

CHAPTER-I GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Kerala during the year 2017-18, the State's share of net proceeds of divisible Union taxes and duties assigned to the State, Grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years, are mentioned in **Table - 1.1**.

Table - 1.1
Trend of revenue receipts

(₹ in crore)

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1	Revenue raised by the State Government					
	• Tax revenue	31,995.02	35,232.50	38,995.15	42,176.37	46,459.61
	• Non-tax revenue ¹	5,575.03 (4,059.49)	7,283.69 (5,097.95)	8,425.49 (5,902.45)	9,699.98 (6,683.27)	11,199.61 (6,896.23)
	Total	37,570.05 (36,054.51)	42,516.19 (40,330.45)	47,420.64 (44,897.60)	51,876.35 (48,859.64)	57,659.22 (53,355.84)
2	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	7,468.68	7,926.29	12,690.67	15,225.02	16,833.08
	• Grants-in-aid	4,138.20	7,507.99	8,921.35	8,510.35	8,527.84
	Total	11,606.88	15,434.28	21,612.02	23,735.37	25,360.92
3	Total revenue receipts of the State Government (1 and 2)	49,176.93 (47,661.39)	57,950.47 (55,764.73)	69,032.66 (66,509.62)	75,611.72 (72,595.01)	83,020.14 (78,716.76)
4	Percentage of 1 to 3	76	73	69	69	69

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

The above table indicates that during the year 2017-18, the revenue raised by the State Government (₹ 57,659.22 crore) was 69 per cent of the total revenue receipts. The balance 31 per cent of the revenue during 2017-18 was share of net proceeds of divisible Union taxes, duties and Grants-in-aid from the Government of India.

¹ The receipt from State lotteries for the year 2017-18 was ₹ 9,034.16 crore, which was 80.66 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 2013-14 to 2017-18 are given in **Table - 1.2**.

Table - 1.2
Details of Tax Revenue raised

(₹ in crore)

Sl. No.	Head of revenue	2013-14		2014-15		2015-16		2016-17		2017-18		Percentage of increase (+) or decrease (-) in 2017-18 over 2016-17	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
1	0040 ² - Tax on Sales, Trade etc.	28,456.62	24,885.25	31,913.47	27,908.33	34,712.28	30,736.78	36,952.98	33,453.49	42,187.57	24,577.82	14.17	(-) 26.53
2	0006 ² -State Goods and Services Tax	-	-	-	-	-	-	-	-	-	12,007.69	-	-
3	0041 - Taxes on vehicles	2,570.65	2,161.09	2,799.82	2,364.95	3,087.35	2,814.30	3,351.49	3,107.23	3,890.63	3,662.85	16.09	17.88
4	0030-Stamps and Registration Fees	4,207.01	2,593.29	3,733.67	2,659.02	4,311.33	2,877.73	3,469.41	3,006.58	3,489.80	3,452.56	0.59	14.83
5	0039 - State Excise	2,801.75	1,941.72	3,208.36	1,777.42	2,600.66	1,964.16	2,397.36	2,019.30	2,945.34	2,240.42	22.86	10.95
6	0029 - Land Revenue	135.49	88.78	169.57	139.03	138.46	182.28	191.34	124.15	193.52	162.16	1.14	30.62
7	0043 - Taxes and Duties on Electricity	284.15	42.25	309.14	48.71	189.06	57.66	225.04	63.30	195.45	66.87	(-) 13.15	5.64
8	0022 - Taxes on Agricultural Income	23.99	21.55	26.35	8.60	28.33	2.01	10.94	2.37	6.13	2.86	(-) 43.97	20.68
9	Others ³	291.44	261.09	307.11	326.44	360.56	360.23	445.05	399.95	503.05	286.38	13.03	(-) 28.40
Total		38,771.10	31,995.02	42,467.49	35,232.50	45,428.03	38,995.15	47,043.61	42,176.37	53,411.49	46,459.61	13.54	10.16

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

² Both the head of accounts 0040 and 0006 are being operated by State Goods and Services Tax Department.

³ 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 2013-14 to 2017-18 are indicated in **Table - 1.3**.

Table - 1.3
Details of Non-Tax Revenue raised

(₹ in crore)

Sl. No.	Head of revenue	2013-14		2014-15		2015-16		2016-17		2017-18		Percentage of increase (+) or decrease (-) in 2017-18 over 2016-17	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
1	0075-00-103- Miscellaneous General Services- State Lotteries	2,307.00	2,280.15	2,875.00	3,259.14	4,105.60	3,748.37	5,728.90	4,266.57	5,826.65 ⁴	4,730.79 ⁵	1.71	10.88
2	0406 - Forestry and Wild Life	328.83	329.95	376.17	300.40	468.73	283.04	446.48	296.85	404.88	245.42	(-) 9.32	(-) 17.33
3	0202 - Education, Sports, Art and Culture	259.18	308.13	253.15	246.41	369.71	243.63	376.83	282.35	340.49	257.78	(-) 9.64	(-) 8.70
4	Others ⁶	1,333.56	1,141.26	1,473.15	1,292.00	1,725.98	1,627.41	2,046.21	1,837.50	2,095.52	1,662.24	2.41	(-) 9.54
Total		4,228.57	4,059.49	4,977.47	5,097.95	6,670.02	5,902.45	8,598.42	6,683.27	8,667.54	6,896.23	0.80	3.19

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 2018 on some principal heads of revenue amounted to ₹ 14,904.91 crore of which ₹ 5,514.14 crore was outstanding for more than five years, as detailed in the **Appendix - I**.

Ineffective implementation of the systems for the realisation of arrears of revenue such as prompt reporting of arrears to the Revenue Department and pursuance by

⁴ 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 ₹ 9,196.90 crore, expenditure on prize winning tickets of lotteries (budget estimates) of ₹ 3370.25 crore was deducted.

⁵ From gross receipts of ₹ 9,034.16 crore, expenditure of ₹ 4,303.38 crore on prize winning tickets was deducted, but other expenditure like commission to agents (₹ 2,789.69 crore), establishment expenses (₹ 214.49 crore), etc., were not deducted.

⁶ 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.

the departments concerned for realising the arrears were the main reasons for this huge pendency. The arrears of ₹ 5,514.14 crore pending for more than five years in eleven departments included those of the Excise Department from 1952 onwards. The cases referred to the Government for write off (₹ 158.94 crore) were also not being 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 2017-18 were furnished by the Departments (November 2018) as given in **Table -1.4**.

Table – 1.4
Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2017-18	Total assessments due	Cases disposed of during 2017-18	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						
1) Building Tax	13,015	1,65,796	1,78,811	1,71,017	7,794	95.64
2) Plantation Tax	1,449	710	2,159	453	1,706	20.98
State Goods and Services Tax Department						
1) a. Sales Tax	2,024	1,043	3,067	1,194	1,873	38.93
b. Motor Spirit Tax	77	44	121	47	74	38.84
c. Luxury Tax	7,468	7,306	14,774	6,846	7,928	46.34
d. Tax on Works Contracts	981	6,626	7,607	2,748	4,859	36.12
e. Others	18,195	39,581	57,776	34,175	23,601	59.15
2) Taxes on Agricultural Income	287	305	592	406	186	68.58

Source : Details obtained from the respective Departments.

During the year, the R&DM Department cleared 11,148 out of 13,015 arrear cases of building tax and 337 out of 1,449 cases of plantation tax. In the SGST Department, the clearance of arrears in assessments was 16,294 out of 29,032 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 and the details furnished by the SGST, Motor Vehicles, Registration and Revenue and Disaster Management (R&DM) 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 2017	Cases detected during 2017-18	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 2018
					Number of cases	Amount of demand (₹ in crore)	
1	0040-Tax on Sales, Trade etc.	10,849	62,934	73,783	52,540	1,740.06	21,243
2	0006-Goods and Service Tax	0	3,062	3,062	3,056	10.76	6
3	0041 - Taxes on vehicles	133	0	133	21	0.14	112
4	0030-Stamps and Registration Fees	61,431	10,272	71,703	9,190	7.20	62,513
5	0029-Land Revenue	2,285	2,423	4,708	1,988	8.95	2,720

Source: Details obtained from respective Departments.

The reasons for pendency were not furnished by the Departments (September 2019).

1.5 Pendency of refund cases

The details of refund cases pending at the beginning of the year 2017-18, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2017-18 as reported by the SGST and Excise Departments are given in **Table -1.6**.

Table – 1.6
Details of pendency of refund cases

(₹ in crore)

Sl No.	Particulars	SGST		State Excise	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year 2017-18	8,825	287.64	14	1.89
2.	Claim received during the year	4,988	89.06	6	0.66
3.	Refunds made during the year	3,112	115.23	5	0.22
4.	Balance outstanding at the end of the year 2017-18	10,701	261.47	15	2.33

Source: Details obtained from the respective Departments.

In the SGST Department, number of refund cases outstanding as at the end of March 2018 was 10,701, of which 10,691 cases pertain to refund of value added tax. The reason for huge pendency of outstanding cases was not explained by the Department.

The Department may consider speedy settlement of refund cases in the interest of revenue and benefit of claimants.

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 2018 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.	9,956.91	3,167.24	66.51	3,233.75	32.48
2	0043-Taxes and Duties on Electricity	1,537.71	14.13	0	14.13	0.92
3	0406-Forestry and Wild Life	366.57	1.89	80.14	82.03	22.38
4	0039-State Excise	205.94	49.05	0	49.05	23.82
5	0029- Land Revenue	378.57	244.07	88.03	332.10	87.72
6	0030-Stamps and Registration Fees	32.70	9.61	0	9.61	29.39
7	1051-Ports and Light Houses	5.03	4.27	0	4.27	84.89

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		
8	0853-Non-Ferrous Mining and Metallurgical Industries	61.63	8.08	15.34	23.42	38.00
Total		12,545.06	3,498.34	250.02	3,748.36	29.88

Source : Details obtained from the respective Departments.

An amount of ₹ 3,748.36 crore is pending under stay, which is 29.88 per cent of the total arrear amount. The Departments need to take effective action to vacate the stay and to realise the amounts.

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 the first reply within four weeks from the date of receipt of the Inspection Report. Serious financial irregularities are reported to the heads of the Departments and the Government.

Inspection reports issued upto December 2017 disclosed that 26,690 paragraphs involving ₹ 8,575.04 crore relating to 3,340 IRs were outstanding at the end of June 2018 as mentioned below with the corresponding figures for the preceding two years in **Table - 1.8**.

Table – 1.8
Details of pending Inspection Reports

	June 2016	June 2017	June 2018
Number of IRs pending for settlement	2,672	3,243	3,340
Number of outstanding audit observations	24,662	26,848	26,690
Amount of revenue involved (₹ in crore)	7,253.02	8,017.53	8,575.04

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 2018 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.	SGST	Taxes on sales, trade, etc.	1,954	19,497	4,641.24
		Taxes on agricultural income	161	633	162.05
2.	Power	Electricity duty	29	115	3,176.39
3.	R&DM	Land Revenue	458	2,807	350.73
4.	Motor Vehicles	Taxes on vehicles	317	2,564	156.33
5.	State Excise	Excise	125	344	34.97
6.	Registration	Stamp duty and registration Fees	262	644	39.89
7.	Lotteries	Receipts from lotteries	34	86	13.44
Total			3,340	26,690	8,575.04

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

Audit did not receive even first replies within four weeks from the date of issue of the IRs in case of 136 IRs from seven heads of offices during 2017-18. The large pendency of IRs due to non-receipt of replies shows the failure in effective monitoring and clearance of the pending audit observations by the heads of offices and Departments as noticed by the Audit Monitoring Committees at the Secretary level and Apex Committees at the Chief Secretary level.

The Government needs to put in place an effective system for ensuring prompt and appropriate response to audit observations within the time frame prescribed in the circular⁷ 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 2017-18 and the paragraphs settled are mentioned in **Table – 1.10**.

⁷ Circular memorandum No. 57374/Ins.2/65/Fin. Dated 15 November 1965.

Table – 1.10
Details of the Departmental Audit Committee Meetings

(₹ in lakh)

Sl. No.	Head of revenue	Number of meetings held	Number of audit observations pending as on 31 March 2017	Number of paragraphs settled	Amount involved in settled paragraphs
1	0040-Tax on Sales, Trade etc.	5	20,996	1,698	51,096.12
2	0041-Taxes on vehicles	8	2,832	840	2,271.68
3	0029-Land Revenue	5	2,528	285	478.55
4	0030-Stamps and Registration Fees	11	838	386	258.56
5	0043-Taxes and Duties on Electricity	0	117	0	0
6	0039-State Excise	3	314	27	0
7	0022-Taxes on Agricultural Income	2	788	122	439.22
8	0075-00-103-Miscellaneous General Services-State Lotteries	2	68	25	0
Total		36	28,481	3,383	54,544.13

Source : Details obtained from the respective Departments.

An amount of ₹ 237.40 lakh was recovered after discussion in these meetings. The progress of settlement of paragraphs pertaining to the SGST Department and R&DM Department was 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 2017-18, files relating to Kerala Value Added Tax (KVAT) assessments, in which, the turnover of the assessee was above ₹ 60 lakh and all Kerala General Sales Tax (KGST) assessments, in which, the tax effect was above ₹ 2 lakh were called for by Audit for scrutiny in the SGST Department. However, 361 tax assessment files relating to 37 offices were not made available to Audit. Of these 145 files pertained to 13 special circles and works contract offices, where assessments of major dealers are dealt with (**Appendix II**).

Circle/division wise analysis showing the names of the head of offices for the years 2013-14 to 2017-18 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/surpassed 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 Secretaries of the respective Departments drawing their attention to audit findings and requesting their response within six weeks.

Thirty draft paragraphs including one Performance Audit (PA) report were sent to the Secretaries of the respective Departments by name between July 2018 and March 2019. The Secretaries of the Departments furnished replies to all the paragraphs except three.

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 the 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 the Revenue Sector of the Government of Kerala for the years ended 31 March 2013 to 31 March 2017 placed before the State Legislative Assembly between 10 June 2014 to 12 June 2018, 149 paragraphs (including Performance Audit) were included. The action taken explanatory notes from the Departments concerned on 80 paragraphs were received late with delay ranging from 2 months to 47 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 28 paragraphs from four departments (Taxes, Excise, Transport and R&DM) have not been received for the Audit Report for the year ended 31 March 2017 so far (September 2019).

The PAC discussed 37 paragraphs pertaining to the Audit Reports for the years from 2013 to 2017. PAC Reports have not been received on these paras during the respective tenures of the Committee during the period 2016-19 and 2019-21.

It was noticed that five departments did not submit action taken explanatory notes on the Audit paragraphs as of September 2019 in respect of 69 paragraphs (55

individual and 14 Performance Audit/Review paragraphs) featured in the C&AG’s Audit Reports from the year ended 31st March 2013. In respect of 55 individual transaction audit paragraphs, compliance was not furnished by four departments. The departments largely responsible for non-submission of action taken explanatory notes were Taxes, Transport and R&DM. The non-receipt of ATNs was brought to the notice of the Chief Secretary to the Government in the Apex Committee meetings held on 08 December 2016, 15 June 2017, 11 December 2017, 23 June 2018 and 18 December 2018.

Action Taken Notes on PAC recommendations have not been received in respect of 108 out of 130 recommendations of the PAC from four Departments i.e., Taxes, Excise, Transport and R&DM as mentioned in **Table 1.11** (September 2019).

Table 1.11
Details of non-receipt of ATNs from four Departments

Year	Name of Department				Total
	Taxes	Excise	Transport	Revenue & Disaster Management	
2004-06	-	-	-	1	1
2006-08	-	-	-	3	3
2008-11	3	-	-	1	4
2011-14	-	-	1	-	1
2014-16	6	-	6	-	12
2016-19	52	20	9	6	87
Total	61	20	16	11	108

Source: Records maintained by the AG and reconciled with the 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 audit paragraphs and Performance Audit included in the Audit Reports of the last 10 years of one Department was evaluated and included in this Audit Report.

The following paragraphs 1.8.1 to 1.8.2 discuss the performance of the Excise Department under revenue head 0039 – State Excise and cases detected in the course of local audit and the cases included in the Audit Reports for the years 2007-08 to 2016-17.

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 2017 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	2007-08	367	661	172.61	141	368	27.77	64	144	0.24	444	885	200.14
2	2008-09	444	885	200.14	139	365	55.56	57	167	76.25	526	1083	179.44
3	2009-10	526	1083	179.44	95	264	21.47	232	613	45.84	389	734	155.07
4	2010-11	389	734	155.07	45	145	1.11	125	353	123.49	309	526	32.69
5	2011-12	309	526	32.69	37	86	0	39	129	0.96	307	483	31.73
6	2012-13	307	483	31.73	32	116	8.53	38	89	5.76	301	510	34.50
7	2013-14	301	510	34.50	17	81	7.77	50	103	1.12	268	488	41.15
8	2014-15	268	488	41.15	41	146	14.94	96	129	1.70	213	505	54.39
9	2015-16	213	505	54.39	33	81	3.07	95	206	14.97	151	380	42.49
10	2016-17	151	380	42.49	22	70	0.99	46	136	14.67	127	314	28.82

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

The Audit Committee and Audit Monitoring Committee meetings held between the Department and Office of the Accountant General helped in the clearance of old paragraphs. Due to the effort of Audit Committee Meetings and correspondence by the headquarters sections a total number of 2,069 paragraphs and 842 IRs were cleared during the year.

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 the 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 31.03.2017
1	2007-08	1	17.36	1	17.36	-	-
2	2008-09	1	0.18	-	-	-	-

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 31.03.2017
3	2009-10	3	0.57	2	0.24	0.05	0.05
4	2010-11	1	2.54	-	-	-	0.05
5	2011-12	-	-	-	-	-	0.05
6	2012-13	1	3.55	-	-	-	0.05
7	2013-14	3	7.66	-	-	-	0.05
8	2014-15	3	4.44	2	0.09	-	0.05
9	2015-16	1	67.67	-	0.60	0.60	0.65
10	2016-17	1	0.40	1	0.40	0.06	0.71

Source: Figures furnished by the Excise Department.

It is evident from the above table that the progress of recovery in accepted cases was negligible throughout the last ten 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 the Performance Audits 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 included while finalising the Audit Reports.

The details of seven Performance Audit Reports on the Departments of SGST, R&DM and Power featured in the Reports for the last five years along with recommendations and their status are given in **Appendix IV**. The Performance Audits on SGST Department covered the areas such as 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, System of assessment under KVAT and Infrastructure facilities in the Commercial Taxes Department. The Performance Audits on the R&DM Department covered areas such as Land management and Disaster Management in the state. Audit also focussed 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 SGST Department has decided to conduct regular surveys to identify unregistered works contractors and to conduct inter-departmental cross verification of data. A new sub head of account under the Major head 0040-Tax on Sales, Trade etc. for crediting the VAT received under Works Contract has been sanctioned. The Department has also developed scrutiny module for Works Contract to do the scrutiny and assessment.

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 Right to Information (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, white paper on finances, 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 2017-18, there were 823 audit units, of which 445 units were planned and audited, which is 54.07 *per cent* of the total audit units. Besides the above mentioned units two Performance Audit and two Compliance Audits were also taken up during the year.

1.11 Results of Audit

Position of local audit conducted during the year

Test check of the records of 445 units of Sales Tax/VAT/GST, State Excise, Motor Vehicles and other Departmental offices conducted during the year 2017-18 showed under-assessment/short levy/loss of revenue aggregating to ₹ 1,583.49 crore in 2,281 cases. During the course of the year, the Departments concerned accepted under-assessment and other deficiencies of ₹ 937.37 crore involved in 237 cases which were pointed out in audit during 2017-18. The Departments collected ₹ 41.77 crore in 1,604 cases during 2017-18, pertaining to the audit findings of previous years.

1.12 Coverage of this Report

The Report contains 18 paragraphs, which came to notice in the course of test audit of records during the year 2017-18 as well as those in earlier years involving revenue impact of ₹ 938.56 crore. Instances relating to the period subsequent to 2017-18 were also included, wherever necessary. The Department/Government accepted audit observations involving ₹ 916.71 crore, out of which, ₹ 2.52 crore was recovered. These are discussed in the succeeding Chapters II to V.