returns short filed	No. of dealers selected for Issue Based Audit	No. of dealers selected for Computerized Desk Audit
2014-15	11,00,794	49,603	35,831	<i>Not furnished</i>
2015-16	11,47,437	71,611	<i>Not furnished</i>	<i>Not furnished</i>
2016-17	38,16,321	<i>Not furnished</i>	1,92,453 ⁹	1,16,447 ¹⁰

Source: Information furnished by the Department

The Department is assessing the returns filed by dealers in the time barring year, i.e. four years since filing of returns. In 2016-17, they have selected dealers for Issue Based/Computerized desk audit based on returns filed during

⁸ Includes returns filed under Central Sales Tax Act, 1956 as follows: 2014-15 – 3,45,361; 2015-16 – 3,72,460; 2016-17 – Not furnished.

⁹ For returns filed during 2012-13, 2013-14 and 2014-15.

¹⁰ For returns filed during 2013-14.

FY 2013-14. The actual number of assessments done against them was awaited.

The pendency of cases under the Large Taxpayers Units branches of the Sales Tax Department is shown in the following table.

Table 1.4.3(B) - Large Taxpayers Unit (LTU)

Period	Cases selected	Cases closed	Cases pending	Percentage of column 4 to 2
1	2	3	4	5
2014-15 ¹¹	17,129	6,077	11,052	65
2015-16 ¹¹	18,283	4,995	13,288	73
2016-17	13,739	6,027	7,712	56

Source: Information furnished by the Department

As seen from the above table the percentage of pending cases decreased from 65 per cent in 2014-15 to 56 per cent in 2016-17.

Non-furnishing of data :- Audit had sought from the Sales Tax Department, the entire data of LTU dealers in electronic form pertaining to returns filed, payments made, refunds granted, Audit Report in Form 704 and assessment orders passed for the years 2012-13 to 2016-17 to enable comprehensive selection of cases for audit scrutiny. However, the Department did not provide the same to audit. Audit was hampered to this extent.

The information regarding the pendency of cases in the Business Audit branch and the Refund and Refund Audit Branch during 2014-15 and 2015-16 are given in the following tables.

Table 1.4.3(C) - Business Audit

Period	Cases selected	Cases closed	Cases pending	Percentage of column 4 to 2
1	2	3	4	5
2014-15	50,104	39,885	10,219	20
2015-16	77,537	19,839	57,698	74

Source: Information furnished by the Department

¹¹ Information for the years 2014-15 and 2015-16 is at variance with the figures given in the Audit Report for the year ended 31 March 2016, on account of "cases closed by way of scrutiny/other way" considered as closed cases. The same has been corrected now.

Table 1.4.3(D) - Refund and Refund Audit

(₹ in crore)					
Period	Cases selected	Cases closed	Cases pending	Amount	Percentage of column 4 to 2
1	2	3	4	5	6
2014-15 ¹²	80,045	46,960	33,085	4,201.61	41
2015-16 ¹²	72,294	48,887	23,407	2,969.25	32

Source: Information furnished by the Department

The information regarding pendency of cases in the Nodal Offices during 2016-17 is given in the following table.

Table 1.4.3(E) – Nodal Offices

(₹ in crore)					
Period	Cases selected	Cases closed	Cases pending	Amount	Percentage of column 4 to 2
1	2	3	4	5	6
2016-17	50,800	30,017	20,783	2,718.16	41

Source: Information furnished by the Department

It can be seen from the above table that the number of cases selected for Business audit and Refund Audit during 2015-16 was 1,49,831, out of which 81,105 cases, i.e. 54 percent, were outstanding. As against 1,49,831 cases in 2015-16, only 50,800 cases were selected for audit by nodal offices during 2016-17, out of which 20,783 cases, i.e. 41 per cent were outstanding.

As the Maharashtra Value Added Tax has been replaced with the Goods and Services Tax from 1 July 2017, the Department needs to draw up an Action Plan to complete the business audit cases and expedite the pending refund cases as well as set benchmarks and time frames for sanctioning of refunds, so that the assessment of these cases are not further delayed.

Cases under the erstwhile Bombay Sales Tax Act, 1959 and allied Acts.

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 Sales Tax Department in respect of sales tax, motor spirit tax, luxury tax and tax on works contracts are shown in the following **Table 1.4.3 (F)**.

¹² Information for the years 2014-15 and 2015-16 is at variance with the figures given in the Audit Report for the year ended 31 March 2016, on account of pre-audited cases considered as closed cases. The same has been corrected now.

Table 1.4.3(F) – Cases under the erstwhile BST Act and allied Acts

Name of Act	Opening balance	New cases due for assessment during 2016-17	Cases due for assessment	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
Bombay Sales Tax	72,420	1,97,415	2,69,835	1,85,582	84,253	69
Motor Spirit Tax	173	0	173	142	31	82
Purchase Tax on sugarcane	174	41	215	54	161	25
Entry Tax	27	390	417	417	0	100
Lease Tax	243	11	254	29	225	11
Luxury tax	1,421	1,912	3,333	2,434	899	73
Tax on works contracts	4,487	57	4,544	943	3,601	21
Total	78,945	1,99,826	2,78,771	1,89,601	89,170	68

Source: Information furnished by the Department.

Thus, it would be seen from the above that 89,170 cases under the BST Act and Allied Acts remained unassessed as on 31 March 2017 though the Acts stand repealed since 11 years.

The Government may instruct the Department for early finalisation of all these cases in a time bound manner as with the passage of time the chances of recovery of dues involved in the cases would become bleak.

1.4.4 Response of the Departments to 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 PAG/ AG to the Principal Secretaries/Secretaries of the concerned Departments, drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the concerned departments/Government is indicated at the end of each paragraph included in the Audit Report.

Fifty two draft paragraphs (clubbed into 33 paragraphs) including one Performance Audits were sent to the Principal Secretaries/Secretaries of the respective departments between May 2017 and September 2017. The Principal Secretaries/ Secretaries of the departments did not send replies to all these draft paragraphs and the same have been included in this Report without the response of the departments.

1.4.5 Follow-up on Audit Reports - summarised position

Position of explanatory notes :- According to the instructions issued by the Finance Department, all the Departments are required to furnish explanatory memoranda, duly vetted by Audit, to the Maharashtra Legislative Secretariat, in respect of paragraphs included in the Audit Reports, within three months of

their being laid on the table of the House. However, explanatory memoranda in respect of 93 audit paragraphs included in Audit Reports from 2006-07 onwards have not been received till date as shown below in Table 1.4.5(A).

Table 1.4.5(A)

Department	Audit Report					Total
	Upto 2011-12	2012-13	2013-14	2014-15	2015-16	
Revenue and Forest	28	5	5	16	15	69
Urban Development	2	---	1	1	---	4
Finance	---	---	---	5	5	10
Home	2	1	1	1	3	8
Industry, Energy and Labour	---	1	---	---	---	1
Co-operation	---	---	---	---	1	1
Total	32	7	7	23	24	93

Position of Action Taken Notes (ATNs):- With a view to ensure accountability of the executive in respect of all the issues dealt with in the Audit Reports, the Public Accounts Committee lays down in each case, the period within which ATNs on its recommendations should be sent. However, ATNs for 155 recommendations included in eight Reports of the Public Accounts Committee on Audit Reports 2005-06 onwards have not been received from the concerned Departments as given in Table 1.4.5 (B).

Table 1.4.5(B)

Sr. No.	Public Accounts Committee Report No.	ARs discussed	No. of recommendations for which ATNs are awaited
1	7 th Report of 2010-11	2005-06	35
2	15 th Report of 2012-13	2006-07	23
3	16 th Report of 2012-13	2007-08	35
4	2 nd Report of 2015-16	2008-09	2
5	9 th Report of 2015-16	2010-11	8
6	15 th Report of 2015-16	2013-14	18
7	16 th Report of 2015-16	2010-11	15
8	26 th Report of 2015-16	Standalone Report on "Government Land given on lease SA GLL"	19
Total			155

The Department-wise and Audit Report-wise breakup of the 155 awaited ATNs are given in Table 1.4.5 (C).

Table 1.4.5 (C)

Name of the Department	Year of Audit Report					Total
	Up to 2007-08	2008-09	2010-11	2013-14	SA GLL	
Revenue and Forests	27	1	23	---	18	71
Finance	15	---	---	18	---	33
Home	17	1	---	---	---	18
Water Resources	6	---	---	---	---	6
Industries, Energy and Labour	7	---	---	---	---	7
Public Works	11	---	---	---	---	11
Co-operation, Marketing and Textiles	3	---	---	---	---	3
Urban Development	---	---	---	---	1	1
Housing	5	---	---	---	---	5
Total	93	2	23	18	19	155

1.5 Analysis of the mechanism for dealing with the issues raised by Audit in the Finance Department

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 in respect of one Department is evaluated and included in each Audit Report.

The succeeding paragraphs 1.5.1 to 1.5.2 discuss the performance of the Finance Department under revenue head - "Taxes on Sales, Trade, etc." in respect of cases detected in the course of local audit during the years from 2007-08 to 2016-17 as well as those included in the Audit Reports during the last 10 years, i.e. 2006-07 to 2015-16.

1.5.1 Position of Inspection Reports

The summarised position of Inspection Reports issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2017 are shown in **Table 1.5.1**.

Table 1.5.1

(₹ in crore)												
Year	Opening balance			Additions 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
2007-08	2,169	5,205	165.99	621	2,431	72.59	679	2,372	18.47	2,111	5,264	220.11
2008-09	2,111	5,264	220.11	335	1,204	477.38	507	2,077	82.83	1,939	4,391	614.66
2009-10	1,939	4,391	614.66	376	1,482	43.19	608	2,020	461.22	1,707	3,853	196.63
2010-11	1,707	3,853	196.63	361	1,552	49.34	406	1,675	19.25	1,662	3,730	226.72
2011-12	1,662	3,730	226.72	398	1,300	29.07	268	1,118	10.65	1,792	3,912	245.14
2012-13	1,792	3,912	245.14	228	952	8.62	239	982	32.97	1,781	3,882	220.79
2013-14	1,781	3,882	220.79	246	1,313	23.33	451	1,601	49.10	1,576	3,594	195.02
2014-15	1,576	3,594	195.02	197	1,108	54.00	108	701	11.84	1,665	4,001	237.18
2015-16	1,665	4,001	237.18	209	1,182	31.55	112	873	25.28	1,762	4,310	243.45
2016-17	1,762	4,310	243.45	199	1,145	51.03	103	731	7.91	1,858	4,724	286.57

The Government had set up Audit Committees (during various periods) to monitor and expedite the progress of clearance of IRs and paragraphs in the IRs. The outstanding paras are also pursued through periodic references to the concerned offices and also through field parties which visit these offices for audit in the subsequent years. Regular meetings apart from Audit Committee Meetings are also held with heads of the offices for discussion of those issues wherein the departmental views do not concur with the audit observations.

The Department may continue its efforts in making use of its machinery created for settlement of the outstanding audit observations so that the outstanding IRs, paragraphs and the amounts are considerably reduced.

The number of IRs, paragraphs and the amount pending settlement during the last 10 years has shown an increasing trend, with an amount of ₹ 286.57 crore is pending settlement in 4,724 paragraphs contained in 1,858 IRs.

1.5.2 Position of recovery of accepted cases in Audit Reports

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 1.5.2**.

Table 1.5.2

(₹ 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 up to 31/03/2017
2006-07	10	8.97	9	8.69	1.05
2007-08	12	41.74	6	9.33	0.72
2008-09	13	1,814.22	9	22.69	0.04
2009-10	7	0.65	7	0.65	0.03
2010-11	12	14.17	11	2.71	0.17
2011-12	7	14.22	5	7.89	1.92
2012-13	15	247.22	9	3.24	0.41
2013-14	7	15.55	5	2.89	0.53
2014-15	5	1.23	1	0.42	0.29
2015-16	5	0.87	2	0.60	0.00
Total	93	2,158.84	64	59.11	5.09

The above table indicates that the recovery was only nine *per cent* of the total accepted cases during the last ten years. The Government may instruct the concerned Department to make more efforts for recovery of the amounts at least in those cases which have been accepted by the Department. These may be considered to be recovered as arrears of land revenue.

1.6 Audit Planning

The unit offices under various departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter-alia* includes critical issues in Government revenues and tax administration i.e. budget speech, reports of the Finance Commission (State and Central), recommendations of the taxation reforms committee; statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during past five years, etc.

Out of 2,049 auditable units, 726 units were planned for audit during 2016-17 and against which 727 units were audited during the year. In addition to this, one Performance Audit was conducted during the year to ascertain the efficiency and efficacy of the tax administration in realisation of the revenues.

1.7 Results of audit

Position of local audit conducted during the year

Test check of the records of 727 units of Sales Tax/Value Added Tax, State Excise, Taxes on Motor Vehicles, Goods and Passengers, Forest Receipts and other departments conducted during the year 2016-17 revealed under

assessment / short levy/loss of revenue aggregating to ₹ 876.77 crore in 2,686 observations. During the course of the year, the concerned Departments accepted under assessment and other deficiencies of ₹ 272.24 crore involved in 1,533 observations which were pointed out in audit during 2016-17 and earlier years. The departments collected ₹ 271.84 crore in 1,542 cases during 2016-17, pertaining to audit findings of 2016-17 and of previous years.

Coverage of this Report

This Report contains 33 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, involving financial effect of ₹ 117.24 crore.

The departments/Government accepted audit observations involving ₹ 24.85 crore out of which ₹ 2.02 crore had been recovered. The replies in the remaining cases have not been received (February 2018). These are discussed in succeeding Chapters II to VI.