

# **CHAPTER 1**

## **GENERAL**



## CHAPTER-1: GENERAL

### 1.1 Trend of receipts

**1.1.1** The tax and non-tax revenues raised by the Government of Bihar (GoB), the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grants-in-aid received from Government of India (GoI) during the period 2014-19 are depicted in **Table-1.1**.

**Table-1.1**  
**Trend of receipts**

(₹ in crore)

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
<b>1.</b>	<b>Revenues raised by the State Government</b>					
	• Tax revenues	20,750.23	25,449.18	23,742.26	23,136.49	29,408.14
	<b>Percentage of growth compared to previous year</b>	<b>3.96</b>	<b>22.65</b>	<b>(-) 6.71</b>	<b>(-) 2.55</b>	<b>27.11</b>
	• Non-tax revenues	1,557.98	2,185.64	2,403.11	3,506.74	4,130.56
	<b>Percentage of growth compared to previous year</b>	<b>0.85</b>	<b>40.29</b>	<b>9.95</b>	<b>45.93</b>	<b>17.79</b>
	<b>Total</b>	<b>22,308.21</b>	<b>27,634.82</b>	<b>26,145.37</b>	<b>26,643.23</b>	<b>33,538.70</b>
<b>2.</b>	<b>Receipts from the Government of India</b>					
	• Share of net proceeds of divisible Union taxes and duties	36,963.07	48,922.68	58,880.59	65,083.38	73,603.13 <sup>1</sup>
	• Grants-in-aid <sup>2</sup>	19,146.26	19,565.60	20,559.02	25,720.13	24,651.62 <sup>3</sup>
	<b>Total</b>	<b>56,109.33</b>	<b>68,488.28</b>	<b>79,439.61</b>	<b>90,803.51</b>	<b>98,254.75</b>
<b>3.</b>	<b>Total revenue receipts of the State Government (1 and 2)</b>	<b>78,417.54</b>	<b>96,123.10</b>	<b>1,05,584.98</b>	<b>1,17,446.74</b>	<b>1,31,793.45</b>
<b>4.</b>	<b>Percentage of 1 to 3</b>	<b>28</b>	<b>29</b>	<b>25</b>	<b>23</b>	<b>25</b>
<b>5.</b>	<b>Percentage of tax revenue to total revenue receipts</b>	<b>26</b>	<b>26</b>	<b>22</b>	<b>20</b>	<b>22</b>

(Source: Finance Accounts, Government of Bihar)

The above table indicates that the average annual growth rate in respect of tax revenues and non-tax revenues were 8.89 per cent and 22.96 per cent respectively during 2014-19.

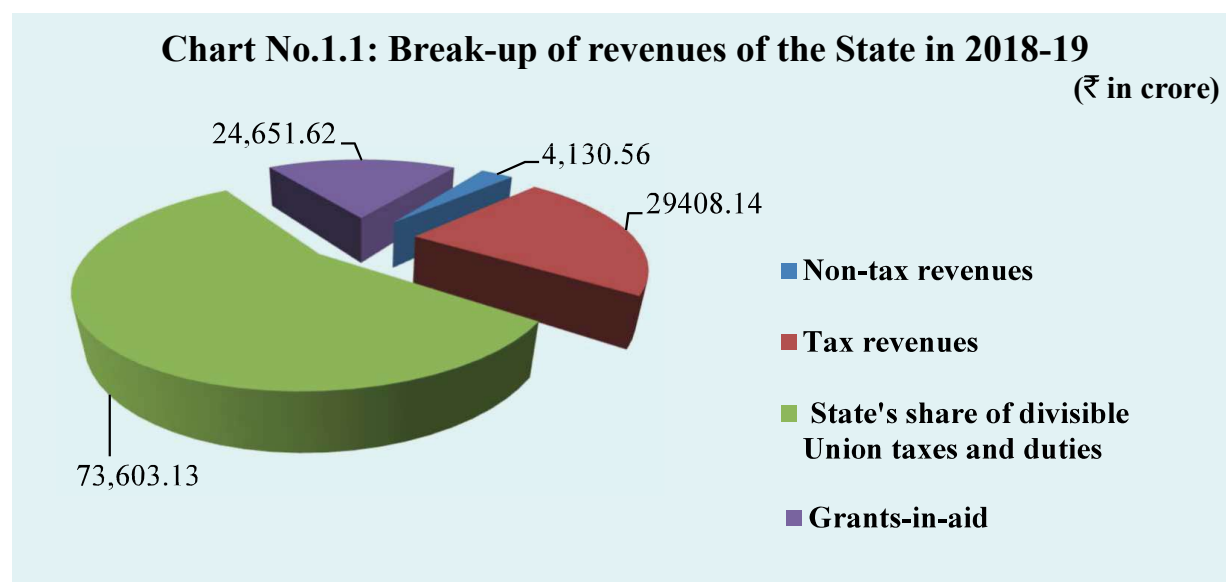
<sup>1</sup> For details, please see Statement No. 14 - Detailed accounts of revenue by minor heads in the Finance Accounts of Government of Bihar for the year 2018-19. Figures under Minor Head 901 - Share of net proceeds assigned to the State under the Major Heads - 0005- Central Goods and Services Tax (₹ 18,166.79 crore), 0008 - Integrated Goods and Services Tax (₹ 1,449.80 crore) 0020 - Corporation Tax (₹ 25,596.84 crore), 0021 - Taxes on income other than Corporation Tax (₹18,850.99 crore), 0028- Other Taxes on Income and Expenditure (₹133.31 crore) 0032 - Taxes on Wealth (₹ 9.40 crore), 0037 - Customs (₹ 5,217.40 crore), 0038 - Union Excise Duties (₹ 3,467.28 crore), 0044 - Service Tax (₹ 673.31 crore) and 0045 - Other taxes and duties on commodities and services (₹ 38.01 crore).

<sup>2</sup> Centrally sponsored schemes, Finance Commission grants and other transfer/grants (also includes compensation on Goods and Service Tax (GST) received from GoI) to States/Union Territories with Legislatures.

<sup>3</sup> Includes compensation of ₹ 2,571 crore towards loss of revenue due to implementation of GST.

The State's share in Central taxes increased by 10 per cent (from 32 to 42 per cent) after the implementation (from 2015-16) of the recommendations of the 14<sup>th</sup> Finance Commission.

Break-up of revenue of the State for the year 2018-19 is given in **Chart 1.1**:



**1.1.2** Details of Budget Estimates (BEs) and tax revenues raised during the period 2014-15 to 2018-19 are given in **Table-1.2**.

**Table- 1.2**  
**Details of Tax Revenues**

(₹ in crore)

Sl. No.	Head of revenue	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage of increase (+)/ decrease (-) in actuals of 2018-19 in comparison to	
		BE Actuals	BE Actuals	BE Actuals	BE Actuals	BE Actuals	BE of 2018-19	Actuals of 2017-18
1.	State Goods and Services Tax	-	-	-	0.00 6,746.96	15,000.00 15,288.06	1.92	126.59
2.	Taxes on sales, trade etc.	12,820.15 8,607.16	16,025.18 10,603.40	14,021.33 11,873.51	24,400.00 8,298.10	7,890.00 6,584.24	(-) 16.55	(-) 20.65
3.	Taxes on goods and passengers <sup>4</sup>	4,117.50 4,451.25	5,146.88 6,087.12	7,211.96 6,245.62	0.00 1,644.85	0.00 398.74	-	(-) 75.76
4.	Other taxes and duties on commodities and services	48.59 105.34	45.43 69.36	88.90 81.08	0.01 20.51	0.02 1.16	5,700.00	(-) 94.34
<b>Sub-total (1, 2, 3 and 4)</b>		<b>16,986.24</b> <b>13,163.75</b>	<b>21,217.49</b> <b>16,759.88</b>	<b>21,322.19</b> <b>18,200.21</b>	<b>24,400.01</b> <b>16,710.42</b>	<b>22,890.02</b> <b>22,272.20</b>	<b>(-) 2.70</b>	<b>33.28</b>
5.	State excise <sup>5</sup>	3,700.00 3,216.58	4,000.00 3,141.75	2,100.00 29.66	0.00 (-)3.43	0.00 (-) 9.63	-	(-) 180.76
6.	Stamps and registration fees	3,600.00 2,699.49	4,000.00 3,408.57	3,800.00 2,981.95	4,600.00 3,725.66	4,700.00 4,188.61	(-) 10.88	12.43

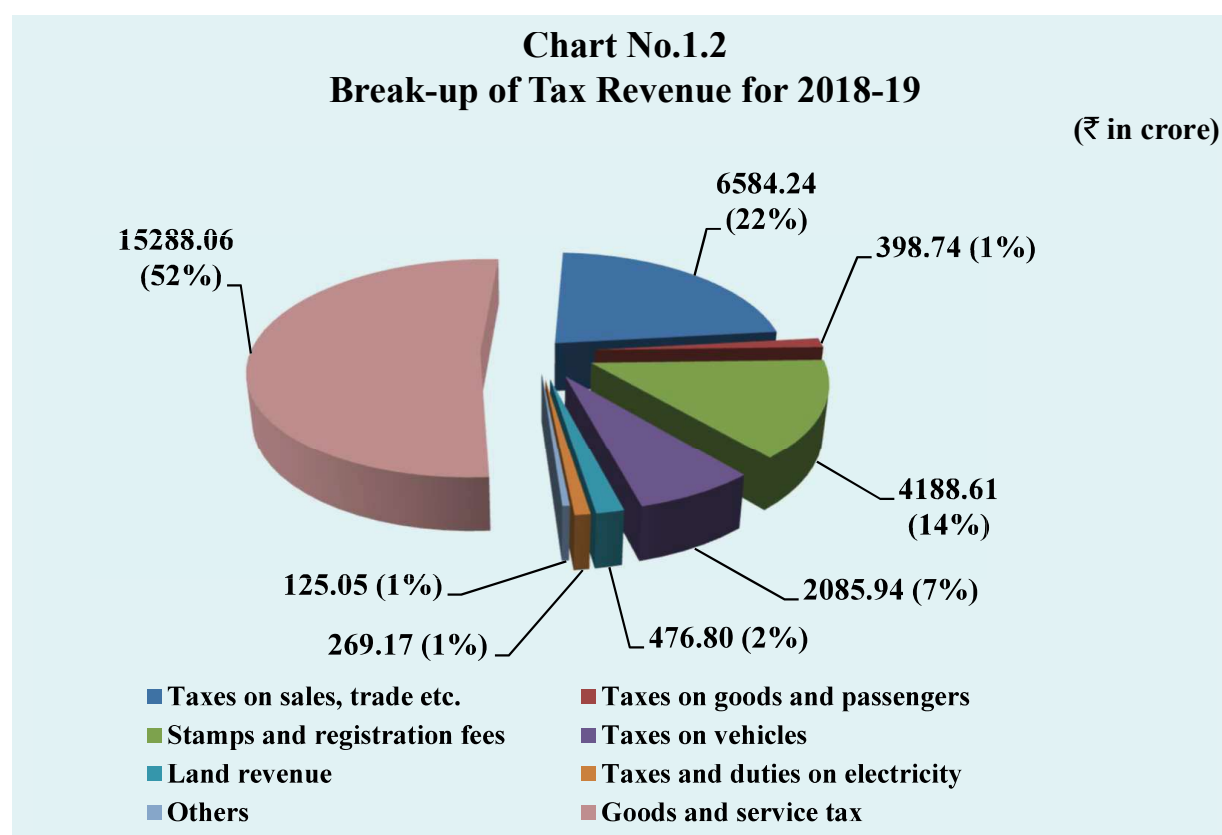
<sup>4</sup> All receipts under Taxes on goods and passengers is from Entry Tax during the year 2018-19, which has since been abolished and subsumed in GST from 1.7.2017.

<sup>5</sup> Sale of Liquor has been prohibited in Bihar since April 2016.

Sl. No.	Head of revenue	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage of increase (+)/ decrease (-) in actuals of 2018-19 in comparison to	
		<u>BE</u> Actuals	<u>BE</u> Actuals	<u>BE</u> Actuals	<u>BE</u> Actuals	<u>BE</u> Actuals	BE of 2018-19	Actuals of 2017-18
7.	Taxes on vehicles	<u>1,000.00</u> 963.56	<u>1,200.00</u> 1,081.22	<u>1,500.00</u> 1,256.67	<u>1,800.00</u> 1,599.51	<u>2,000.00</u> 2,085.94	4.30	30.41
8.	Land revenue	<u>250.00</u> 277.13	<u>300.00</u> 695.15	<u>330.00</u> 971.12	<u>600.00</u> 778.65	<u>1,000.00</u> 476.80	(-) 52.32	(-) 38.77
9.	Taxes and duties on electricity	<u>82.70</u> 374.76	<u>102.50</u> 297.99	<u>590.04</u> 223.90	<u>501.09</u> 239.16	<u>310.00</u> 269.17	(-) 13.17	12.55
10.	Other taxes on income and expenditure- taxes on professions, trades, callings and employment	<u>44.00</u> 54.96	<u>55.00</u> 64.55	<u>88.03</u> 78.75	<u>100.00</u> 86.52	<u>102.00</u> 125.05	22.60	44.53
<b>Total</b>		<u>25,662.94</u> 20,750.23	<u>30,874.99</u> 25,449.11	<u>29,730.26</u> 23,742.26	<u>32,001.10</u> 23,136.49	<u>31,002.02</u> 29,408.14	(-) 5.14	27.11

{Source: Finance Accounts, Government of Bihar and Revenue and Capital Receipts}

Break-up of tax revenues of the State for 2018-19 is given in **Chart 1.2:**



It may be seen from table 1.2 that there were wide variations between the budget estimates and actuals during 2018-19 under different heads of tax revenue which indicated that the budget was not prepared on a realistic basis.

Reasons for variations are discussed below:

**Commercial Taxes<sup>6</sup>:** The Department stated (February 2020) that since GST is a destination based consumption tax, budget was estimated keeping in view that Bihar being a consuming state. The variation in actual collection during 2018-19 with that of budget estimate was due to transition period of GST.

**State excise:** Audit noticed that there was collection of revenue of ₹ 0.59 crore on account of fines and confiscations, commercial and denatured spirits and medicated wines, malt liquor, medicinal and toilet preparations containing alcohol, opium etc., and other receipts and refund of ₹ 10.22 crore resulting in net refund of ₹ 9.63 crore during 2018-19. Due to implementation of prohibition policy of liquor BE was fixed at 'nil'.

**Stamps and registration fees:** The Department stated (February 2020) that main reason for decrease of 10.88 *per cent* in receipts from stamp duty and registration fee during 2018-19 over the budget estimates was decrease in number of instruments pertaining to transfer of property from estimated number of instruments.

**Taxes on vehicles:** Audit observed that the reason for increase of actual receipts during 2018-19 in comparison to actuals of 2017-18 was due to increase in tax on ex-showroom price of vehicles, increase in tax on laden weight of goods vehicles and increase in annual tax on seating capacity of vehicles. Further, the number of vehicles registered during 2018-19 increased by 6.36 *per cent*. The Department also realised ₹ 50 crore under amnesty scheme during 2018-19.

**Land revenue:** Audit noticed that the main reason for decrease of ₹ 301.85 crore (38.77 *per cent*) in Land Revenue during 2018-19 in comparison to the actual collection (₹ 778.65 crore) of 2017-18 was reduction in the rate of establishment charges<sup>7</sup>.

**1.1.3** Details of budget estimates and non-tax revenues raised during the period 2014-15 to 2018-19 are indicated in **Table 1.3**.

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<sup>6</sup> Commercial taxes includes State Goods and Service Tax, Taxes on sales, trade etc., Taxes on goods and passengers and Other taxes and duties on commodities and services.

<sup>7</sup> Rate of establishment charges was 20 *per cent* if compensation amount was more than ₹ 15 lakh, 25 *per cent* if compensation amount was more than ₹ 10 lakh but less ₹ 15 lakh, 30 *per cent* if compensation amount was more than ₹ five lakh and less than ₹ 10 lakh and 35 *per cent* if compensation amount was less than ₹ five lakh. The rate of establishment charges was revised to 2 *per cent* w.e.f. 27.06. 2018.

**Table- 1.3**  
**Details of non-tax revenues**

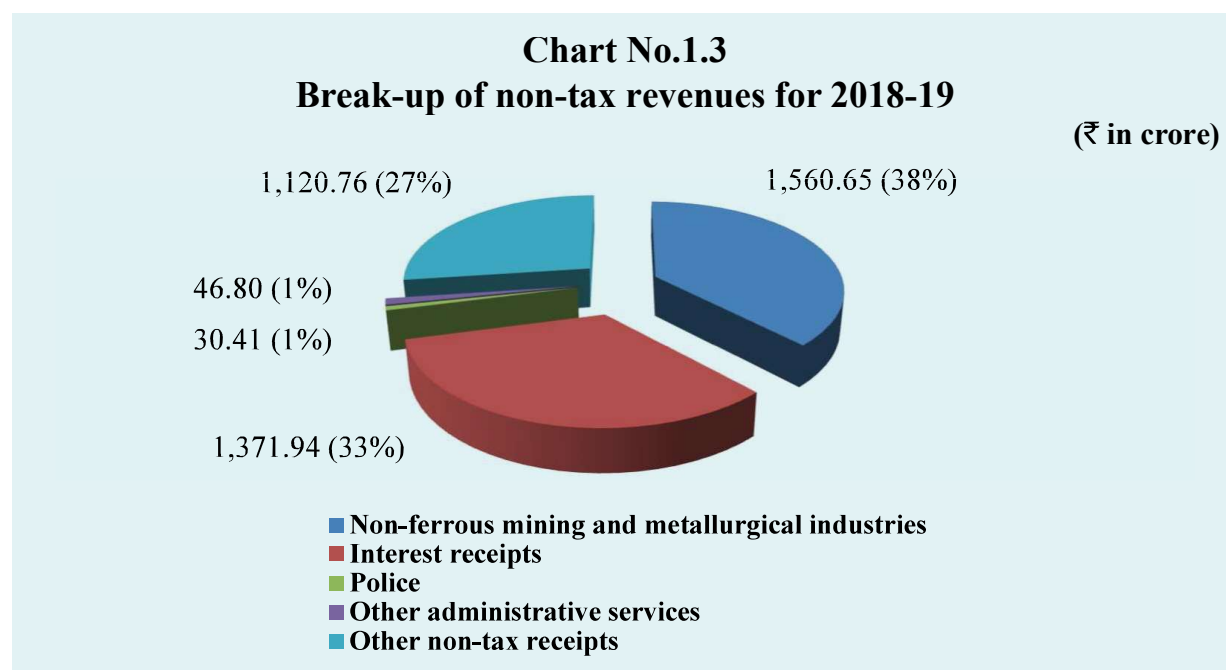
(₹ in crore)

Sl. No.	Head of Revenue	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage of increase (+)/decrease (-) in actual of 2018-19 in comparison to	
		<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	BE of 2018-19	Actuals of 2017-18
1.	Non-ferrous mining and metallurgical industries	750.00 879.87	1,000.00 971.34	1,100.00 997.60	1,350.00 1,082.67	1,600.00 1,560.65	(-) 2.46	44.15
2.	Interest receipts	202.22 344.77	312.13 583.66	365.78 939.91	619.25 1,577.24	2,187.39 1,371.94	(-) 32.28	(-) 13.02
3.	Police	69.74 29.50	28.93 66.05	31.74 42.16	41.53 86.04	46.19 30.41	(-) 34.16	(-) 64.66
4.	Other administrative services	251.60 21.77	51.25 72.61	23.35 99.88	256.32 25.84	20.10 46.80	132.84	81.11
5.	Other non-tax <sup>8</sup> receipts	1,797.93 282.07	1,988.80 491.98	819.87 323.56	567.21 734.95	592.21 1,120.76	89.25	52.49
<b>Total Receipts</b>		<b>1,557.98</b>	<b>2,185.64</b>	<b>2,403.11</b>	<b>3,506.74</b>	<b>4,130.56</b>	(-) 7.09	17.79

(Source: Actual receipts as per Finance Accounts and budget estimates as per the Statement of Revenue and Capital Receipts of Government of Bihar).

<sup>8</sup> Other non-tax receipts includes actual receipts during 2018-19 under the following heads: Road and bridges (₹ 118.06 crore), Medical and public health (₹ 66.61 crore), Other rural development programmes (₹ 62.37 crore), Forestry and wild life (₹ 29.11 crore), Education, sports, arts and culture (₹ 18.85 crore), Public service commission (₹ 34.09 crore), Other general economic services (₹ 21.42 crore), Contribution and recoveries towards pension and other retirement benefits (₹ 558.75 crore), Crop husbandry (₹ 14.99 crore), Major irrigation (₹ 36.92 crore), Medium irrigation (₹ 15.85 crore), Labour employment and skill development (₹ 14.89 crore), Jail (₹ 14.77 crore), Fisheries (₹ 13.17 crore), Miscellaneous general service (₹ 3.73 crore), Water supply and sanitation (₹ 11.41 crore), Housing (₹ 3.47 crore), Urban development (₹ 0.94 crore), Information and publicity (₹ 0.30 crore), Social security and welfare (₹ 0.08 crore), Animal husbandry (₹ 0.65 crore), Cooperation (₹ 20.46 crore), Land reforms (₹ 0.28 crore), Minor irrigation (₹ 11.40 crore), Civil aviation (₹ 6.70 crore), Road transport (₹ 0.19 crore), Tourism (₹ 1.75 crore), Village and small industries (₹ 0.06 crore), Industries (₹ 0.13 crore), Civil supplies (₹ 0.11 crore), Public Works (₹ 25.39 crore), Stationary and Printing (₹ 0.12 crore) and Dividend and Profits (₹ 13.67 crore).

Break-up of non-tax revenues of the State for 2018-19 is given in **Chart 1.3**:



Reasons for wide variations are discussed below:

**Mining receipts:** Audit observed that the reasons for increase (44.15 per cent) of mining receipt during 2018-19 over actuals of 2017-18 were increase in settlement amount of sand ghats, deposit of royalty from works divisions in mining head instead of miscellaneous deposit, imposition of penalties and receipts from lime stone.

**Interest receipts:** Audit observed that the decrease in interest receipts in 2018-19 was due to less receipts mainly under other receipts. Other receipts include interest accrued on Government money kept in bank accounts and deposited into Government Accounts. During 2017-18, interest earned from bank account was ₹ 742.58 crore whereas during 2018-19 it was ₹ 228.01 crore.

**Police Receipts:** Audit noticed that the main reason for decrease in actual receipts during 2018-19 over actual receipts of 2017-18 was less receipts mainly under fees, fines and forfeitures.

**Other administrative services:** Audit noticed that the main reason for increase of 132.84 per cent during 2018-19 over budget estimates was increase of ₹ 24.91 crore in receipts towards election sub-head over actual receipts of 2017-18.

**Other non-tax receipts:** Audit noticed that the main reason for excess of actual receipts over BE during 2018-19 was receipt of ₹ 558.75 crore under contribution and recoveries towards pension and other retirement benefits during 2018-19 against ₹ 202.53 crore of the previous year.

## 1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2019 in respect of the principal heads of revenue amounted to ₹ 4,107.32 crore of which ₹ 521.07 crore was outstanding for more than five years as detailed in **Table-1.4**.



**Table- 1.4**  
**Arrears of revenue**

(₹ in crore)

Sl. No.	Heads of revenue	Total amount outstanding as on 31 March 2019	Amount outstanding for more than five years as on 31 March 2019	Stages of pendency as stated by the Departments concerned
1.	Taxes on sales, trade etc.	2,919.29	467.38	Out of ₹ 2,919.25 crore, demands for ₹ 349.14 crore were certified for recovery as arrears of land revenue, recoveries of ₹ 796.09 crore and ₹ 425.49 crore were stayed by the courts and the Government respectively, ₹ 5.75 crore was held up due to assesseees/dealers becoming insolvent, ₹ 2.45 crore was likely to be written off and ₹ 1,340.37 crore was pending at other stages.
2.	Taxes on goods and passengers	419.49	13.51	Out of ₹ 419.49 crore, demand for ₹ 1.32 crore was certified for recovery as arrears of land revenue, recovery of ₹ 304.00 crore was stayed by the courts and ₹ 114.14 crore was pending at other stages.
3.	Taxes and duties on electricity	1.57	1.52	Out of ₹ 1.57 crore, recovery of ₹ 1.37 crore was stayed by the courts and ₹ 0.20 crore was pending at other stages.
4.	Taxes on vehicles	179.30	NA	Demands of ₹ 178.13 crore were certified for recovery as arrears of land revenue.
5.	Other taxes and duties on commodities and services	10.82	7.69	Out of ₹ 10.82 crore, demands for ₹ 8.55 crore were certified for recovery as arrears of land revenue and ₹ 2.27 crore was pending at other stages.
6.	Land revenue	188.24	NA	The Revenue and Land Reforms Department did not provide details of arrears outstanding for more than five years.
7.	Stamp duty and registration fee	-	2.59	Demands of ₹ 2.87 crore were certified for recovery as arrears of land revenue.
8.	State excise	46.54	28.38	Out of ₹ 46.54 crore, demands for ₹ 27.48 crore were certified for recovery as arrears of land revenue, recovery of ₹ 7.57 crore was stayed by the courts, ₹ 0.14 crore was held up due to assesseees/dealers becoming insolvent, ₹ 0.39 crore was likely to be written off and ₹ 10.96 crore was pending at other stages.
9.	Non-ferrous mining and metallurgical industries	342.07	NA	Demands for the entire arrear of ₹ 342.07 crore were certified for recovery as arrears of land revenue.
<b>TOTAL</b>		<b>4107.32</b>	<b>521.07</b>	

(Source: Information from the Departments)

During scrutiny of records pertaining to arrears of revenue, audit observed the following deficiencies:

**Commercial Taxes Department:** The Department did not furnish dealer-wise details of arrears of revenue despite four reminders (January and February 2020). The Department called for (February 2020) the information of arrears from the field units, which indicated that the Department did not have a database of arrears of revenue at Headquarters level.

**Prohibition, Excise and Registration (Excise) Department:** The Department intimated (December 2019) arrears of revenue as ₹ 46.54 crore whereas demands certified for recovery as arrears of land revenue was ₹ 55.58 crore as on 31.03.2019. On further enquiry the Department intimated (January 2020) the total arrears of revenue as ₹ 49.32 crore and thereafter as ₹ 52.19 crore but failed to produce individual cases for examination. Variance in figures in respect of the same information given by the Department renders the data unreliable. It was further observed that the Department failed to monitor the progress of collection of arrears, since they do not have a database of outstanding arrears at Headquarters level.

**Revenue and Land Reforms Department:** The Department intimated (December 2019) arrears of revenue as ₹ 188.24 crore as on 31.3.2019, however audit observed during scrutiny of files that arrears of revenue was ₹ 421.84 crore (₹ 415.27 crore as arrears of land rent and ₹ 6.57 crore as arrear revenue from *sairat*). Thus, it was evident that the Department understated arrears of revenue to the extent of ₹ 233.60 crore which is a serious issue and needs to be addressed immediately. The Department was requested (February and May 2020) to provide reasons for difference in figures of arrears of revenue but no reply was received from the Department till January 2021. It was also observed that the Department did not have a database of outstanding arrears at Headquarters level.

**Registration Department:** The Department replied (May 2020) that information of arrears of revenue provided earlier (January 2020) was incorrect. This indicated that Department had unreliable information of arrears of revenue and needs to verify the actual position.

**Transport Department:** The Department did not provide details of individual defaulters despite request. However, the Department introduced (5 July 2017 to 4 January 2018 and 8 March 2018 to 30 January 2019) an amnesty scheme to realise arrears of revenue.

**Recommendation: The Departments should create a database of outstanding arrears for periodic review, reconciliation and liquidation of arrears, and ensure that arrears of revenue which are not under dispute are realised on priority basis.**

### **1.3 Follow up on Audit Reports– summarised position**

In terms of the Manual of Instructions (1998) of the Finance Department, Departments are required to initiate action on the audit paragraphs contained in the Report of the Comptroller and Auditor General of India (CAG) within two months of their laying in the Legislative Assembly, and Government shall submit explanatory notes thereon for consideration by the Public Accounts Committee (PAC). However, explanatory notes (replies of the Departments) were submitted with delays of more than five months in respect of 252 paragraphs (including performance audits) appearing in the CAG's Revenue Audit reports for the years ended 31 March 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017 placed before the State Legislature between July 2010 and November 2018. Details of

pending explanatory notes as on May 2020 pertaining to various Departments<sup>9</sup> are given in **Table-1.5**.

**Table-1.5**  
**Pending explanatory notes**

Sl. No.	Audit Report ending on	Date of presentation in the legislature	No. of paragraphs	No. of paragraphs where explanatory notes received	No. of paragraphs where explanatory notes not received
1	31 March 2009	23.07.2010	29	26	3
2	31 March 2010	20.07.2011	26	26	0
3	31 March 2011	06.08.2012	35	35	0
4	31 March 2012	08.01.2013	38	36	2
5	31 March 2013	21.02.2014	41	39	2
6	31 March 2014	24.12.2014	44	39	5
7	31 March 2015	18.03.2016	39	34	5
8	31 March 2016	27.03.2017	42	19	23
9	31 March 2017	29.11.2018	36	6	30
<b>Total</b>			<b>330</b>	<b>260</b>	<b>70</b>

It was observed that though the Departments initiated action for recovery of revenue in the instances pointed out by audit, corrective measures to prevent persistent irregularities were not addressed by the Departments at any level.

The PAC discussed 63 selected paragraphs pertaining to the Audit Reports for the years 2008-09 to 2015-16 and issued recommendations on 47 paragraphs pertaining to Commercial Taxes Department, Prohibition, Excise and Registration Department, Revenue and Land Reforms Department, Mines and Geology Department and Transport Department incorporated in the aforesaid Reports on which no Action Taken Notes (ATNs) have been received from the Departments (May 2020).

The Principal Accountant General (Audit) requested Secretary, Bihar *Vidhan Sabha* (August 2018) and Chief Secretary, Government of Bihar (July 2019) to instruct the concerned Departments for timely submission of self-explanatory notes on audit observations and ATNs on PAC's recommendation. In pursuance to the audit request, the Finance Department issued instructions (August and November 2019) to all administrative Departments to submit self-explanatory notes on audit observations and ATNs on PAC's recommendation.

**Recommendation: The State Government may initiate action to address the shortcomings and system defects pointed out by Audit to plug the leakage of revenue, and ensure that all Departments promptly prepare ATNs on recommendations of PAC.**

<sup>9</sup> Commercial Taxes (50 paragraphs); Prohibition, Excise and Registration (two paragraphs); Transport (one paragraph); and Revenue and Land Reforms (17 paragraphs).

## 1.4 Response of the Departments/Government to Audit

### 1.4.1 Position of outstanding Inspection Reports

On completion of audit of Government Departments and offices, Audit issues Inspection Reports (IRs) to the concerned heads of offices, with copies to their superior officers for corrective action and their monitoring. Serious financial irregularities are reported to the head of the Departments and the Government. Review of IRs issued during the period 2009-10 to 2018-19 revealed that 22,953 paragraphs relating to 2,745 IRs remained outstanding at the end of March 2019. The potential recoverable revenue in these IRs was as much as ₹ 27,265.93 crore whereas the total revenue collection of the State for 2018-19 is ₹ 33,538.70 crore. Details of IRs relating to major revenue earning Departments of the State Government are given in **Table - 1.6**.

**Table - 1.6**  
**Department-wise details of Inspection Reports**

(₹ in crore)

Sl. No.	Names of Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit paragraphs	Money value involved
1	Commercial Taxes	Taxes on sales, trade etc.	417	9,848	11,882.41
		Entry tax			
		Electricity duty			
		Entertainment tax etc.			
2	Excise and Prohibition	State excise	361	1,590	1,163.90
3	Revenue and Land Reforms	Land revenue	824	5,282	8,580.46
4	Transport	Taxes on vehicles	371	2,827	1,600.82
5	Registration	Stamps and registration fees	389	1,173	1,118.36
6	Mines and Geology	Mining receipts	383	2,233	2,919.98
<b>Total</b>			<b>2,745</b>	<b>22,953</b>	<b>27,265.93</b>

All six Departments were requested (September 2019) to organise Audit Committee Meetings to settle outstanding audit observations. However, they did not respond to the audit request. Even the first replies, required to be received from the heads of offices within four weeks of receipt of the IRs as per Regulation 197 of the Regulation on Audit and Accounts, 2007, were not received (April 2020) for 1,167 IRs (10,030 audit observations) involving potential revenue of as much as ₹ 15,306 crore, issued from 2009-10 onwards. Department-wise details are given in **Table - 1.7**.

**Table - 1.7**  
**Details of Inspection Reports pending first reply**

(₹ in crore)

Sl. No.	Names of Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1.	Commercial Taxes	Taxes on sales, trade etc.	86	3,067	5,005.97
		Entry tax			
		Electricity duty			
		Entertainment tax etc.			
2.	Excise and Prohibition	State excise	75	395	238.78
3.	Revenue and Land Reforms	Land revenue	539	3,643	7,077.92
4.	Transport	Taxes on vehicles	242	1,847	916.40
5.	Registration	Stamps and registration fees	124	375	882.65
6.	Mines and Geology	Non-ferrous mining and metallurgical industries	101	703	1,184.28
<b>Total</b>			<b>1,167</b>	<b>10,030</b>	<b>15,306</b>

The matter was reported to the Principal Secretary, Finance Department in June 2019, who directed (July 2019) all the revenue Departments for speedy compliance of the pending audit observations.

**Recommendation:**

**The State Government may introduce a mechanism to ensure that departmental officers respond to Audit Inspection Reports promptly, take corrective action, and work closely with Audit to bring about early settlement of audit observations through Audit Committee Meetings.**

**1.4.2 Response of the Departments to the Statement of Facts and draft audit paragraphs**

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

Out of 352 Statement of Facts (SOF) issued to the Principal Secretaries/Secretaries of the concerned Departments during 2019-20, Audit did not receive (2 June 2020) replies to 280 Statement of Facts (79.55 per cent) as detailed below:

**Table 1.8:**  
**Response of the Departments to the Statement of facts**

Sl. No.	Names of Department	Number of SOF issued to the department	Number of SOF in respect of which reply received
1.	Commercial Taxes	181	0
2.	Revenue and Land Reforms	59	0
3.	Transport	53	30
4.	Registration	7	7
5.	Mines and Geology	52	35
<b>Total</b>		<b>352</b>	<b>72</b>

Further, 24 draft paragraphs were sent to the Principal Secretaries/Secretaries of the respective Departments in 2019-20 for their reply/response. However, Audit did not receive reply to 22 draft paragraphs (May 2020).

## **1.5 Results of audit**

### **Position of the local audit conducted during the year**

Audit covered six Departments of the State Government and test-checked records of 35 units out of 1,349 auditable units (2.59 per cent) relating to commercial taxes, state excise, taxes on vehicles, stamps and registration fees, land revenue and mining receipts during the year 2018-19. Besides, two units of Commercial Taxes Department, 14 units of Revenue and Land Reforms Department, one unit of Transport Department, eight units of Registration Department, and 12 units of Mining Department were audited during September 2019 to January 2020.

Audit observed underassessment/short levy/loss of revenue aggregating to ₹ 3,658.11 crore in 629 cases, which were communicated to the Departments through Inspection Reports. The Departments concerned accepted (between April 2018 and April 2020) underassessment and other deficiencies of ₹ 1,336.65 crore in 1,648 cases, out of which 55 cases involving ₹ 366.27 crore were pointed out during 2018-19 and the rest in earlier years. The Departments reported (between April 2018 and April 2020) recovery of ₹ 8.90 crore in 196 cases pertaining to previous years.

## **1.6 Coverage of this Report**

This Report contains 12 paragraphs and one detailed Compliance Audit on Levy and collection of Motor Vehicles Taxes and Fees. The total financial implication of the Report is ₹ 2,389.53 crore.

The Departments have accepted (up to May 2020) audit observations amounting to ₹ 1,081.49 crore. The audit observations are discussed in Chapters 2 to 6 of this Report.

The errors/omissions pointed out are on the basis of a test audit. The Department/Government may, therefore, undertake a thorough review of all units to check whether similar errors/omissions have taken place elsewhere and, if so, to rectify them; and to put a system in place that would prevent such errors/omissions.