



**Report of the  
Comptroller and Auditor General of India  
on  
Revenue Sector  
for the year ended 31 March 2017**



**Government of Chhattisgarh**  
*Report No. 04 of the year 2018*

**REPORT OF THE  
COMPTROLLER AND AUDITOR GENERAL  
OF INDIA**

**FOR THE YEAR ENDED 31 MARCH 2017**

**(REVENUE SECTOR)**

**GOVERNMENT OF CHHATTISGARH**

*Report No. 04 of the year 2018*

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## PREFACE

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2017 has been prepared for submission to the Governor of Chhattisgarh under Article 151 of the Constitution of India.

The Report contains significant findings of audit of Receipts and Expenditure of major Revenue earning departments under Revenue Sector conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those, which came to notice in the course of test audit during the period 2016-17, as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; instances relating to period subsequent to 2016-17 have also been included, wherever necessary.

The total financial implication of this Report is ₹ 292.26 crore, out of which ₹ 284.67 crore pertain to observations of underassessment, short/non levy, loss of revenue etc. which constitutes 1.16 *per cent* of tax and non-tax revenue of the State during the year 2016-17 and ₹ 7.59 crore pertains to observation of irregular and avoidable expenditure. The departments have accepted audit observations amounting to ₹ 48.75 crore, out of which ₹ 4.84 crore was recovered.

The departments did not furnish specific replies to audit observations involving ₹ 238.30 crore, which included audit observations on non-levy of land revenue on land covered under mining leases (₹ 177.60 crore) and non/short realisation of Infrastructure Development and Environment cess (₹ 42.30 crore) pertaining to Mineral Resources Department.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

The Report contains the following significant findings:

1. Audit noticed that Budget estimates (BEs) approved by the Finance Department was much higher than what was proposed by Commercial Tax, Commercial Tax (Excise), Commercial Tax (Registration), Energy, Revenue and Disaster Management and Mineral Resources departments.

The rationale behind such increase could not be ascertained, as despite several formal requisitions at all levels including upto Principal Secretary, Finance, the Finance Department refused to allow Audit access to the records. Consequently, Audit could not exercise its mandate enshrined in Article 151 of the Constitution, Section 18(1)(b) of the CAG's DPC Act, 1971 and Regulation 181 of the Regulations on Audit and Accounts, 2007.

2. Commercial Tax (Excise), Transport, Revenue and Disaster Management (RDM) departments did not maintain database of outstanding arrears of revenue and therefore, could not provide various stages at which arrears were pending. Further the figure of arrears of revenue for the year 2016-17 provided by RDM Department was not

reliable as the opening balance of arrears of land revenue for the year 2016-17 did not match with the closing balance of arrears of 2015-16. The Mineral Resources Department considered only those cases as arrears where Revenue Recovery Certificates were issued and as such the Department had no data on actual arrears of revenue. Consequently, arrears of ₹ 2,698.93 crore remained uncollected as on 31 March 2017 in seven departments, of which ₹ 975.84 crore remained uncollected for more than five years.

3. Revenue earning departments failed to address audit observations included in Inspection Reports involving potential revenue of as much as ₹ 6,868.16 crore.
4. Over the past five years, revenue earning departments failed to produce files/records relating to 98 cases to Audit, raising red flags of presumptive collusion of departmental officers on corruption and fraud. Consequently, Audit is unable to vouchsafe the genuineness of these transactions.
5. Audit test checked records of 85 units pertaining to Commercial tax, State excise, Stamps and Registration fees, Land revenue, Taxes and duties on electricity, Mining receipts, Taxes on vehicles and Forestry and wild life during the year 2016-17. Besides, eight units of Mineral Resources Department were also audited between April 2017 and June 2017. Audit observed short levy or non-levy of taxes, duties and fees, loss of revenue, irregular/avoidable expenditure etc. aggregating to ₹ 2,913.82 crore in 38,881 cases. The departments concerned accepted underassessment and other deficiencies of ₹ 178.95 crore in 13,669 cases as mentioned in the Inspection Reports and recovered ₹ 4.97 crore in 2,194 cases.

**Non-compliance to Public Accounts Committee (PAC)'s directions on earlier Audit Reports**

6. Though the Mineral Resources Department initiated action against the concerned officials responsible for inoperative mines in compliance to the PAC's recommendations and directions (93<sup>rd</sup> Report, 2011-12 on the Audit Report 2006-07), it did not evolve a mechanism to ensure that mines do not remain inoperative.
7. Commercial Tax Department failed to comply with PAC's directions (22<sup>nd</sup> Report, 2014-15 on the Audit Report 2007-08) to recover the amount immediately in case of non-levy of tax by accepting form 'F' of doubtful authenticity. Though the Department had complied with PAC's recommendation (81<sup>st</sup> Report, 2010-11 on the Audit Report 2002-03) by taking action against erring officials in case of incorrect determination of turnover, the Department failed to evolve a mechanism to avoid recurrence of similar irregularities.
8. In compliance to PAC's recommendations (46<sup>th</sup> Report, 2009-10; 56<sup>th</sup> Report, 2009-10 and 96<sup>th</sup> Report, 2011-12) to make recoveries of outstanding tax at the earliest and to take action against negligent officials, the Transport Department recovered tax and penalty amounting to ₹ 1.08 crore out of total ₹ 5.48 crore and initiated action

against officials as recommended in 46<sup>th</sup> and 56<sup>th</sup> Report of PAC. However, similar observations were noticed by Audit in 2016-17 which shows that the Department has not evolved any mechanism to prevent recurrence of similar irregularities.

9. Commercial Tax (Excise) Department failed to comply with the PAC's recommendation (8<sup>th</sup> Report, 2014-15 on the Audit Report 2007-08) to fix norm for yield of alcohol from grains.

#### **Mining receipts**

10. In Mineral Resources Department, cases of short levy of royalty on sale of middling and reject, short levy of Stamp duty and Registration fees, non/short realisation of dead rent, non-levy of land revenue on land covered under mining areas, short realisation of contribution to National Mineral Exploration Trust (NMET) and non/short realisation of Infrastructure Development and Environment cess led to short realisation of ₹ 256.34 crore.

#### **Commercial Tax**

11. In Commercial Tax Department, instances of inordinate delays in payment of refund involving liability to pay interest of ₹ 93.91 lakh, erroneous carry forward of input tax rebate of ₹ 4.19 crore, incorrect allowance of refund of ₹ 3.63 crore, short levy of tax of ₹ 4.64 crore due to misclassification of goods and non-levy of interest of ₹ 1.02 crore on delayed payment of tax were noticed.

#### **Taxes on vehicles**

12. Transport Department did not realise outstanding tax of ₹ 3.48 crore and penalty of ₹ 2.31 crore from 2,263 vehicle owners.

#### **State Excise**

13. The Commercial Tax (Excise) Department irregularly adjusted outstanding dues of the licensees of excise shops against Bank Guarantee of ₹ 3.04 crore and Security Deposit of ₹ 2.13 crore.

#### **Forestry and Wild life**

14. In Forest Department, instances of construction of six new Water Bound Macadam (WBM) road incurring an expenditure of ₹ 2.33 crore without taking clearance from Government of India (GoI), avoidable expenditure of ₹ 2.03 crore on unirrigated mixed plantation and purchase of stores items of ₹ 3.23 crore without floating open tender were noticed.

# Overview



## OVERVIEW

This Report contains an Audit on “Process of refund under Value Added Tax” and 13 paragraphs relating to mining receipts, taxes on sales, trade etc., taxes on vehicles, state excise and forestry and wild life. The total financial implications of the Report are ₹ 292.26 crore, out of which ₹ 284.67 crore (1.16 *per cent* of tax and non-tax revenue of the State during the year 2016-17) pertain to observations of underassessment, short/non levy, loss of revenue, etc. and ₹ 7.59 crore pertain to observations of irregular and avoidable expenditure. The departments have accepted audit observations amounting to ₹ 48.75 crore and recovered ₹ 4.84 crore.

The departments did not furnish specific replies to audit observations involving ₹ 238.30 crore, which included audit observations on non-levy of land revenue on land covered under mining leases (₹ 177.60 crore) and non/short realisation of Infrastructure Development and Environment cess (₹ 42.30 crore) pertaining to Mineral Resources Department.

Some of the major findings are summarised below:

### 1. General

The total receipts of the State Government amounted to ₹ 53,685.25 crore for 2016-17 against ₹ 46,067.71 crore for 2015-16. The State’s own revenue was ₹ 24,614.46 crore (45.85 *per cent* of total receipts); the share of receipts from Government of India was ₹ 29,070.79 crore (54.15 *per cent* of total receipts). The State’s share in central taxes has increased from 32 *per cent* to 42 *per cent* following the recommendations of the 14<sup>th</sup> Finance Commission.

#### (Paragraph 1.2.1)

Audit noticed that Budget Estimates (BE) approved by Finance Department was much higher than what was proposed by Commercial Tax, Commercial Tax (Excise), Commercial Tax (Registration), Energy, Revenue and Disaster Management, and Mineral Resources departments. Achievement was less than BE by five to 25 *per cent* under revenue heads viz., Taxes on sales, trade etc., State excise, Taxes and duties on electricity, Stamps and Registration fees, Taxes on goods and passengers, Land revenue and Non-ferrous mining and metallurgical industries.

The rationale behind such increase could not be ascertained, as despite several formal requisitions at all levels including upto Principal Secretary, Finance, the Finance Department refused to allow Audit access to the records. Consequently, Audit could not exercise its mandate enshrined in Article 151 of the Constitution, Section 18(1)(b) of the CAG’s DPC Act, 1971 and Regulation 181 of the Regulations on Audit and Accounts, 2007.

**Audit recommends that the Government should provide Audit with access to records to enable Audit to fulfil its mandate under the Constitution and the laws.**

#### (Paragraph 1.2.2 and 1.2.3)

Arrears of revenue as on 31 March 2017 from taxes on sales, trade, etc., state excise, taxes and duties on electricity, taxes on vehicles, stamps and

registration fees, mining receipts, and forestry and wild life amounted to ₹ 2,698.93 crore, of which ₹ 975.84 crore was outstanding for more than five years. Audit noticed that except for the Commercial Tax and Mineral Resources Department, the remaining three departments viz., Commercial Tax (Excise), Transport and Revenue and Disaster Management (RDM) departments did not maintain database of arrears and therefore could not provide details of various stages at which arrears were pending. Further, figures of arrears provided by the RDM Department were not reliable as the opening balances of arrears of various minor heads for the year 2016-17 did not match with the closing balances of the previous year. The Mineral Resources Department considered only those cases as arrears where Revenue Recovery Certificates were issued and as such the Department had no data on actual arrears of revenue, and further, no revenue recovery certificates had been issued for more than five years. The departmental figures were therefore unrealistic.

**Audit recommends that the revenue earning departments should create a database of outstanding arrears for periodic review and liquidation of arrears.**

**(Paragraph 1.3)**

Analysis of Inspection Reports (IRs) disclosed that 10,267 paragraphs involving potential revenue of as much as ₹ 6,868.16 crore relating to 2,532 IRs were outstanding at the end of June 2017. Out of 471 IRs issued (2014-17), Audit did not receive even the first reply of 320 IRs (67.94 per cent) from the heads of offices.

**(Paragraph 1.4.1)**

Six Audit Committee Meetings (ACMs) were scheduled during 2016-17 but only four (Forest Department-3 and Commercial Tax (Excise)-1) could be conducted. As against 235 paragraphs discussed, only 113 paragraphs could be settled. Reasons for non-settlement of paragraphs were, non-production of required documents and recovery being in progress. ACM with Transport Department could not be conducted as the Department did not prepare the latest position and required records were not furnished by the Regional Transport Officers (RTOs).

**Audit recommends that the State Government should direct all departments to settle pending audit observations through periodic ACMs, and ensure that all relevant records are updated and presented to Audit for disposal of pending paragraphs.**

**(Paragraph 1.4.2)**

Revenue earning departments failed to produce files/records relating to 98 cases to Audit during the period 2012-17, raising red flags of presumptive collusion of departmental officers on corruption and fraud. Consequently, Audit is unable to vouchsafe to the genuineness of these transactions.

**Audit recommends that the Government should introduce measures to ensure that departmental officers invariably produce records to Audit especially after sufficient notice is given, and initiate disciplinary action against officers who fail to produce records to Audit.**

**(Paragraph 1.4.3)**

Audit test checked records of 85 units pertaining to Commercial tax, State excise, Stamps and Registration fees, Land revenue, Taxes and duties on electricity, Mining receipts, Taxes on vehicles and Forestry and wild life during the year 2016-17. Besides, eight units of Mineral Resources Department were also audited between April 2017 and June 2017. Audit observed short levy or non-levy of taxes, duties and fees, loss of revenue, irregular/avoidable expenditure etc. aggregating to ₹ 2,913.82 crore in 38,881 cases. The departments concerned accepted underassessment and other deficiencies of ₹ 178.95 crore in 13,669 cases as mentioned in the Inspection Reports and recovered ₹ 4.97 crore in 2,194 cases.

(Paragraph 1.6)

## 2. Mining receipts

Though the Mineral Resources Department initiated action against the concerned officials responsible for inoperative mines in compliance to the PAC's recommendations and directions (93<sup>rd</sup> Report, 2011-12 on the Audit Report 2006-07), it did not evolve a mechanism to ensure that mines do not remain inoperative.

(Paragraph 2.4)

The Director, Geology and Mining (DGM) failed to put in place a mechanism to obtain details of the sale quantity, grade and invoice value of coal/middling/reject, resulting in short levy of royalty amounting ₹ 9.86 crore.

**Audit recommends that the Department should (i) furnish the records requisitioned by Audit, (ii) consider modifying the format of monthly returns so that details of quantity and prices of middling/reject coals sold are also mentioned in the returns; (iii) ensure recovery of royalty as per applicable rates on the basic price reflected in the invoice.**

(Paragraph 2.5)

Failure of DMO to ensure realisation of differential Stamp Duty (SD) and Registration Fee (RF) in cases of revision of mining plan or delayed publication of average sale price of iron ore by Indian Bureau of Mines (IBM) led to short levy of additional SD and RF amounting to ₹ 19.45 crore in four cases.

{Paragraph 2.6 (i) and (ii)}

Failure of eight DDMA/DMOs to review Demand and Collection Register periodically and issue demand notices led to non/short realisation of dead rent and interest thereon amounting to ₹ 1.07 crore from lessees of 36 mining and quarry leases.

(Paragraph 2.7)

Seven DDMA/DMOs failed to levy and collect the land revenue at the rates prescribed in the Chhattisgarh Land under Mining Leases Quarry leases Assessment Rules, 1987, resulting in non-realisation of land revenue of ₹ 177.60 crore on 694 mining leases.

**Audit recommends that the Mineral Resources Department should review and collect all land revenue pertaining to lands under mining areas in all districts.**

**(Paragraph 2.8)**

Five DDMA/DMOs collected ₹ 15.67 crore towards the National Mineral Exploration Trust as against realisable amount of ₹ 21.73 crore which resulted in short realisation of ₹ 6.06 crore.

**(Paragraph 2.9)**

Seven DDMA/DMOs did not realise/short realised Infrastructure Development and Environment cess amounting to ₹ 42.30 crore on mining and quarry leases.

**(Paragraph 2.10)**

### **3. Commercial Tax**

Commercial Tax Department failed to comply with PAC's directions (22<sup>nd</sup> Report, 2014-15 on the Audit Report 2007-08) to recover the amount immediately in case of non-levy of tax by accepting form 'F' of doubtful authenticity. Though the Department had complied with PAC's recommendation (81<sup>st</sup> Report, 2010-11 on the Audit Report 2002-03) by taking action against erring officials in case of incorrect determination of turnover, the Department failed to evolve a mechanism to avoid recurrence of similar irregularities.

**(Paragraph 3.3)**

Audit on **“Process of refund under Value Added Tax”** indicated the following deficiencies:

In 11 test checked units, in 1,039 out of 2,953 cases (35.18 *per cent*) pertaining to the period 2012-13 to 2016-17, Assessing Authorities (AAs) delayed refund from the date of refund order by up to 2,234 days. The Department is liable to pay interest amounting to ₹ 93.91 lakh to the dealers for delay in payment of refund, which however, was not paid.

**Audit recommends that the Department should devise a work plan to deal with refund cases in a timely manner to avoid liability of payment of interest.**

**(Paragraph 3.4.8)**

The AA failed to detect incorrect claim and carry forward of Input Tax Rebate (ITR) of ₹ 4.19 crore by a dealer.

**{Paragraph 3.4.9 (i)}**

Two AAs incorrectly determined turnover of two dealers which resulted in short levy of tax of ₹ 3.24 crore and consequent incorrect refund of ₹ 2.76 crore.

**{Paragraph 3.4.9 (ii)}**

The AA did not comply with Departmental circular (September 2012) regarding determination of taxable turnover of works contractor which resulted in incorrect refund of ₹ 86.77 lakh.

**(Paragraph 3.4.10)**

**Compliance Audit Observations:**

Four AAs failed to detect incorrect classification of goods declared by four dealers which resulted in short levy of tax of ₹ 4.64 crore.

(Paragraph 3.5)

Two AAs while assessing two cases, failed to levy interest amounting to ₹ 1.02 crore on delayed payment of VAT.

(Paragraph 3.6)

#### 4. Other Tax Receipts

**Taxes on Vehicles**

In compliance to PAC's recommendations (46<sup>th</sup> Report, 2009-10; 56<sup>th</sup> Report, 2009-10 and 96<sup>th</sup> Report, 2011-12) to make recoveries of outstanding tax at the earliest and to take action against negligent officials, the Transport Department recovered tax and penalty amounting to ₹ 1.08 crore out of total ₹ 5.48 crore and initiated action against officials as recommended in 46<sup>th</sup> and 56<sup>th</sup> Report of PAC. However, similar observations were noticed by Audit in 2016-17 which shows that the Department has not evolved any mechanism to prevent recurrence of similar irregularities.

(Paragraph 4.4)

Seven Regional Transport Officers (RTOs)/Additional RTOs (ARTOs)/District Transport Officers (DTOs) failed to ensure timely payment of Motor Vehicle Tax by vehicle owners, resulting in outstanding tax of ₹ 3.48 crore and penalty of ₹ 2.31 crore from 2,263 vehicle owners.

**Audit recommends that the Department may evolve a mechanism to ensure that Vehicle Taxes are collected fully and defaulters are not allowed to escape the payment of tax and penalty.**

(Paragraph 4.5)

**State excise**

Commercial Tax (Excise) Department failed to comply with the PAC's recommendation (8<sup>th</sup> Report, 2014-15 on the Audit Report 2007-08) to fix norm for yield of alcohol from grains.

(Paragraph 4.9)

Instead of forfeiting Bank Guarantee (BG) and Security Deposit (SD), the Department adjusted outstanding dues of ₹ 27.73 crore against BG of ₹ 3.04 crore and SD of ₹ 2.13 crore and raised demand for ₹ 22.56 crore only on cancellation of licence of six licensees and acceptance of applications for surrender of another four licensees who had not paid license fee and duty for the period of operation of shops.

(Paragraph 4.10)

#### 5. Forestry and Wild Life

Two Divisional Forest Officers (DFOs) constructed six new Water Bound Macadam (WBM) road by incurring an expenditure of ₹ 2.33 crore without taking clearance from GoI as required under the Forest Conservation Act, 1980.

(Paragraph 5.4)

The Principal Chief Conservator of Forest (PCCF) issued norms under Departmental work for unirrigated mixed plantation higher than comparable work under State CAMPA resulting in avoidable expenditure of ₹ 2.03 crore on plantation on 1,295.192 hectare in four divisions during 2014-15.

**Audit recommends that the Department should ensure uniformity in setting the norms for forestry work of same type covered under different schemes.**

**(Paragraph 5.5)**

Five forest divisions purchased store items amounting to ₹ 3.23 crore from various cooperative societies without floating open tender in violation of the Chhattisgarh Store Purchase Rules, 2002.

**(Paragraph 5.6)**

# **Chapter-1:**

## **General**

## CHAPTER-1: GENERAL

### 1.1 Introduction

This Chapter presents an overview of the trend of receipts of the Government of Chhattisgarh (GoCG), analysis of arrears of taxes<sup>1</sup> pending collection, response of the Government/departments towards Audit and departmental mechanisms to deal with this.

### 1.2 Trend of revenue receipts

**1.2.1** The tax and non-tax revenues raised by the GoCG, 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 2012-17 are mentioned in **Table 1.1**:

**Table 1.1: Trend of revenue receipts**

| <i>(₹ in crore)</i> |   |                  |                  |                  |                  |                        |
|---------------------|---|------------------|------------------|------------------|------------------|------------------------|
| Sl. No.             | Particulars   | 2012-13          | 2013-14          | 2014-15          | 2015-16          | 2016-17                |
| <b>1.</b>           | <b>Revenues raised by the State Government</b>                  |                  |                  |                  |                  |                        |
|                     | • Tax revenues  | 13,034.21        | 14,342.71        | 15,707.26        | 17,074.86        | 18,945.21              |
|                     | • Non-tax revenues  | 4,615.95         | 5,101.17         | 4,929.91         | 5,214.79         | 5,669.25               |
|                     | <b>Total</b>  | <b>17,650.16</b> | <b>19,443.88</b> | <b>20,637.17</b> | <b>22,289.65</b> | <b>24,614.46</b>       |
| <b>2.</b>           | <b>Receipts from the Government of India</b>                    |                  |                  |                  |                  |                        |
|                     | • Share of net proceeds of divisible Union taxes and duties     | 7,217.60         | 7,880.22         | 8,363.03         | 15,716.47        | 18,809.16 <sup>2</sup> |
|                     | • Grants-in-aid   | 4,710.33         | 4,726.16         | 8,987.81         | 8,061.59         | 10,261.63              |
|                     | <b>Total</b>  | <b>11,927.93</b> | <b>12,606.38</b> | <b>17,350.84</b> | <b>23,778.06</b> | <b>29,070.79</b>       |
| <b>3.</b>           | <b>Total revenue receipts of the State Government (1 and 2)</b> | <b>29,578.09</b> | <b>32,050.26</b> | <b>37,988.01</b> | <b>46,067.71</b> | <b>53,685.25</b>       |
| <b>4.</b>           | <b>Percentage of 1 to 3</b>                                     | <b>60</b>        | <b>61</b>        | <b>54</b>        | <b>48</b>        | <b>46</b>              |

*(Source: Finance Accounts of the Government of Chhattisgarh)*

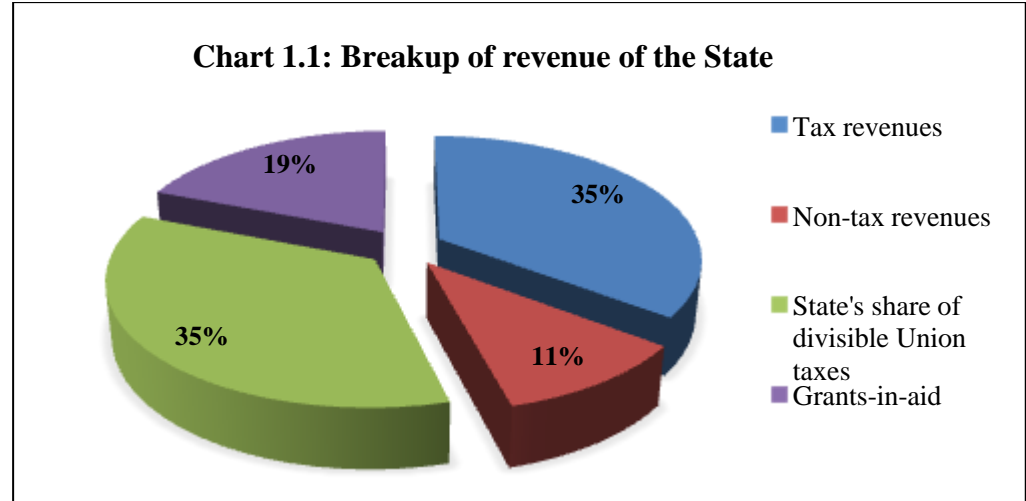
<sup>1</sup> Commercial Tax, Commercial Tax (Excise), Transport, Revenue and Disaster Management (RDM) and Mineral Resources departments.

<sup>2</sup> For details please refer to the column on "tax revenue" of Statement 14, detailed accounts of revenue by minor heads of the Finance Accounts of the Government of Chhattisgarh for the year 2016-17. Amounts under the minor head 901- share of net proceeds assigned to the State booked 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 duty, 0044- Service tax and 0045- Other taxes and duties on commodities and services under 'A-tax revenue' have been excluded from the revenues raised by the State and included in the State's share of divisible Union taxes in this statement.

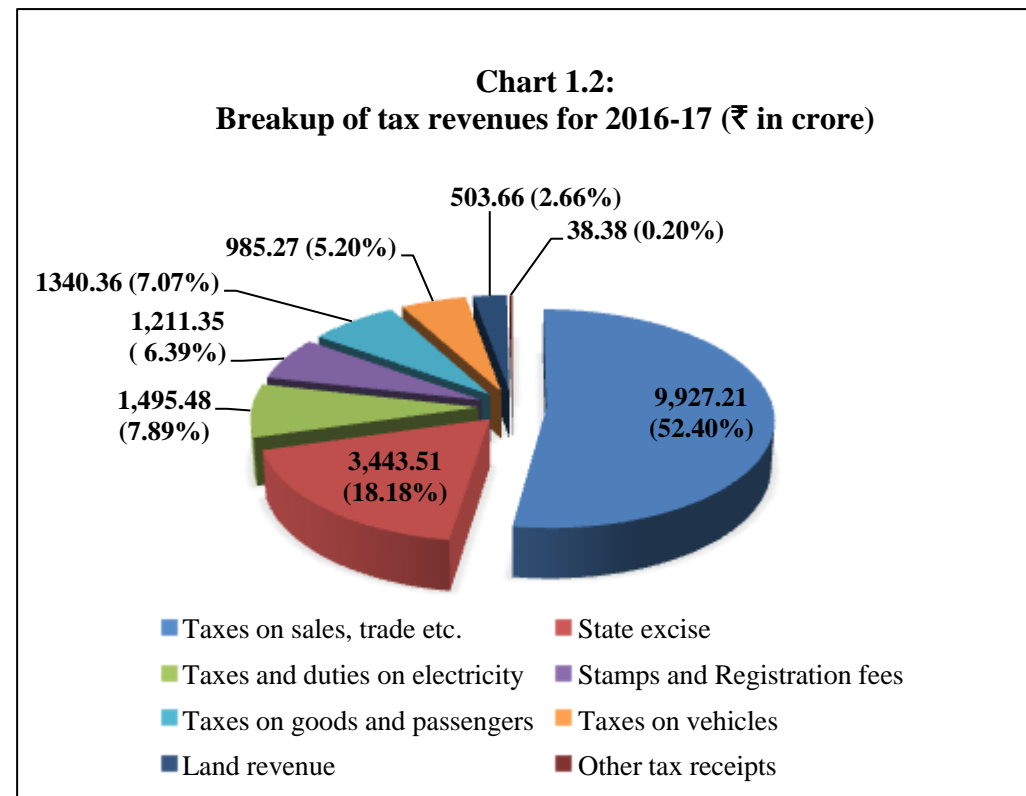


The State's share of Central taxes increased by 10 *per cent* (from 32 to 42 *per cent*) from 2015-16 onwards following the recommendations of the 14<sup>th</sup> Finance Commission.

Pictorial representation of breakup of revenue receipts of the State is given in **Chart 1.1:**



**1.2.2** Pictorial representation of the breakup of tax revenues for the year 2016-17 is given in **Chart 1.2:**



Budget estimates (BE) proposed by the administrative departments, BE approved by the Finance Department and actual receipts of tax revenues raised during the period 2012-17 are given in **Table 1.2:**

Table 1.2: Details of tax revenues raised by the Government

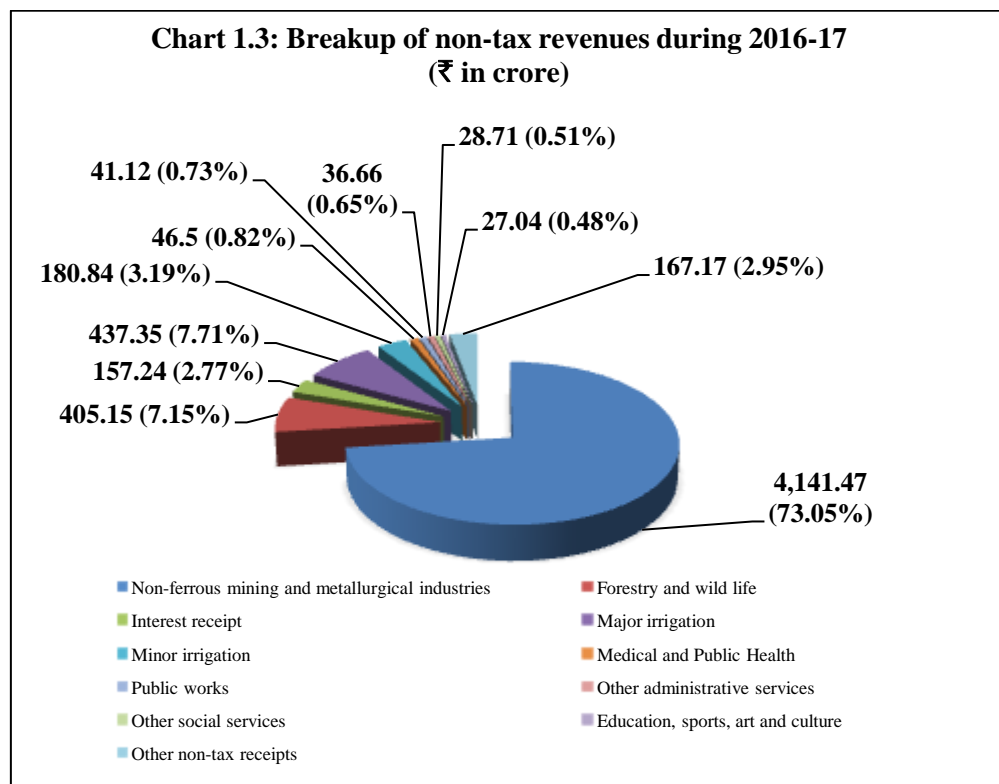
(*₹ in crore*)

| Sl. No.      | Head of Revenue                 |             | 2012-13          | 2013-14          | 2014-15          | 2015-16          | 2016-17          | Percentage of increase (+) or decrease (-) in actual receipts in 2016-17 over 2015-16 | Percentage of variation between BEs and actual receipts in 2016-17 |
|--------------|---------------------------------|-------------|------------------|------------------|------------------|------------------|------------------|---|--|
| 1.           | Taxes on sales, trade etc.      | Proposed BE | 7,170.00         | 8,010.00         | 9,118.94         | 9,270.93         | 10,198.02        | (+) 11.44   | (-) 16.78  |
|              |                                 | Approved BE | 7,200.00         | 8,436.00         | 9,800.00         | 10,998.00        | 11,928.37        |   |  |
|              |                                 | Actual      | 6,928.65         | 7,929.51         | 8,428.61         | 8,908.36         | 9,927.21         |   |  |
| 2.           | State excise                    | Proposed BE | 1,820.00         | 2,589.00         | 2,646.91         | 3,200.00         | 3,360.00         | (+) 3.15  | (-) 11.02  |
|              |                                 | Approved BE | 1,650.00         | 2,575.00         | 3,150.00         | 3,528.00         | 3,870.00         |   |  |
|              |                                 | Actual      | 2,485.68         | 2,549.15         | 2,892.45         | 3,338.40         | 3,443.51         |   |  |
| 3.           | Taxes and duties on electricity | Proposed BE | 699.00           | 715.00           | 1,196.00         | 1,400.00         | 1,420.00         | (+) 8.93  | (-) 5.05   |
|              |                                 | Approved BE | 684.00           | 820.00           | 1,100.00         | 1,400.00         | 1,575.00         |   |  |
|              |                                 | Actual      | 860.75           | 1,020.44         | 1,312.93         | 1,372.84         | 1,495.48         |   |  |
| 4.           | Stamps and Registration fees    | Proposed BE | 950.00           | 1,000.00         | 1,100.00         | 1,200.00         | 1,320.00         | (+) 2.20  | (-) 18.43  |
|              |                                 | Approved BE | 1,000.00         | 1,150.00         | 1,250.00         | 1,350.00         | 1,485.00         |   |  |
|              |                                 | Actual      | 952.47           | 990.24           | 1,023.33         | 1,185.22         | 1,211.35         |   |  |
| 5.           | Taxes on goods and passengers   | Proposed BE | 950.00           | 1,102.44         | 1,087.26         | 1,080.62         | 1,188.68         | (+) 28.85   | (-) 14.29  |
|              |                                 | Approved BE | 805.00           | 1,192.00         | 1,335.00         | 1,441.80         | 1,563.77         |   |  |
|              |                                 | Actual      | 954.31           | 945.44           | 981.88           | 1,040.26         | 1,340.35         |   |  |
| 6.           | Taxes on vehicles               | Proposed BE | 550.00           | 618.58           | 699.63           | 761.83           | 950.40           | (+) 18.82   | (+) 3.27   |
|              |                                 | Approved BE | 550.00           | 731.38           | 800.00           | 864.00           | 954.11           |   |  |
|              |                                 | Actual      | 591.75           | 651.07           | 703.48           | 829.22           | 985.27           |   |  |
| 7.           | Land revenue                    | Proposed BE | 275.00           | 292.21           | 459.45           | 468.80           | 496.80           | (+) 38.43   | (-) 8.43   |
|              |                                 | Approved BE | 275.00           | 376.00           | 460.00           | 496.80           | 550.00           |   |  |
|              |                                 | Actual      | 234.11           | 226.06           | 331.56           | 363.84           | 503.66           |   |  |
| 8.           | Other receipts <sup>3</sup>     | Proposed BE | 19.27            | 24.16            | 33.73            | 32.29            | 35.28            | (+) 4.66  | (+) 1.53   |
|              |                                 | Approved BE | 11.47            | 19.91            | 31.26            | 7.25             | 37.85            |   |  |
|              |                                 | Actual      | 26.49            | 30.80            | 33.02            | 36.72            | 38.38            |   |  |
| <b>Total</b> |                                 | Proposed BE | <b>12,433.87</b> | <b>14,351.88</b> | <b>16,341.92</b> | <b>17,414.47</b> | <b>18,969.18</b> | <b>(+) 10.95</b>  | <b>(-) 13.74</b>   |
|              |                                 | Approved BE | <b>12,175.47</b> | <b>15,300.29</b> | <b>17,926.26</b> | <b>20,085.85</b> | <b>21,964.10</b> |   |  |
|              |                                 | Actual      | <b>13,034.21</b> | <b>14,342.71</b> | <b>15,707.26</b> | <b>17,074.86</b> | <b>18,945.21</b> |   |  |

(Source: Information furnished by the Finance Department, Finance Accounts of the Government of Chhattisgarh and Budget Estimates as per the Budget Book of Government of Chhattisgarh)

<sup>3</sup> 'Others' include actual receipts during 2016-17 under the following Revenue Heads: Hotel receipts tax (₹ 8.71 crore); Other taxes on income and expenditure (₹ 0.60 crore); and Other taxes and duties on commodities and services (₹ 29.12 crore).

**1.2.3** Pictorial representation of breakup of the non-tax revenues raised during the year 2016-17 are indicated in **Chart 1.3**:



The details of the non-tax revenues raised during the period 2012-17 are indicated in **Table 1.3**:

**Table 1.3: Details of non-tax revenues raised by the Government**

(₹ in crore)

| Sl. No. | Head of Revenue                                 |        | 2012-13  | 2013-14  | 2014-15  | 2015-16  | 2016-17  | Percentage of increase(+) or decrease (-) in actual receipts in 2016-17 over 2015-16 | Percentage of variation between BEs and actual receipts in 2016-17 |
|---------|---|--------|----------|----------|----------|----------|----------|--|--|
| 1       | Non-ferrous mining and metallurgical industries | BE     | 3,000.00 | 3,510.00 | 4,100.00 | 7,000.00 | 5,500.00 | (+)  | 11.64  |
|         |   | Actual | 3,138.18 | 3,236.01 | 3,572.68 | 3,709.52 | 4,141.47 |  |  |
| 2       | Forestry and wild life                          | BE     | 405.00   | 450.00   | 520.00   | 500.00   | 550.00   | (-)  | 1.12   |
|         |   | Actual | 363.96   | 405.91   | 348.72   | 409.75   | 405.15   |  |  |
| 3       | Interest receipt                                | BE     | 308.55   | 364.14   | 323.40   | 260.67   | 249.38   | (+)  | 45.28  |
|         |   | Actual | 243.13   | 380.91   | 171.89   | 108.23   | 157.24   |  |  |
| 4       | Major irrigation                                | BE     | 317.13   | 340.31   | 413.55   | 389.34   | 586.47   | (-)  | 12.91  |
|         |   | Actual | 350.16   | 339.82   | 410.95   | 502.17   | 437.35   |  |  |
| 5       | Minor irrigation                                | BE     | 1,176.85 | 853.04   | 561.50   | 277.47   | 288.34   | (+)  | 48.34  |
|         |   | Actual | 246.78   | 407.81   | 127.23   | 121.91   | 180.84   |  |  |
| 6       | Medical and Public Health                       | BE     | 13.89    | 14.18    | 14.80    | 16.22    | 15.93    | (+)  | 7.76   |
|         |   | Actual | 17.09    | 19.84    | 20.16    | 43.15    | 46.50    |  |  |
| 7       | Public works                                    | BE     | 10.45    | 12.80    | 18.93    | 21.77    | 43.72    | (-)  | 3.77   |
|         |   | Actual | 28.02    | 21.21    | 39.21    | 42.73    | 41.12    |  |  |

| Sl. No.      | Head of Revenue                     |        | 2012-13         | 2013-14         | 2014-15         | 2015-16         | 2016-17         | Percentage of increase(+) or decrease (-) in actual receipts in 2016-17 over 2015-16 | Percentage of variation between BEs and actual receipts in 2016-17 |
|--------------|-------------------------------------|--------|-----------------|-----------------|-----------------|-----------------|-----------------|--|--|
| 8            | Other administrative services       | BE     | 18.69           | 19.29           | 16.06           | 30.40           | 23.69           | (-) 44.05  | (+) 54.75  |
|              |                                     | Actual | 20.34           | 38.20           | 36.45           | 65.52           | 36.66           |  |  |
| 9            | Other social services               | BE     | 1.75            | 1.00            | 10.00           | 6.26            | 4.30            | (-) 1.51   | (+) 567.67   |
|              |                                     | Actual | 12.09           | 64.34           | 41.74           | 29.15           | 28.71           |  |  |
| 10           | Education, sports, art and culture  | BE     | 3.63            | 4.01            | 4.65            | 5.65            | 7.60            | (+) 106.89   | (+) 255.79   |
|              |                                     | Actual | 9.30            | 6.78            | 30.78           | 13.07           | 27.04           |  |  |
| 11           | Other non-tax receipts <sup>4</sup> | BE     | 89.62           | 503.23          | 201.73          | 155.21          | 150.71          | (-) 1.43   | (+) 10.92  |
|              |                                     | Actual | 186.90          | 180.34          | 130.10          | 169.59          | 167.17          |  |  |
| <b>Total</b> |                                     | BE     | <b>5,345.56</b> | <b>6,072.00</b> | <b>6,184.62</b> | <b>8,662.99</b> | <b>7,420.14</b> | (+) 8.71   | (-) 23.60  |
|              |                                     | Actual | <b>4,615.95</b> | <b>5,101.17</b> | <b>4,929.91</b> | <b>5,214.79</b> | <b>5,669.25</b> |  |  |

(Source: Finance Accounts of the Government of Chhattisgarh and Budget Estimates as per the Budget Book of Government of Chhattisgarh)

As per the Rule 192 of Chhattisgarh Finance Code Volume-I, the Finance Department (FD) is responsible for preparing and presenting the statement of estimated receipts and expenditure on the basis of details provided by the administrative Department which is responsible for the correctness of details.

In respect of revenue projections for 2016-17 of seven major administrative departments<sup>5</sup>, Audit noticed that except in the case of the Transport Department, the BEs approved by FD were significantly higher than those proposed by the administrative departments under Taxes on sales, trade etc., State excise, Taxes and duties on electricity, Stamps and Registration Fees, Taxes on goods and passengers, Land Revenue and Non-ferrous mining and metallurgical industries. Consequently, except in the case of the Transport Department, achievement was less than BE by five to 25 per cent in remaining six departments.

The rationale behind such increase could not be ascertained, as despite several formal requisitions at all levels including upto Principal Secretary, Finance, the Finance Department refused to allow Audit access to the records

<sup>4</sup> Other non-tax receipts include actual receipts during 2016-17 under the following heads: Other fiscal services (₹ 0.01 crore); Dividends and profits (₹ 0.55 crore); Public service commission (₹ 2.28 crore); Police (₹ 15.29 crore); Jails (₹ 7.72 crore); Stationery and printing (₹ 4.48 crore); Contributions and recoveries towards pension and other retirement benefits (₹ 7.44 crore); Miscellaneous general services (₹ 21.84 crore); Family welfare (₹ 0.05 crore); Water supply and sanitation (₹ 5.70 crore); Housing (₹ 3.70 crore); Urban development (₹ 6.74 crore); Information and publicity (₹ 0.06 crore); Labour and employment (₹ 19.35 crore); Social security and welfare (₹ 7.71 crore); Crop husbandry (₹ 14.40 crore); Animal husbandry (₹ 6.25 crore); Fisheries (₹ 4.09 crore); Food storage and warehousing (₹ 0.49 crore); Cooperation (₹ 4.05 crore); Other agricultural programmes (₹ 2.46 crore); Other rural development programmes (₹ 11.22 crore); Medium irrigation (₹ 6.28 crore); Village and small industries (₹ 1.79 crore); Industries (₹ 1.95 crore); Civil aviation (₹ 0.71 crore); Roads and bridges (₹ 1.83 crore) and Other general economic services (₹ 8.73 crore).

<sup>5</sup> Commercial Tax, Commercial Tax (Excise), Commercial Tax (Registration), Energy, Transport, Revenue and Disaster Management, and Mineral Resources departments.

(Appendix-I). Consequently, Audit could not exercise its mandate enshrined in Article 151 of the Constitution, Section 18(1)(b) of the CAG's DPC Act, 1971 and Regulation 181 of the Regulations on Audit and Accounts, 2007.

**Recommendation:**

**The Government should provide Audit with access to records to enable Audit to fulfil its mandate under the Constitution and the laws.**

**1.3 Analysis of arrears of revenue**

The arrears of revenue as on 31 March 2017 in respect of seven<sup>6</sup> departments amounted to ₹ 2,698.93 crore of which ₹ 975.84 crore (36.16 per cent) was outstanding for more than five years as detailed in **Table 1.4:**

**Table 1.4: 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 | Reply of Department   |
|--------------|---|--|---|---|
| 1.           | Taxes on sales, trade etc.                      | 1,887.09                                     | 831.28  | Cases pending in Courts (₹ 651.02 crore); business closure of firms (₹ 487.62 crore); sick industries (₹ 7.55 crore); written off (₹ 2.20 crore); Revenue Recovery Certificate (RRC) issued (₹ 198.56 crore); action being taken under Land Revenue Code (₹ 540.14 crore).    |
| 2.           | State excise                                    | 49.91  | 19.91   | Non-availability of information of movable/immovable properties of licensees and Court stay orders.   |
| 3.           | Taxes and duties on electricity                 | 708.53                                       | 108.35  | RRCs issued (₹ 169.05 crore); pending in Courts (₹ 93.32 crore); demand notices issued (₹ 446.21 crore).  |
| 4.           | Taxes on vehicles                               | 26.65  | 9.80  | Transport Officers regularly serve notices to vehicle owners to pay tax; lists of outstanding tax payers have been given to officials of Check-posts/Flying Squads for speedy recovery of arrears.  |
| 5.           | Stamps and Registration fees                    | 17.23  | 2.35  | Demand notice for recovering outstanding arrears are being issued by District Registrars (DRs). However, despite request, the Department did not provide details of stages at which arrears were pending.   |
| 6.           | Non-ferrous mining and metallurgical industries | 0.85   | 0.85  | Write off in 44 cases as the lessees/ guarantors were not available (₹ 10.14 lakh); unavailability of files in 30 cases (₹ 0.31 crore); in 94 cases RRCs issued and recovery in progress (₹ 0.44 crore).  |
| 7.           | Forestry and wild life                          | 8.67   | 3.30  | Of the outstanding amount, ₹ 2.81 crore pertaining to 2016-17 would be recovered in current year. Remaining amount was outstanding due to non-payment of prescribed instalment by the purchasers and also due to non-existence of movable/immovable properties in their name. |
| <b>Total</b> |   | <b>2,698.93</b>                              | <b>975.84</b>   |   |

(Source: Information furnished by the departments concerned)

<sup>6</sup> Commercial Tax, Commercial Tax (Excise), Commercial Tax (Registration), Energy, Forest, Mineral Resources and Transport.

Audit observed that except for the Commercial Tax Department, the remaining three major revenue departments viz., Commercial Tax (Excise), Transport, Revenue and Disaster Management (RDM) did not maintain database of outstanding arrears and therefore, could not provide details of stages at which arrears were pending. The figures of arrears of revenue (available only for 18 of the total 27 districts) provided by the RDM were unreliable, as the opening balances (arrears) did not match with closing balances of the previous year. The Mineral Resources Department considered only those cases as arrears where Revenue Recovery Certificates were issued and as such the Department had no data on actual arrears of revenue, and further, no revenue recovery certificates had been issued for more than five years. The departmental figures were therefore unrealistic.

Further, the Commercial Tax and Mineral Resources departments monitored arrears of revenue through quarterly/monthly returns submitted by field units. The remaining three departments do not have any mechanism to monitor arrears of revenue.

#### **Recommendation:**

**The departments should create a database of outstanding arrears for periodic review and liquidation of arrears.**

### **1.4 Response of the Government/departments 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 heads of the Department and the Government.

Analysis of IRs issued upto 31 March 2017 revealed that 10,267 paragraphs involving potential revenue of as much as ₹ 6,868.16 crore relating to 2,532 IRs remained outstanding at the end of June 2017. Department-wise details of IRs and audit observations are mentioned in **Table 1.5:**

**Table 1.5: Department-wise status of IRs**

(₹ in crore)

| Sl. No. | Name of Department            | Nature of receipt               | Type of IRs | No. of outstanding IRs | No. of outstanding audit observations | Money value involved |
|---------|-------------------------------|---------------------------------|-------------|------------------------|---------------------------------------|----------------------|
| 1.      | Commercial Tax                | Taxes on sales, trade etc.      | Rev.        | 472                    | 3,042                                 | 550.66               |
|         |                               |                                 | Exp.        | 30                     | 56                                    | 5.42                 |
| 2.      | Commercial Tax (Excise)       | State excise                    | Rev.        | 146                    | 378                                   | 416.37               |
|         |                               | Entertainment tax               | Rev.        | 82                     | 128                                   | 3.98                 |
|         |                               | Excise and Entertainment Tax    | Exp.        | 29                     | 56                                    | 21.47                |
| 3.      | Commercial Tax (Registration) | Stamp duty and Registration fee | Rev.        | 250                    | 751                                   | 100.01               |
|         |                               |                                 | Exp.        | 4                      | 10                                    | 1.81                 |

| Sl. No.      | Name of Department              | Nature of receipt                               | Type of IRs | No. of outstanding IRs | No. of outstanding audit observations | Money value involved |
|--------------|---------------------------------|---|-------------|------------------------|---------------------------------------|----------------------|
| 4.           | Revenue and Disaster Management | Land revenue                                    | Rev.        | 589                    | 1,849                                 | 1,059.46             |
|              |                                 |   | Exp.        | 40                     | 102                                   | 13.77                |
| 5.           | Transport                       | Taxes on motor vehicles                         | Rev.        | 173                    | 1,343                                 | 196.18               |
|              |                                 |   | Exp.        | 41                     | 92                                    | 0.21                 |
| 6.           | Mineral Resources               | Non-ferrous mining and metallurgical industries | Rev.        | 157                    | 588                                   | 954.65               |
|              |                                 |   | Exp.        | 25                     | 47                                    | 261.18               |
| 7.           | Forest                          | Forestry and wildlife                           | Rev.        | 359                    | 1,071                                 | 1,249.75             |
|              |                                 |   | Exp.        | 411                    | 1,904                                 | 813.70               |
| 8.           | Energy                          | Taxes and duties on electricity                 | Rev.        | 16                     | 75                                    | 1,685.91             |
|              |                                 |   | Exp.        | 3                      | 10                                    | 5,330.98             |
| 9.           | Other Tax departments           | Other receipts                                  | Rev.        | 288                    | 1,042                                 | 651.19               |
|              |                                 |   | Exp.        | 1                      | 10                                    | 0.13                 |
| <b>Rev.</b>  |                                 |   |             | <b>2,532</b>           | <b>10,267</b>                         | <b>6,868.16</b>      |
| <b>Exp.</b>  |                                 |   |             | <b>764</b>             | <b>2,287</b>                          | <b>6,448.67</b>      |
| <b>Total</b> |                                 |   |             | <b>3,296</b>           | <b>12,554</b>                         | <b>13,316.83</b>     |

**Rev.- Revenue; Exp.-Expenditure**

Out of 471 IRs issued during 2014-17, Audit did not receive even the first reply for 320<sup>7</sup> IRs (67.94 per cent) from the heads of offices. Failure of Heads of Department to address IRs with due seriousness is fraught with the risk that serious instances of poor governance, corruption, fraud and misappropriation will not be redressed.

**Recommendation:**

**The Government should introduce a mechanism to ensure that departmental officers respond to IRs promptly, take corrective action and work closely with Audit to bring about early settlement of IRs.**

**1.4.2 Departmental Audit Committee Meetings (ACMs)**

The Government sets up audit committees to monitor and expedite the progress of the settlement of the IRs and paragraphs in the IRs.

The number of ACMs held during the year 2016-17 is detailed in **Table 1.6:**

**Table 1.6: Details of ACM conducted**

| Department              | No. of meetings organised and date of such meetings | No. of IRs/ paragraph discussed | No. of IRs/paragraphs settled | Percentage of paragraphs settled | Amount (₹ in lakh) |
|-------------------------|---|---------------------------------|-------------------------------|----------------------------------|--------------------|
| Forest Department       | 03 (29.08.2016, 30.08.2016 and 31.08.2016)          | 64/166                          | 02/66                         | 39.78                            | 3,797.10           |
| Commercial Tax (Excise) | 01 (28.12.2016)                                     | 53/69                           | 25/47                         | 68.12                            | 149.75             |
| <b>Total</b>            | <b>4</b>  | <b>117/235</b>                  | <b>27/113</b>                 | <b>48.09</b>                     | <b>3,946.85</b>    |

<sup>7</sup> Commercial Tax -60; Commercial Tax (Excise)-73; Commercial Tax (Registration)- 13; RDM-34; Transport-50; Mineral Resources-30; Forest-54 and Energy-6

During 2016-17 six ACMs were scheduled but only four could be conducted as the Transport Department did not prepare the latest position and the required records could not be furnished by the Regional Transport Officers. In the case of Forest and Commercial Tax (Excise) departments, reasons for non-settlement of paragraphs were non-production of required documents and recovery being in progress.

The position of settlement was intimated to the Department/Government (between February 2017 and July 2017). No subsequent replies of the Department/Government or evidences in support of recovery were received by Audit in case of non-settled paras.

**Recommendation:**

**The Government should direct all departments to settle pending audit observations through periodic ACMs, and ensure that all relevant records are updated and presented to Audit for disposal of pending paragraphs.**

**1.4.3 Records not produced 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 to the departments to enable them to keep the relevant records ready for audit scrutiny.

During the period 2012-17, 98<sup>8</sup> assessment files, returns, refunds, documents, registers and other relevant records were not made available to Audit. The above fact was included in the Inspection Reports and the same were sent to the Secretaries of the departments. The tax effect could not be computed in none of such cases. Non-furnishing of records to Audit raises red flags of presumptive corruption, fraud and misappropriation. Consequently, Audit is unable to vouchsafe to the genuineness of these transactions.

**Recommendations:**

**The Government should introduce measures to ensure that departmental officers invariably produce records to Audit especially after sufficient notice is given, and initiate disciplinary action against officers who fail to produce records to Audit.**

**1.4.4 Follow up on the Audit Reports-summarised position**

According to the instructions issued by the Finance Department, all departments are required to furnish explanatory memoranda (Departmental Notes) to the Chhattisgarh *Vidhan Sabha* Secretariat, in respect of paragraphs included in the Audit Reports, within three months of their being laid on the table of the House. The Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Chhattisgarh for the years ended 31 March 2009 to 31 March 2016 containing 204 paragraphs including Performance Audits were placed before the State Legislative Assembly between March 2010 and March 2017.

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<sup>8</sup> Commercial Tax-50 cases; Commercial Tax (Registration)-39 cases and RDM-09 cases



Explanatory Notes in respect of 14 paragraphs<sup>9</sup> of the Audit Reports (2012-13 to 2015-16) had not been received (March 2018) from State Revenue departments (Commercial Tax, Transport, Land Revenue, Registration and Stamps, Energy, Forest and Mineral Resources).

The Public Accounts Committee (PAC) discussed 113 paragraphs out of 154 selected paragraphs pertaining to the Audit Reports for the years from 2002-03 to 2014-15 and gave its recommendations on 33 paragraphs of Audit Reports 2002-03 to 2010-11. However, Action Taken Notes (ATNs) have not been received till June 2018 in respect of 13<sup>10</sup> recommendations made by the PAC between 2010-11 and 2016-17.

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

To analyse the system of addressing the issues highlighted in Inspection Reports/Audit Reports, the action taken on paragraphs and performance audits included in the Audit Reports of the last 10 years for Mineral Resources Department was evaluated and included in this Audit Report.

The succeeding paragraphs 1.5.1 to 1.5.3 discuss the performance of the Mineral Resources Department and cases detected in the course of local audit during the last 10 years and also the cases included in the Audit Reports for the year 2007-08 to 2016-17.

#### **1.5.1 Position of Inspection Reports of Mineral Resources Department**

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-1.7**:

**Table 1.7: Position of Inspection Reports**

(₹ in crore)

| Sl. No. | Year    |      | Opening Balance |             |             | Additions |             |             | Clearances |             |             | 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 | Rev. | 96              | 341         | 432.3       | 12        | 59          | 68.09       | 3          | 16          | 9.72        | 105             | 384         | 490.67      |
| 2.      | 2008-09 | Rev. | 105             | 384         | 490.67      | 12        | 63          | 20.08       | 3          | 39          | 34.01       | 114             | 408         | 476.74      |
| 3.      | 2009-10 | Rev. | 114             | 408         | 476.74      | 7         | 32          | 4.64        | 6          | 46          | 11.89       | 115             | 394         | 469.49      |
| 4.      | 2010-11 | Rev. | 115             | 394         | 469.49      | 9         | 47          | 116.14      | 4          | 35          | 4.46        | 120             | 406         | 581.17      |
| 5.      | 2011-12 | Rev. | 120             | 406         | 581.17      | 11        | 95          | 390.49      | 2          | 44          | 136.33      | 129             | 457         | 835.33      |
| 6.      | 2012-13 | Rev. | 129             | 457         | 835.33      | 5         | 28          | 8.81        | NIL        | 7           | 0.57        | 134             | 478         | 843.57      |
| 7.      | 2013-14 | Rev. | 134             | 478         | 843.57      | 7         | 42          | 25.46       | 2          | 35          | 28.91       | 139             | 485         | 840.12      |
|         |         | Exp. | NIL             | NIL         | NIL         | 7         | 7           | NIL         | NIL        | NIL         | NIL         | 7               | 7           | NIL         |
| 8.      | 2014-15 | Rev. | 139             | 485         | 840.12      | 4         | 22          | 7.87        | NIL        | 3           | 4.37        | 143             | 504         | 843.62      |
|         |         | Exp. | 7               | 7           | NIL         | 4         | 7           | 14.58       | NIL        | NIL         | NIL         | 11              | 14          | 14.58       |
| 9.      | 2015-16 | Rev. | 143             | 504         | 843.62      | 8         | 65          | 43.63       | 2          | 9           | 0.29        | 149             | 560         | 886.96      |
|         |         | Exp. | 11              | 14          | 14.58       | 7         | 17          | 211.09      | 1          | 1           | NIL         | 17              | 30          | 225.67      |

<sup>9</sup> 2004-05 (01), 2013-14 (01), 2014-15 (04) and 2015-16 (08)

<sup>10</sup> Mineral Resources-01; Commercial Tax (Excise)-01; Energy-01; Transport-01; Commercial Tax-06; Water Resource Department-01 and Forest-02.

| Sl. No. | Year    |      | Opening Balance |             |             | Additions |             |             | Clearances |             |             | Closing Balance |             |             |
|---------|---------|------|-----------------|-------------|-------------|-----------|-------------|-------------|------------|-------------|-------------|-----------------|-------------|-------------|
|         |         |      | IRs             | Para-graphs | Money Value | IRs       | Para-graphs | Money Value | IRs        | Para-graphs | Money Value | IRs             | Para-graphs | Money Value |
| 10.     | 2016-17 | Rev. | 149             | 560         | 886.96      | 8         | 53          | 72.36       | NIL        | 25          | 4.67        | 157             | 593         | 954.65      |
|         |         | Exp. | 17              | 30          | 225.67      | 9         | 18          | 35.51       | 1          | 1           | NIL         | 25              | 47          | 261.18      |

*Rev.- Revenue; Exp.- Expenditure*

The Government arranges ACMs between the Department and Principal Accountant General's office to settle old paragraphs. The Department did not conduct any ACM during 2016-17.

### 1.5.2 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Mineral Resources Department and the amount recovered are mentioned in **Table 1.8**:

**Table 1.8: Details of accepted cases**

(₹ in crore)

| Year         | No. of paragraphs included | Money value   | No. of paragraphs accepted | Money value of accepted paragraphs | Amount recovered |
|--------------|----------------------------|---------------|----------------------------|------------------------------------|------------------|
| 2006-07      | 05                         | 0.87          | 05                         | 0.87                               | 0.48             |
| 2007-08      | 02                         | 4.32          | 01                         | 4.13                               | 1.85             |
| 2008-09      | 04                         | 0.42          | 04                         | 0.42                               | 0.04             |
| 2009-10      | 03                         | 1.50          | 03                         | 1.50                               | 1.09             |
| 2010-11      | 01                         | 294.54        | NIL                        | 169.64                             | 69.72            |
| 2011-12      | NIL                        | NIL           | NIL                        | NIL                                | NIL              |
| 2012-13      | 02                         | 0.15          | 02                         | 0.15                               | 0.02             |
| 2013-14      | 01                         | 0.12          | 01                         | 0.12                               | 0.02             |
| 2014-15      | 02                         | 7.06          | 01                         | 0.14                               | NIL              |
| 2015-16      | 04                         | 14.93         | 02                         | 14.67                              | NIL              |
| <b>Total</b> | <b>23</b>                  | <b>323.91</b> | <b>19</b>                  | <b>191.64</b>                      | <b>73.22</b>     |

In respect of accepted cases where the recovery is due, the Government intimated PAC that some of the cases are pending in Court, in some cases recovery was under process, etc.

### 1.5.3 Action taken on the recommendations accepted by the departments/Government

The drafts of Performance Audits (PAs) conducted by the AG are forwarded to the concerned Department/Government for their information with a request to furnish their replies. These PAs are also discussed in exit conference and the Department's/Government's views are included while finalising the Audit Reports.

Compliance of recommendations of PA on "Assessment, levy and collection of major and minor mineral receipts" featured in the Standalone Audit Report for the year 2010-11 along with replies of the Mineral Resources Department received in September 2017 are mentioned below in **Table 1.9**:

**Table 1.9: Details of status of recommendations**

| Sl. No. | Details of Recommendations   | Status   |
|---------|--|--|
| 1.      | It is recommended that the Government may consider the early finalisation and implementation of the model State Mineral Policy.  | The Government has formulated State Mineral Policy, 2012.  |
| 2.      | Internal Audit may be conducted on a regular basis for detecting weaknesses in the system, leakage of revenue and ensuring compliance of rules and provisions of the Act and Rules.  | The Department stated that internal audit of field offices was being conducted by the team headed by Joint Director (Finance). However, Audit noticed that in the test checked districts, IAW had pointed out pending assessment cases of major and minor minerals in their inspection reports between 2012-13 and 2016-17. Though pointed out by IAW, no remedial action was taken to complete the assessments by the DDMA's/DMO's. |
| 3.      | The Government may consider prescribing a system to monitor the cases of applications pending at the Government level. Further, the Government may also create an effective coordination mechanism with other departments for timely finalisation of the applications. | The Department stated that as per the Mines and Minerals (Development and Regulation) Act, 1957 (as amended in January 2015), all pending applications have been <i>de facto</i> cancelled and thereafter (January 2015) the allotment of mines are done through e-auction process.  |
| 4.      | The Government may therefore consider incorporating a clause in the terms and conditions of the mining lease for execution of a revised modified agreement in case of modification in the mining plan.   | The Government has issued instruction (November 2011) to take undertaking from the lessees that in cases of revision of mining plan after execution of lease deed, the lessee shall pay the differential SD and RF as per the revised mining plan.   |
| 5.      | The Government may consider incorporating a clause in the lease deed for payment of the differential amount of stamp duty whenever differences in duty arises due to delayed publication of rates of royalty.  | The Government has issued instruction (November 2011) that an undertaking shall be taken from the Iron ore lessees to pay differential amount of SD and RF arising due to delayed publication of average sale price of iron ore for the month of execution of lease deed by the Indian Bureau of Mines (IBM).  |
| 6.      | The Government may consider prescribing appropriate mechanism to ensure timely cancellation of idle mining leases and resettlement of these leases for augmentation of revenue.  | The Department stated that as per direction of Hon'ble Supreme Court, mining leases were declared as lapsed from the date decided by the Government. On lapse of the mining lease the allotment of mines are being done through e-auction under the amended Act and Rules.   |
| 7.      | The Government may consider putting in place a mechanism to ensure that royalty is charged as per Rules.   | The Department stated that clear instructions are there to charge royalty as per Rules. However, Audit has observed that despite this, the mechanism to ensure the same is not in place as cases of short levy of royalty have been persistently noticed.  |
| 8.      | The Department should issue necessary instructions for regular scrutiny of the monthly statements and linking of the same to other related records to avoid loss of revenue.   | The Department stated that on-line system has been devised to reconcile related records with the monthly statement to prevent leakage of revenue.  |
| 9.      | The Government may consider issuing instructions to all District Mining Officers (DMOs) to ensure levy of cess in accordance with the provisions of the <i>Chhattisgarh (Adhoshanrachna Vikas evam Paryavaran) Upkar Adhiniyam, 2005</i> .                             | The Department stated that amendment has been proposed for recovering the cess monthly by Revenue and Disaster Management (RDM) Department.  |
| 10.     | The Government may consider prescribing monthly returns with details of quantity of coal supplied to   | The Department stated that after implementation of <i>Khanij</i> on-line system it   |

| Sl. No. | Details of Recommendations   | Status  |
|---------|--|---|
|         | core consumers, non-core consumers and e-buyers with rates.  | will be possible to give details of coal supplied to different consumers.   |
| 11.     | The Government may consider developing a mechanism to collect and analyse the sample and compare grades of iron ore at the Department's level and the grade shown in the mining plan every month.  | The Department stated that as per directions of Hon'ble Supreme Court, levy of royalty shall not be finalised on the basis of grade of minerals mentioned in the mining plan.                               |
| 12.     | The Government may consider developing a mechanism to collect and analyse the samples of coal and intimate differences found in the declared grade to the Coal Controller.   | The Department stated that clear directions have been given in Colliery Control Order, 2004. However, Audit has noticed grade difference in case of coal and recommends a mechanism to address this issue.  |
| 13.     | The Government may consider issuing instructions to ensure that mining is carried out strictly in accordance with the approved mining plan and to establish a monitoring mechanism to detect unauthorised mining.  | The Department stated that IBM had developed a surveillance system named as Bhaskaracharya Institute for Space Applications and Geo-informatics (BISAG) by which illegal mining of minerals can be tracked. |
| 14.     | The Government may consider evolving a monitoring mechanism to watch whether mineral dispatched from the lease area is consumed in the captive plant.  | The Department stated that in order to ensure final utilisation of minerals, Trip Close system has been devised in online mining system.  |
| 15.     | The Government may prescribe a system of cross verification of used Transit Passes (TPs) with the check post records at the time of assessment to prevent reuse of TPs.  | The Department stated that the Flying Squad of each district have been equipped with hand held devices, so that TPs issued online could be checked at any place.  |
| 16.     | The Department may consider prescribing periodic reports/returns to be furnished by the Deputy Directors (Mineral Administration)/DMOs indicating the cases requiring environmental consent and should develop a monitoring mechanism to ensure the operation of mines only after obtaining environmental consent. | The Department stated that arrangements are there in online mining system to restrict issue of TPs in cases where consent under appropriate environmental laws have not been taken by the lessee.           |

## 1.6 Results of audit

### Position of local audit conducted during the year

Audit test checked records of 85 units pertaining to Commercial tax, State excise, Stamps and Registration fees, Land revenue, Taxes and duties on electricity, Mining receipts, Taxes on vehicles and Forestry and wild life during the year 2016-17. Besides, eight units of Mineral Resources Department were also audited between April 2017 and June 2017. Audit observed short levy or non-levy of taxes, duties and fees, loss of revenue, irregular/avoidable expenditure etc., aggregating to ₹ 2,913.82 crore in 38,881 cases. The departments concerned accepted underassessment and other deficiencies of ₹ 178.95 crore in 13,669 cases and recovered ₹ 4.97 crore in 2,194 cases.

### 1.7 Coverage of this Report

This Report contains 14 paragraphs including one Audit on "Process of refund under Value Added Tax" amounting to ₹ 292.26 crore. The departments have accepted audit observations amounting to ₹ 48.75 crore and recovered ₹ 4.84 crore. The departments did not furnish specific replies to audit observations involving ₹ 238.30 crore, which included audit observations on non-levy of land revenue on land covered under mining leases (₹ 177.60 crore) and non/short realisation of Infrastructure Development and Environment cess

(₹ 42.30 crore) pertaining to Mineral Resources Department. These are discussed in succeeding Chapters 2 to 5.

Most of the audit observations are of a nature that may reflect similar errors/omissions in other units of the State Government departments, but not covered in the test-check. The departments/Government may therefore like to internally examine all the other units with a view to ensuring that they are functioning as per requirement and rules.

# **Chapter-2: Mining Receipts**

## CHAPTER-2: MINING RECEIPTS

### 2.1 Tax administration

Management of mineral resources is the responsibility of both the Central and the State Governments in terms of entry 54 of the Union list (List I) and entry 23 of the State list (List II) of the Seventh Schedule of the Constitution of India. Government of India (GoI) enacted the Mines and Minerals (Development and Regulation) Act, 1957 (amended in January 2015) which lays down the legal framework for regulation of mines and minerals other than petroleum and natural gas. In exercise of the powers conferred by the Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act, 1957) various Rules have been framed by the GoI and the State Government from time to time. GoI framed the Mineral Concession Rules (MCR), 1960. The State Government is empowered under the MMDR Act to make rules to regulate and grant mining lease in respect of minor minerals. Accordingly, the Chhattisgarh Minor Mineral Rules (CMMR), 2015 was framed.

Prospecting and mining operations can be undertaken only with a licence or mining lease granted under the Rules. Mining receipts comprise mainly of application fees for lease/permit/prospecting licence, royalty, cess, dead rent<sup>1</sup>, surface rent, fines and penalties, interest for belated payment of dues etc. Mining lessees are required to pay royalty before dispatch of the minerals from the leased area.

The Principal Secretary, Mineral Resources Department, is the head at the Government level and the Director, Geology and Mining (DGM) is the head of the Department at the Directorate level and is responsible for administration and implementation of the Mining Acts and Rules. Under the Directorate, there are three Regional offices one each at Bilaspur, Jagdalpur and Raipur headed by the Joint Directors (Regional Heads) which are responsible for prospecting, survey and sampling of minerals in the State.

Mining offices are located in each District under the direct control of the concerned District Collector. There are 27 Deputy Directors Mineral Administration (DDMAs)/ District Mining Officers (DMOs)/Assistant Mining Officers (AMOs) who assist the District Collector. 50 Mining Inspectors (MIs) posted in District Mining Offices are responsible for assessment and collection of revenue, prevention of illegal excavation and dispatch of minerals and other activities leading to leakage of revenue from the areas under their control. Besides this, there is a Flying Squad to prevent theft of minerals and evasion of royalty, which reports to DGM.

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<sup>1</sup> Dead rent is the minimum royalty payable per year. When royalty payable exceeds the dead rent deposited, the lessee shall pay royalty over and above the dead rent

## **2.2 Internal Control**

### **2.2.1 Internal Audit**

The Department has an Internal Audit Wing (IAW) headed by Deputy Director (Finance and Administration) under whom three auditor posts are sanctioned.

Details on internal audit are mentioned in **Table 2.1:**

**Table 2.1: Details of Internal Audit**

| Year         | Total no. of offices | Sanctioned Strength <sup>2</sup> for internal audit | Men- in-Position (No.) | No. of Offices planned for internal audit | No. of Offices audited | No. of IRs issued | Money value involved (₹) |
|--------------|----------------------|---|------------------------|---|------------------------|-------------------|--------------------------|
| 2012-13      | 30                   | 04  | 02                     | 13  | 10                     | 10                | NIL                      |
| 2013-14      | 30                   | 04  | 02                     | 13  | 13                     | 13                | NIL                      |
| 2014-15      | 30                   | 04  | 02                     | 07  | 07                     | 07                | NIL                      |
| 2015-16      | 30                   | 04  | 03                     | 16  | 16                     | 16                | NIL                      |
| 2016-17      | 30                   | 04  | 03                     | 14  | 14                     | 14                | NIL                      |
| <b>Total</b> |                      |   |                        | <b>63</b>                                 | <b>60</b>              | <b>60</b>         | <b>NIL</b>               |

*(Source: Information furnished by DGM)*

Though there was shortage of staff in IAW, the Department was able to conduct audit of all the offices planned for internal audit from 2013-14 onwards and in all 60 IRs were issued during the period 2012-13 to 2016-17. Further, Audit noticed that in the nine<sup>3</sup> districts, IAW had pointed out pending assessment cases of major and minor minerals in their inspection reports between 2012-13 and 2016-17. Despite this, no remedial action was taken to complete the assessments by the DDMA/DMOs.

The Department stated (November 2017) that the Internal Audit Wing was being monitored by the Joint Director (Finance). The irregularities were corrected on the spot as soon as it was pointed out by IAW.

The reply is not acceptable as during the audit in the nine test checked districts, Audit found that in 90 cases, assessments of major mineral leases were not done.

### **2.2.2 Inadequate number of inspections by Mining Inspectors**

As per instructions of the DGM, Chhattisgarh issued in May 2008, the Mining Inspector (MI) is required to inspect all major and minor mines in his jurisdiction once in every six months to ensure that the terms and conditions as laid down in the lease deed are observed by the lessee such as non-extraction of minerals outside the leased area, number of labourers employed inside the mines, records are maintained satisfactorily, quantity of the minerals produced per day and the leased area is properly demarcated.

Audit observed shortages of Mining Inspectors against the Sanctioned strength as detailed in **Table 2.2:**

<sup>2</sup> Including Deputy Director (Finance and Administration)

<sup>3</sup> DDMA, Korba and Raigarh; DMO, Balodabazar, Balrampur, Bilaspur, Dantewada, Janjgir-Champa, Kanker and Surguja



**Table 2.2**  
**Details of sanctioned posts and Men-in-position of Mining Inspectors**

| Year    | Sanctioned posts of Mining Inspectors | Men-in-position | Shortfall |            |
|---------|---------------------------------------|-----------------|-----------|------------|
|         |                                       |                 | No.       | Percentage |
| 2012-13 | 21                                    | 14              | 7         | 33.33      |
| 2013-14 | 21                                    | 14              | 7         | 33.33      |
| 2014-15 | 23                                    | 15              | 8         | 34.78      |
| 2015-16 | 23                                    | 18              | 5         | 21.74      |
| 2016-17 | 23                                    | 20              | 3         | 13.04      |

Audit observed that apart from the shortfall against the sanctioned strength, even the existing Mining Inspectors did not inspect adequate number of leases. Audit test check of records in nine<sup>4</sup> DDMA's/DMOs revealed that for the period 2012-13 to 2016-17, against the target, only 37 to 53 per cent (369 out of 886) of mining leases, and 18 to 39 per cent (2,061 out of 7,988) of quarry leases were inspected.

The Department accepted (November 2017) the audit observation.

### 2.3 Results of audit

Audit test checked records of nine<sup>5</sup> out of 17 units of the Mineral Resources Department in 2016-17. Besides, eight<sup>6</sup> district mining offices were also audited between April 2017 and June 2017. Revenue generated by the Department during 2015-16 and 2016-17 aggregated to ₹ 3,709.52 crore and ₹ 4,141.47 crore of which the audited units collected ₹ 569.36 crore and ₹ 3,228.45 crore respectively. Audit found irregularities amounting to ₹ 2,616.51 crore in 1,819 cases, as detailed in **Table 2.3**:

**Table 2.3: Results of audit**

| Sl. No.      | Category   | (₹ in crore) |                 |
|--------------|--|--------------|-----------------|
|              |  | No. of cases | Amount          |
| 1.           | Non-assessment/underassessment of royalty and interest                   | 38           | 32.51           |
| 2.           | Non/short levy of dead rent and interest                                 | 106          | 5.14            |
| 3.           | Short levy/recovery of Stamp duty and Registration fees                  | 60           | 48.08           |
| 4.           | Non-levy of land revenue on land covered under mining areas              | 780          | 158.37          |
| 5.           | Short realisation of contribution to National Mineral Exploration Trust  | 41           | 13.74           |
| 6.           | Non/short realisation of Infrastructure Development and Environment cess | 328          | 86.66           |
| 7.           | Other irregularities <sup>7</sup>  | 466          | 2,272.01        |
| <b>Total</b> |  | <b>1,819</b> | <b>2,616.51</b> |

<sup>4</sup> DDMA, Korba and Raigarh; DMO, Balodabazar, Balrampur, Bilaspur, Dantewada, Janjgir-Champa, Kanker and Surguja

<sup>5</sup> DMOs Balod, Bastar, Bilaspur, Durg, Kanker, Raipur, Rajnandgaon, Surguja and DGM, Raipur

<sup>6</sup> DDMA, Korba and Raigarh; DMO, Balodabazar, Balrampur, Bilaspur, Dantewada, Janjgir-Champa and Kanker

<sup>7</sup> Other irregularities include non-realisation of Surface rent, non-realisation of annual fee on Storage permit, etc.

The Department accepted 321 cases involving ₹ 41.40 crore and recovered ₹ 1.44 crore in two cases. In the remaining cases, Audit is pursuing the matter with the Department.

During 2016-17, the Department effected recovery of ₹ 1.04 crore in 12 cases relating to audit objections contained in previous Audit Reports and Inspection Reports. Out of the recovered amount, ₹ 1.01 crore pertains to Audit and Inspection Reports prior to 2011-12.

#### **2.4 Follow up of previous Audit Reports**

In the Audit Reports for the period from 2011-12 to 2015-16, Audit had pointed out various observations amounting to ₹ 22.26 crore in nine paragraphs against which Department accepted observations involving ₹ 14.94 crore and recovered ₹ 2.86 lakh. Out of these nine paragraphs, three paragraphs were selected by the Public Accounts Committee (PAC) of which one paragraph of Audit Report 2015-16 was discussed in August 2017.

The Stand Alone Report for the year ended 31 March 2011 featuring the Performance Audit on "Assessment, levy and collection of revenue from major and minor minerals" highlighted irregularities in management of leases, unauthorised excavation, non/short assessment and realisation of royalty, misuse of transit pass etc. The discussion is yet to be completed.

The PAC has already given recommendations and directions in 2011-12 (93<sup>rd</sup> recommendation) for the Audit Report 2006-07 to the Department to take strict action against officials who were not following the rules and provisions and issue warning so that there is no recurrence of mines remaining inoperative.

The Mineral Resources Department informed (September 2018) that action was initiated against the concerned officials responsible for inoperative mines in compliance to the PAC's recommendations and directions. However, it did not evolve a mechanism to ensure that mines do not remain inoperative. Audit noticed that 30 mines were inoperative (as on 31 March 2017) in nine<sup>8</sup> units.

#### **2.5 Royalty not levied on invoice value of middling and reject sold**

**Failure of the DGM to put in place a mechanism to obtain details of the sale quantity, grade and invoice value of coal/middling/reject, led to short levy of royalty of ₹ 9.86 crore.**

MCR, 1960 provides that middling<sup>9</sup> or reject removed from the lease area is liable for payment of royalty when they are sold or consumed on any later date. As per Government of India (GoI) notification dated 10 May 2012 royalty on coal shall be at the rate of 14 *per cent ad valorem* on price of coal as reflected in the invoice excluding taxes. Further, under MCR, 1960, interest is leviable at 24 *per cent* per annum on delayed payment of royalty.

<sup>8</sup> DDMA, Korba and Raigarh; DMO, Balodabazar, Balrampur, Bilaspur, Dantewada, Janjgir-Champa, Kanker and Surguja

<sup>9</sup> Middling/reject coals are generated as by-products of the washing/beneficiation process.

Ministry of Coal (GoI) allotted (December 2003) M/s Sarda Energy and Industries with coal block<sup>10</sup> under DDMA, Raigarh exclusively for captive need of sponge iron plant and captive power plant (CPP). The lessee had established coal washery and used washed coal for captive consumption. Subsequently, GoI permitted (February 2014) the lessee to sell upto 4.96 lakh Metric Ton (MT) of middling and 1.35 lakh MT of reject, following which, the lessee sold middling and reject at prices ranging from ₹ 1,595 to ₹ 2,000 and ₹ 895 to ₹ 1,000 per MT respectively between May 2014 and March 2015.

Audit noticed from the monthly returns available in DDMA, Raigarh that between May 2014 and March 2015, the lessee had dispatched 15.80 lakh MT of coal (towards both captive consumption and sales), which included middling, reject, washed coal and ROM<sup>11</sup>. The lessee paid royalty on the whole quantity of coal for the grade<sup>12</sup> of coal (declared by the coal controller as G-12, G-14 and G-17 for the location) at the basic price of ₹ 890, ₹ 740 and ₹ 540 per MT respectively treating all as ROM (as prescribed under the Rules). The dispatched quantity included 4.87 lakh MT middling and 1.24 lakh MT reject coal which was sold (between May 2014 and March 2015) to various firms. Though the firm showed quantity of middling and reject in the return, the lessee did not furnish sale value of middling and reject as it was not required as per the format of the monthly return. Consequently, DDMA charged royalty on the basic price of ROM declared by the Coal India Limited and not on the actual sale price in respect of middling and reject.

As sale price of middling and reject were not available in the records of DDMA, Raigarh and the same was not provided to Audit despite request, Audit considered sale price of middling and reject available with the DDMA for the month of October 2014 and applied it on the quantity of middling and reject sold by the lessee to work out royalty payable. Audit calculated the total royalty payable on 6.11 lakh<sup>13</sup> MT of middling and reject as ₹ 13.04 crore. The firm had already paid royalty taking these as ROM of ₹ 6.19 crore<sup>14</sup>. Thus, assessment (April 2015) of middling and reject sold by the lessee as ROM by the DDMA resulted in short levy of royalty amounting to ₹ 6.85 crore and interest thereon amounting to ₹ 3.01 crore<sup>15</sup> was also leviable.

In March 2015, the lessee surrendered the lease to Ministry of Coal (GoI). As per the return of March 2015, 4.12 lakh MT of coal was remaining at the mine, which was subsequently either sold or transferred to the plant with permission from the Coal Controller.

<sup>10</sup> Gare Palma IV/7 coal block in 335.76 hectare land for lease period 25.10.2005 to 24.10.2035

<sup>11</sup> The coal that comes directly from a mine. While most of the ROM is washed and middling and reject separated, some ROM in raw form is also despatched.

<sup>12</sup> Coal is graded on the scale of G1 to G17 on the basis of Gross Calorific Value of the coal; G1 being the highest grade and G17 being the lowest grade

<sup>13</sup> 4.87 lakh MT middling and 1.24 lakh MT reject= 6.11 lakh MT

<sup>14</sup> Average royalty = ₹ 124.6 (G-12)+ ₹ 103.6 (G-14)+ ₹ 75.6 (G-17)/3= ₹ 101.27; 6.11 lakh MT\* ₹ 101.27= ₹ 6.19 crore

<sup>15</sup> Interest payable= ₹ 6.85 crore x 22/12 (month) x 0.24 (rate of interest) = ₹ 3.01 crore

Further, Audit noticed that as per the chemical analysis conducted by Regional Office Bilaspur and Central Institute of Mining and Fuel Research (CIMFR), Bilaspur in June 2014 and March 2014 the middling and reject were of G-17 to G-15 i.e., graded coal. Moreover, the company sold the middling at a much higher rate ₹ 2,000 per MT than the basic price of G-15 grade of coal during the period which was ₹ 680 per MT indicating that the middling were in fact high grade coal. Hence, the coal stated to be middling/reject were in fact not middling /reject but graded coal. Thus, possibility of sale of graded coal on the pretext of middling and reject cannot be ruled out.

Following the GoI notification dated 10 May 2012, the State DGM should have ensured either by introducing a separate return (as the returns prevailing did not provide for showing the invoice value) or by adopting some other method/system that all lessees furnish the details of the quantity and invoice value of all coal/middling/reject, if any sold by the lessee at any time.

The Department accepted (November 2017) the audit observation and stated that the royalty on middling and reject would be re-assessed on the basis of applicable rate of 14 *per cent* on the basic price reflected in the invoice. The Department assessed and recovered (May 2018) royalty of ₹ 1.43 crore for the period 2012-13 to 2015-16. Audit requisitioned month-wise assessment details for verification of calculation of royalty, which however, are yet to be furnished (August 2018).

**Recommendation:**

**The Department should (i) furnish the records requisitioned by Audit, (ii) consider modifying the format of monthly returns so that details of quantity and prices of middling/reject coals sold are also mentioned in the returns; (iii) ensure recovery of royalty as per applicable rates on the basic price reflected in the invoice.**

**2.6 Short levy of Stamp duty and Registration fees**

**DMO failed to realise differential amount of Stamp duty and Registration fees of ₹ 19.45 crore on lease agreements in four cases of revision of mining plan or delayed declaration of average sale price of iron ore by IBM.**

As per instructions (March 1993) of Government of Madhya Pradesh, as applicable to Chhattisgarh, Stamp duty (SD) and Registration fees (RF)<sup>16</sup> are calculated on the basis of mineral to be extracted as shown in the application of mining lease or estimated production given in the mining plan, whichever is higher. GoCG order (November 2011) stipulates that if a lessee revises mining plan after execution of lease deed, the lessee should pay the differential SD and RF as per the new mining plan. Further, in the case of iron ore, the lessee should undertake to levy on the difference arising in SD and RF due to publication of average sale price of a particular month by the Indian Bureau of Mines (IBM).

Audit test check of records revealed short realisation of Stamp duty and Registration fees of ₹ 19.45 crore in cases of four lease agreements which are detailed below:

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<sup>16</sup> SD is leviable at the rates prescribed under the Indian Stamp Act from time to time. RF is leviable at 75 per cent of SD.

(i) Audit test check of records of DMO, Kanker (May 2017) revealed that consequent to revision of mining plan in March 2016, a lessee M/s Bajrang Power and Ispat Ltd., was required to pay SD of ₹ 2.16 crore<sup>17</sup> and RF of ₹ 1.62 crore<sup>18</sup>. However, the DMO failed to issue demand notice to the lessee to deposit the differential SD of ₹ 79.03 lakh and RF of ₹ 59.27 lakh as per the revised mining plan. This resulted in non-levy of SD and RF amounting to ₹ 1.38 crore.

The Department accepted (November 2017) the audit observation.

(ii) Audit test check of records in DMO, Kanker revealed that three lease deeds were executed (between October 2014 and August 2016) in the case of two<sup>19</sup> lessees with prevailing rates of royalty of the previous month on which SD amounting to ₹ 9.99 crore and RF of ₹ 7.66 crore was paid on estimated quantity of 13.49 lakh MT per year of iron ore as mentioned in the mining plan. However, as per average sale price published by IBM, SD of ₹ 20.41 crore and RF of ₹ 15.31 crore was leviable. However, the DMO failed to issue demand notice to the lessees to pay the differential amount of SD and RF resulting in short levy of SD and RF amounting to ₹ 18.07 crore.

The Department accepted (November 2017) the audit observation.

## 2.7 Non/short realisation of dead rent

**Failure of eight DDMA/DMOs to review the Demand and Collection Register periodically and issue demand notices led to non/short realisation of dead rent and interest amounting to ₹ 1.07 crore from 36 lessees of mining/quarry leases.**

Under the MMDR Act 1957 and CMMR 2015, mining and quarry lessees are required to pay dead rent in advance for the whole year, failing which, interest at the rate of 24 per cent per annum is leviable from the sixtieth day of the expiry of the due date.

Audit test check of lease case files in eight<sup>20</sup> district mining offices revealed that in 18 out of 196 cases the lessees of mining/quarry leases did not pay dead rent amounting to ₹ 47.41 lakh for the years 2011 to 2017. Similarly, another 18 lessees paid short dead rent amounting to ₹ 40.14 lakh for the years 2012 to 2017. The interest thereon worked out to ₹ 19.78 lakh till March 2017. Failure of DDMA/DMOs to review the Demand and Collection Register (*Khatoni*) periodically and issue demand notices to recover outstanding dead rent and interest thereon resulted in non/short realisation of dead rent and interest amounting to ₹ 1.07 crore.

The Department accepted (November 2017) the audit observation.

<sup>17</sup> Average annual production of five years=18,38,481 MT/5 = 3,67,696 MT;  
SD = 3,67,696 MT x ₹ 235 (rate of royalty) x 5 times x 5 per cent (SD rate)=  
₹ 2,16,02,140

<sup>18</sup> RF = ₹ 2,16,02,140 x 75 per cent = ₹ 1,62,01,605

<sup>19</sup> M/s Godawari Power and Ispat Limited (138.96 hectare lease for 50 years); M/s Jaiswal Neco Industries Ltd. (25 hectare lease for 50 years and 14.40 hectare leases for 30 years)

<sup>20</sup> Balodabazar, Balrampur, Bilaspur, Dantewada, Janjgir-Champa, Korba, Raigarh and Surguja (Ambikapur)

## **2.8 Non-levy of land revenue on land covered under mining areas**

**Seven DDMA/ DMOs did not levy land revenue of ₹ 177.60 crore on 694 mining leases for the period April 2012 to March 2017.**

As per Chhattisgarh Land under Mining Leases Quarry Leases Assessment Rules, 1987 (amended in December 2011) land revenue on lands under mining areas is leviable at differential rates between ₹ 1,000 and ₹ 25,000 per hectare.

Audit test check of lease files of major minerals and quarry leases in seven districts<sup>21</sup> revealed that the DDMA/DMOs did not levy the land revenue on land covered under 694 mining leases during the period April 2012 to March 2017. This resulted in non-realisation of land revenue amounting to ₹ 177.60 crore.

The Mineral Resources Department stated (November 2017) that since this was an issue of land revenue, the matter was related to Revenue and Disaster Management (RDM) Department.

The reply is not acceptable, since, as per the Rules, the Mineral Resources Department was responsible for collecting the land revenue in mining areas.

### **Recommendation:**

**The Mineral Resources Department should review and collect all land revenue pertaining to lands under mining areas in all districts.**

## **2.9 Short realisation of contribution to National Mineral Exploration Trust (NMET)**

**Five DDMA/DMOs collected ₹ 15.67 crore towards the NMET as against realisable amount of ₹ 21.73 crore leading to short realisation of ₹ 6.06 crore.**

The MMDR Act, 1957 (as amended in January 2015) stipulates that the holder of a mining lease or prospecting licence-cum-mining lease shall pay to the Trust, a sum equivalent to two *per cent* of the royalty paid. Following the notification for establishment of the Trust by GoI in August 2015, the DGM instructed (February 2016) Collectors to ensure payment to the Trust retrospectively from January 2015.

Audit test check of records in five<sup>22</sup> DDMA/ DMOs revealed that an amount of ₹ 1,086.64 crore was received as royalty from major minerals during the period January 2015 to March 2017. Against two *per cent* of royalty amounting to ₹ 21.73 crore realisable towards NMET, only ₹ 15.67 crore was realised, resulting in short realisation of ₹ 6.06 crore to the Trust.

The Department accepted (November 2017) the audit observation.

<sup>21</sup> Balodabazar, Balrampur, Bilaspur, Janjgir-Champa, Korba, Raigarh and Surguja (Ambikapur)

<sup>22</sup> DDMA, Balodabazar, Raigarh and DMOs, Balrampur, Kanker and Surguja (Ambikapur)

## 2.10 Non/short realisation of Infrastructure Development and Environment cess

**Seven DDMA/DMOs did not realise/short realised the Infrastructure Development and Environment cess amounting to ₹ 42.30 crore on the quarry and mining leases.**

Under the provisions of Chhattisgarh (*Adhosanrachna Vikas evam Paryavaran*) *Upkar Adhiniyam*, 2005, infrastructure development and environment cess are separately leviable on land covered under mining leases at the rate of ₹ five on each tonne of annual dispatch for coal mining leases and at the rate of five *per cent* upto 15 June 2015 and 7.5 *per cent* from 16 June 2015 on the amount of royalty payable annually for minor mineral leases.

A para on non-levy of Infrastructure Development and Environment Cess was featured in the CAG's Audit Report no. 4 of the year 2012. Following this, Revenue and Disaster Management (RDM) Department clarified (February 2016) to the Secretary, Mineral Resources Department that as per the Act the cess should be levied on quarry leases also.

The details of dispatch of minerals and royalty leviable are available in the Mineral Resources Department and the amount of cess is levied on royalty/dispatch of minerals. As such, following the clarification letter the DGM should have developed a system to realise the cess in coordination with RDM Department.

Audit test check of mining lease case files in seven districts<sup>23</sup> revealed that the concerned DDMA/DMOs failed to realise Infrastructure Development Cess and Environment Cess amounting to ₹ 41.90 crore on royalties of ₹ 363.55 crore realised from quarry lease holders during the period 2012-13 to 2016-17<sup>24</sup>. Further, Audit test check of mining lease files of DDMA, Raigarh revealed that at the time of expiry of major mineral lease (March 2015) a lessee<sup>25</sup> had unpaid arrears of Infrastructure Development and Environment cess amounting to ₹ 11.19 lakh. On expiry of the lease period, the lessee dispatched 2.89 lakh MT of closing stock between April 2015 and June 2015. The DDMA however failed to recover Infrastructure Development and Environment cess of ₹ 28.95 lakh on the disposal of closing stock and arrears of ₹ 11.19 lakh. This resulted in short realisation of cess amounting to ₹ 42.30 crore.

The Mineral Resources Department stated (November 2017) that the issue was related to RDM Department. The reply is not acceptable as the Mineral Resources Department has complete details of quantity of minerals dispatched and royalty paid in respect of a lessee. Since the Infrastructure Development and Environment cess is leviable on dispatch of mineral and royalty paid, the Department can effectively realise the cess. Further, in reply to the paragraph 4.3 of the CAG report for the year ended March 2011, the Secretary, Mineral

<sup>23</sup> Surguja, Balodabazar, Balrampur, Bilaspur, Janjgir-Champa, Korba and Raigarh

<sup>24</sup> Except Balodabazar and Janjgir-Champa where cess amounting to ₹ 1.81 crore for 2016-17 was realised.

<sup>25</sup> M/s Sarda Energy and Minerals Ltd

Resources Department had assured (February 2016) the State PAC to levy and recover the Infrastructure development cess and Environment cess.



# **Chapter-3:**

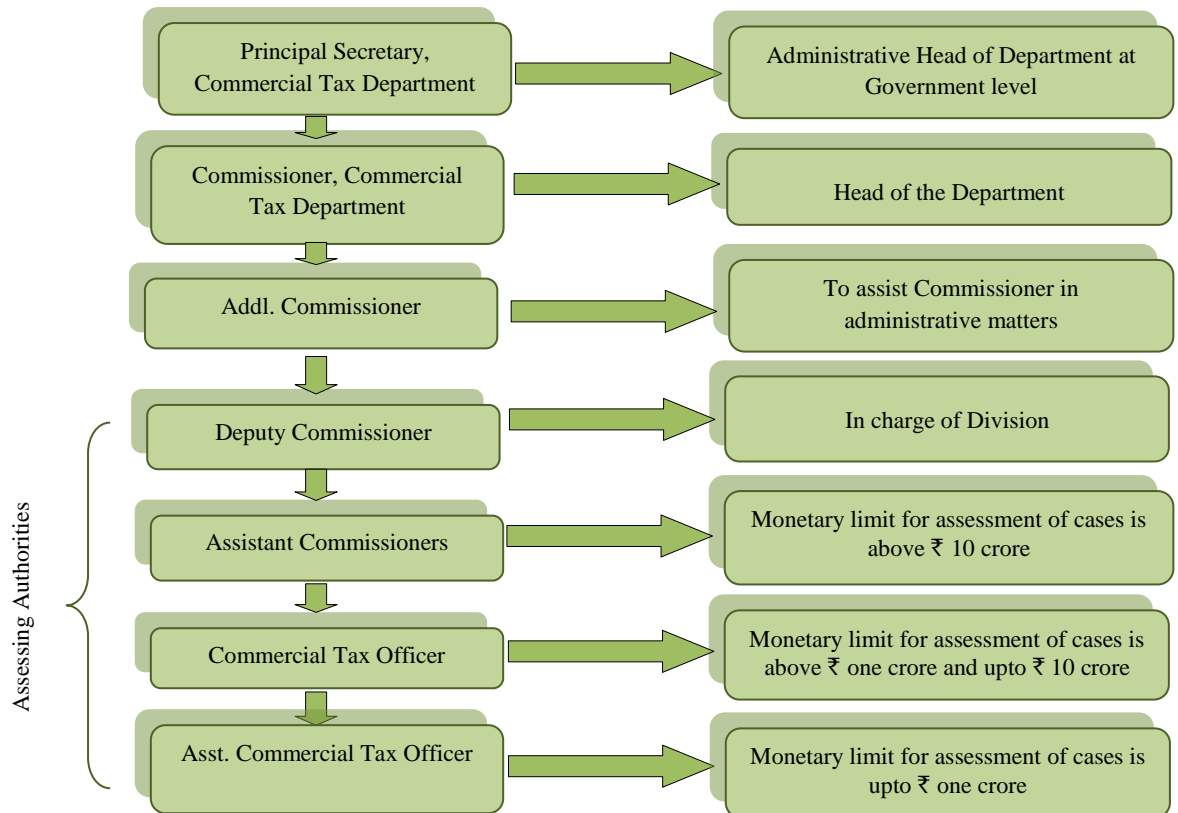
# **Commercial Tax**

## CHAPTER 3: COMMERCIAL TAX

### 3.1 Tax administration

The Commercial Tax Department is headed by the Commissioner of Commercial Tax (CCT) who is assisted by four Additional Commissioners (Addl. Commissioners), 12 Deputy Commissioners (DCs), 26 Assistant Commissioners (ACs), 72 Commercial Tax Officers (CTOs), 121 Assistant Commercial Tax Officers (ACTOs) and 174 Inspectors of Commercial Tax (CTIs) in performance of such functions as may be assigned to them under the CGVAT Act. Against the above sanctioned posts, eight DCs, 25 ACs, 50 CTOs, 47 ACTOs and 100 CTIs are presently working in the Department. Organisational setup of the Department is given in **Chart 3.1**.

**Chart 3.1: Organisational setup**



The receipts of commercial taxes are administered under the provisions of:

- Chhattisgarh Value Added Tax Act, 2005
- Chhattisgarh Value Added Tax Rules, 2006
- Central Sales Tax Act, 1956
- Central Sales Tax (Registration & Turnover) Rules, 1957
- Chhattisgarh Entry Tax Act, 1976
- Rules, circulars, exemptions, notifications and instructions issued by the Department and State Government from time to time.

### 3.2 Results of audit

Audit test checked records of 13<sup>1</sup> units out of 54 units relating to Commercial Tax Department in 2016-17. Revenue generated by the Department during the year 2015-16 aggregated to ₹ 9,956.64 crore of which, the audited units collected ₹ 2,028.11 crore. In addition, audit of “Process of refund under Value Added Tax” was also conducted during April 2017 to June 2017. Audit noticed irregularities involving ₹ 35.34 crore in 301 cases, which fall under the following categories as given in **Table 3.1:**

**Table 3.1: Results of audit**

| (₹ in crore) |  |              |              |
|--------------|--|--------------|--------------|
| Sl. No.      | Category                                       | No. of cases | Amount       |
| 1.           | <b>Process of refund under Value Added Tax</b> | 1            | <b>8.30</b>  |
| 2.           | Short levy of tax/tax not levied               | 105          | 10.57        |
| 3.           | Incorrect grant of exemption/deduction         | 51           | 9.45         |
| 4.           | Application of incorrect rate of tax           | 15           | 4.80         |
| 5.           | Incorrect determination of taxable turnover    | 6            | 0.80         |
| 6.           | Other irregularities <sup>2</sup>              | 123          | 1.42         |
| <b>Total</b> |  | <b>301</b>   | <b>35.34</b> |

The Department accepted underassessment of ₹ 4.86 crore in 50 cases and recovered ₹ 11.17 lakh in four cases. In the remaining cases, Audit is pursuing the matter with the Department.

During 2016-17, the Department effected recovery of ₹ 1.27 crore in 63 cases in respect of audit objections pertaining to previous Audit Reports and Inspection Reports. Out of the recovered amount, ₹ 71.38 lakh pertains to Audit and Inspection Reports prior to 2011-12.

After issue of 10 draft paragraphs involving 101 cases during 2016-17, the Department accepted underassessment of ₹ 4.20 crore in 38 cases and recovered amount of ₹ 8.62 lakh in seven cases.

### 3.3 Follow up of previous Audit Reports

In the Audit Reports for the period 2011-16, Audit had pointed out various observations amounting to ₹ 52.46 crore in 36 paragraphs against which Department accepted observations involving ₹ 16.64 crore and recovered ₹ 1.16 crore.

The PAC had selected 30 paragraphs of Audit Reports (2002-16) for discussion and gave its recommendation (2010-16) on nine paragraphs. However, ATN has been received for only three paragraphs.

On the Audit Report 2007-08 (Paragraph 2.4) the PAC had recommended on 26 March 2015 (22<sup>nd</sup> Report) that the Department immediately recover tax in

<sup>1</sup> AC Raipur, Rajnandgaon; AC-1, Div-1, Bilaspur; AC-2, Div-1, Bilaspur; Commissioner, Commercial Tax, Raipur; CTO, Ambikapur, Manendragarh, Durg-Circle 1, Raipur-Circle 1, 2, 5, 8 and 9

<sup>2</sup> Other irregularities include observations on claim of excess/inadmissible ITR; non-inclusion of the credit note or discount received in the turnover; non-inclusion of labour component.

cases where tax exemption were claimed/given on the basis of form 'F' of doubtful authenticity. However, the Department has not complied (March 2017) with PAC's recommendation.

Though the Department had complied with PAC's recommendation (81<sup>st</sup> Report, 2010-11) relating to paragraph 7.13 of Audit Report 2002-03 by taking action against erring officials in case of incorrect determination of turnover, the Department did not develop mechanism to avoid recurrence of similar irregularities as Audit noticed (2016-17) incorrect determination of turnover in six cases.

**Recommendation:**

**The Department should ensure that there is no recurrence of similar irregularities wherever the PAC has given its recommendation in earlier cases.**

**3.4 Audit on 'Process of refund under Value Added Tax'**

**3.4.1 Introduction**

The Chhattisgarh Valued Added Tax Act (CGVAT Act) 2005 provides that if the Commissioner is satisfied that the tax or penalty or both or interest paid by or on behalf of a dealer for any year exceeds the amount of the tax to which he has been assessed or the penalty imposed or the interest payable for that year, he shall be entitled to refund of such amount, which has been paid in excess, in cash or by adjustment of such excess towards the amount of tax due in respect of any other year. If the amount of input tax rebate remains unadjusted and the dealer makes an application for refund of such amount, the assessment shall be made within one year from the date of application and such amount shall be granted by way of refund.

**3.4.2 Monetary limit for sanction of refund**

The monetary limit for sanction of refund by various officers is given below:

**Table 3.2: Monetary limit for sanction of refund**

| Sanctioning Authority         | Monetary limit for sanction of refunds (April 2012 to March 2014) | Monetary limit for sanction of refunds (April 2014 to June 2016) | Monetary limit for sanction of refunds (July 2016 till date)  |
|-------------------------------|---|--|---|
| Commercial Tax Officer (CTO)  | Up to ₹ 2 lakh  | Up to ₹ 5 lakh   | Up to ₹ 2 lakh  |
| Assistant Commissioner (AC)   | Above ₹ 2 lakh and up to ₹ 5 lakh                                 | Above ₹ 5 lakh and up to ₹ 10 lakh                               | Above ₹ 2 lakh and up to ₹ 5 lakh   |
| Deputy Commissioner (DC)      | Above ₹ 5 lakh and up to ₹ 15 lakh                                | Above ₹ 10 lakh and up to ₹ 25 lakh                              | Above ₹ 5 lakh and up to ₹ 10 lakh  |
| Additional Commissioner (ADC) | Above ₹ 15 lakh and up to ₹ 25 lakh                               | Above ₹ 25 lakh and up to ₹ one crore                            | After July, 2016 the powers for sanction of refund were withdrawn   |
| Commissioner                  | Above ₹ 25 lakh   | Above ₹ one crore  | Refund above ₹ 10 lakh after due verification by a Committee comprising ADC (Technical), AC (Technical) and one Chartered Accountant. |

### **3.4.3 Audit objectives**

The audit was conducted with a view to ascertain whether:

- the system of refund of tax is effective and efficient;
- the Rules and procedures prescribed in the Act, Rules and directives regarding timeliness and accuracy of refund are scrupulously followed; and
- adequate internal control and monitoring mechanism exist for prompt exercise of constraints and checks prescribed for refunds.

### **3.4.4 Audit criteria**

The provisions of the following Acts, Rules and circulars of the Commercial Tax Department were used as sources for audit criteria:

- Chhattisgarh Value Added Tax Act, 2005 (CGVAT Act) ;
- Chhattisgarh Value Added Tax Rules, 2006 (CGVAT Rules);
- Central Sales Tax Act, 1956 (CST Act);
- Central Sales Tax (Registration & Turnover) Rules, 1957; and
- Notifications, circulars and instructions issued by the State Government from time to time.

### **3.4.5 Scope of audit and methodology**

Audit was conducted with a view to examine refund cases<sup>3</sup> sanctioned by various authorities between 1 April 2012 and 31 March 2017. Out of 56 units, 11<sup>4</sup> were selected (on the basis of stratified random sampling without replacement)<sup>5</sup> which constitutes 20 *per cent* of total units.

The audit exercise was primarily to ascertain whether the system and procedures established for refund are robust enough to prevent leakage of revenue. Audit scrutinised self-assessment and assessment cases to ascertain whether refund and carry forward of ITR was made correctly. During the period, the Department processed a total of 12,431 refund cases. Audit scrutinised 1,325 out of 2,953 cases in the 11 test checked units which constituted 44.87 *per cent* cases in test checked units and 10.65 *per cent* cases of total refund cases.

The audit objectives, criteria, scope and methodology were discussed with the Principal Secretary, Commercial Tax Department in an entry conference held on 2 May 2017. The exit conference was held on 3 January 2018 wherein the audit findings and the recommendations were discussed. Replies of the

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<sup>3</sup> Refund cases till the Financial Year 2012-13 only have been checked in audit since the refund cases for the Financial Year 2013-14 to 2016-17 have not been processed.

<sup>4</sup> DC, Durg; AC-1, Durg, AC, Korba, AC-3, Raipur, AC-5, Raipur; CTO-2, Durg, CTO-1, Raigarh, CTO-2, Raipur, CTO-3, Raipur, CTO-4, Raipur and CTO-8, Raipur (DC, AC and CTO units considered separately with decreasing order of value of refund)

<sup>5</sup> Stratified Random Sampling without Replacement (SRSWR) divides the data into smaller groups, or strata, based on shared characteristics. A random sample is taken from each group in direct proportion to the size of the group compared to the data without taking the repeated sample (i.e. without replacement).

Department received in the exit conference have been suitably incorporated in relevant paragraphs.

### 3.4.6 Acknowledgement

The cooperation of the Commercial Tax Department in providing necessary information and records to audit in time is acknowledged.

### 3.4.7 Trend of revenue and refund

Actual receipts under Value Added Tax (VAT) and Central Sales Tax (CST) during the year 2012-13 to 2016-17 are mentioned in **Table 3.3**:

**Table 3.3: Trend of revenue**

(₹ in crore)

| Year    | Receipts under VAT | Receipts under CST | Total receipts |
|---------|--------------------|--------------------|----------------|
| 2012-13 | 6,072.77           | 855.88             | 6,928.65       |
| 2013-14 | 7,001.34           | 928.17             | 7,929.51       |
| 2014-15 | 7,495.75           | 932.36             | 8,428.11       |
| 2015-16 | 7,997.04           | 911.32             | 8,908.36       |
| 2016-17 | 9,012.96           | 914.25             | 9,927.21       |

(Source: Finance Accounts of the Government of Chhattisgarh)

Out of the total revenue collection, 89 per cent revenue comes from VAT and 11 per cent from CST.

Number of refund claims received and refund allowed along with amount during the year 2012-13 to 2016-17 are detailed in **Table 3.4**:

**Table 3.4: Trend of refund**

(₹ in crore)

| Year    | Number of registered dealers | Claims received |        | Refund allowed  |        | Percentage of number of refund cases allowed to number of claims received |
|---------|------------------------------|-----------------|--------|-----------------|--------|---|
|         |                              | Number of cases | Amount | Number of cases | Amount |   |
| 2012-13 | 65,719                       | 7,660           | 87.34  | 1,183           | 36.70  | 15.44   |
| 2013-14 | 75,076                       | 7,106           | 109.00 | 2,813           | 85.65  | 39.59   |
| 2014-15 | 86,966                       | 5,555           | 137.56 | 3,056           | 131.35 | 55.01   |
| 2015-16 | 87,915                       | 7,542           | 153.23 | 2,995           | 110.29 | 39.71   |
| 2016-17 | 1,07,047                     | 5,175           | 136.85 | 2,384           | 74.24  | 46.07   |

(Source: Information furnished by the Department)

It can be seen from the above table that number of refund cases allowed along with amount did not show secular trend. It can also be seen that percentage of number of refund cases to the number of refund claims received was in the range of 15.44 to 55.01. This shows that the refunds processed by the Department were low.

Audit noticed from the self-assessment cases and assessment orders passed by the Assessing Authorities (AAs) that all the refunds claimed by the dealers related to carry forward of Input Tax Rebate (ITR)<sup>6</sup>

<sup>6</sup> Mainly due to sales to exempted industries and inter-State sales on which input tax suffered on raw material was eligible for refund.

## Audit findings

### 3.4.8 Inordinate delay in payment of refund

The CGVAT Act, 2005 stipulates that any refund is to be made within 60 days from the date of passing the order of such refund. Otherwise, the Department is liable to pay interest to the dealers at six *per cent* per annum.

Audit observed from scrutiny of refund registers maintained by 11 test checked AAs that dealers were allowed refunds in 2,953 cases during the year 2012-13 to 2016-17. In 1,039 out of 2,953 cases (35.18 *per cent*) refund was made with delays ranging from one to 2,234 days after 60 days from the date of refund order. Out of 1,039 cases, in 295 cases (28.39 *per cent*) delay was more than a year after the due date. The Department is liable to pay interest amounting to ₹ 93.91 lakh to the dealers for delay in payment of refund, which however, was not paid. Detail are mentioned in **Table 3.5**.

**Table 3.5: Delay in payment of refund**

| Name of the Unit | Total number of refund cases | Number of refund cases where delay is observed | Range of delay        | Amount of interest to be paid by the Government (₹ in lakh) |
|------------------|------------------------------|--|-----------------------|---|
| AC Korba         | 185                          | 91   | 02 days to 673 days   | 2.27  |
| CTO-2, Raipur    | 297                          | 245  | 02 days to 1,480 days | 24.97   |
| AC-3, Raipur     | 123                          | 3  | 37 days to 199 days   | 1.28  |
| CTO-2, Durg      | 310                          | 136  | 01 day to 1,539 days  | 5.48  |
| AC-1, Durg       | 191                          | 26   | 03 days to 259 days   | 2.60  |
| CTO-8, Raipur    | 472                          | 87   | 08 days to 2,194 days | 8.42  |
| DC, Durg         | 99                           | 47   | 03 days to 430 days   | 12.28   |
| CTO-1, Raigarh   | 411                          | 129  | 01 day to 2,234 days  | 15.82   |
| CTO-3, Raipur    | 394                          | 143  | 01 day to 1,622 days  | 8.17  |
| AC-5, Raipur     | 14                           | 11   | 04 days to 885 days   | 2.49  |
| CTO-4, Raipur    | 457                          | 121  | 06 days to 2,132 days | 10.13   |
| <b>Total:</b>    | <b>2,953</b>                 | <b>1,039</b>                                   |                       | <b>93.91</b>  |

The reasons for delay in payment of refund were recorded neither in the refund register nor in the case files.

In the exit conference (January 2018), the Department stated that delay in sanctioning of refund had occurred due to non-updation of bank accounts and Indian Financial System Codes (IFSC) by the dealers, technical error in e-refund portal and non-submission of related documents with annual returns.

The reply is not acceptable, as it does not address the issue of inordinate delay of more than a year.

#### **Recommendation:**

**The Department should devise a work plan to deal with refund cases in a timely manner to avoid liability of payment of interest.**

### 3.4.9 Failure of AAs to cross verify ITRs resulted in acceptance of incorrect claims and irregular carry forward/ refund of ITR

The legislative intent of submission of Form-18, VIII & VB (Annual Statement for VAT, Entry Tax & CST respectively) and Audit Report (Form-

50 or Income Tax Audit Report) by the dealers is to compare/cross-check sales, purchases, gross turnover, taxable turnover, deductions etc. The comparison/cross-checking needs to be carried out by the AAs during the assessment so as to levy and collect correct amount of tax and sanction correct refund.

The Commissioner, Commercial Tax Department ordered (November 2013) that all dealers should mandatorily submit details of sale/purchase (more than ₹ one lakh) so as to cross check the ITR claimed by them.

Audit cross check of self-assessment/refund records in various CT circles revealed failure of AAs to cross check the ITR claims with enclosed annexures resulting in incorrect allowance of claims, as detailed below.

**(i) Erroneous carry forward of ITR of ₹ 4.19 crore**

During test check of self-assessment/refund records of the CTO-2, Durg for the period 2011-12, 2012-13 and 2013-14, Audit cross checked the ITR claimed by a contractor<sup>7</sup> against the purchases shown in his annual VAT and Entry Tax returns to verify the ITR claimed during above period. Audit found that the AA irregularly allowed the dealer to avail of excess ITR of ₹ 4.19 crore (computed at minimum of five *per cent* on ₹ 83.83 crore), as per details in **Table 3.6**.

**Table 3.6: Declaration of purchases and ITR**

(₹ in lakh)

| Year          | ITR calculated in Form-18 <sup>8</sup> on |           | Total purchase value as per Form-18 (computed on the basis of ITR) | Total purchase value as per Form-VIII <sup>9</sup> Gross purchase | Difference in purchase value (4) – (5) |
|---------------|---|-----------|--|---|--|
|               | 5% goods                                  | 14% goods |  |   |  |
| (1)           | (2)                                       | (3)       | (4)  | (5)   | (6)                                    |
| 2011-12       | 78.02                                     | 39.01     | 1,839.07   | 195.05  | 1,644.02                               |
| 2012-13       | 226.94                                    | 157.48    | 5,663.63   | 384.42  | 5,279.21                               |
| 2013-14       | 69.27                                     | 34.63     | 1,632.83   | 173.18  | 1,459.65                               |
| <b>Total:</b> |   |           |  |   | <b>8,382.88</b>                        |

The AA permitted the dealer to carry forward the balance ITR every year, even though the dealer did not enclose any purchase or sale annexures with the annual returns in all the three years which are mandatory and no purchase proof was also enclosed with the cases in support of the ITR availed of by the dealer. This represents gross negligence on the part of the AA.

In the exit conference (January 2018), the Department stated that case has been reopened under Section 22(1) of CGVAT Act, 2005. Further response is awaited (August 2018).

**(ii) Short levy of tax of ₹ 3.24 crore and consequent incorrect refund of ₹ 2.76 crore**

**(a)** During scrutiny of the assessment/refund records of AC-3, Raipur, Audit noticed that a dealer<sup>10</sup> had shown sale of rice (tax free) of ₹ 20.22 crore and sale of bran, *pili mutter dal*, rice (tax free) of ₹ 6.94 crore during 2013-14

<sup>7</sup> M/s. New Lakshmi Construction Company

<sup>8</sup> Annual Statement for Value Added Tax

<sup>9</sup> Annual Statement for Entry Tax

<sup>10</sup> M/s. Shivalik power and Steel Private Limited



and 2014-15 respectively. However, Audit cross checked the business activities from his registration certificate and found that he was only a manufacturer of machined, semi-machined, un-machined steels, cast iron and other alloys steel casting and did not have any other selling activity. Further, as per his Income Tax Audit Report for 2013-14 and 2014-15, the dealer had shown turnover of trading goods as 'nil'. Hence diversion and inclusion of taxable goods in the sale of tax free goods by the dealer cannot be ruled out. In any event, the AA allowed short levy of VAT of ₹ 1.36 crore (at 5 per cent of ₹ 27.16 crore) against the purported tax free goods and incorrectly refunded ₹ 1.32 crore against excess ITR.

In the exit conference (January 2018), the Department stated that the case has been reopened under Section 22(1) of CGVAT Act, 2005. Further response is awaited (August 2018).

(b) Details of incorrect determination of turnover detected in audit are given in **Table 3.7**.

**Table 3.7: Incorrect determination of turnover**

(₹ in lakh)

| Sl. No.  | Name of Unit | Assessment year (Month and year of assessment) | Gross turnover determined by AA | Gross turnover shown in IT Audit Report | Difference in turnover | Rate of tax leviable/levied | Tax short/not levied | Refund |
|--|--------------|--|---------------------------------|---|------------------------|-----------------------------|----------------------|--------|
| 1  | AC-3, Raipur | 2011-12 (March 2016)                           | 9,097.39                        | 12,848.59                               | 3,751.20               | 5/0                         | 187.56               | 144.00 |
| A dealer engaged in manufacture and sale of electric energy and steel inserts had sold fixed assets of ₹ 37.51 crore during the year 2011-12 which the AA failed to include under gross turnover attracting tax at the rate of 5 per cent. This resulted in short levy of tax of ₹ 1.88 crore (5% of ₹ 37.51 crore). Further, the AA refunded an amount of ₹ 1.44 crore treating it as excess tax deposited by the dealer. |              |  |                                 |   |                        |                             |                      |        |

In the exit conference (January 2018), the Department stated that the case had been reopened. Further response is awaited (August 2018).

**Recommendation:**

**The Department should introduce a mechanism making it mandatory to cross-check ITR with VAT, Entry Tax and other returns and take disciplinary action against AAs who fail to perform required cross checks.**

**3.4.10 Incorrect determination of turnover of works contract**

**The AA did not comply with the circular issued (September 2012) by the Department regarding determination of taxable turnover of works contractors which resulted in incorrect refund of ₹ 86.77 lakh.**

The Government instructed (September 2012) that the taxable turnover in respect of works contract should be determined after deducting expenses relating to labour and services in the light of a Supreme Court judgment<sup>11</sup>

Audit test check of assessment/refund records of DC, Durg, revealed that in respect of a dealer engaged in works contract for the period 2009-10, the AA determined (February 2014) the taxable turnover as ₹ 25.98 crore and levied

<sup>11</sup> M/s Gannon Dunkerley & Company vs. State of Rajasthan (1993).

tax of ₹ 1.53 crore. Further, the AA carried forward the ITR of ₹ 1.49 crore after adjusting tax and TDS. However, the AA failed to determine the taxable turnover as per above judgment. Audit computed the taxable turnover<sup>12</sup> as ₹ 41.90 crore and tax as ₹ 2.40 crore<sup>13</sup> after deducting components like subletting of work, labour expenses, cost of machinery etc. This resulted in short levy of tax of ₹ 86.77 lakh. Audit also noticed that the dealer in the year 2010-11 availed refund of ₹ 95.00 lakh out of the ITR brought forward from the previous year. Had the above irregularity as pointed out by audit been noticed by the AA, refund of ₹ 95.00 lakh would have been reduced to ₹ 8.23 lakh. This resulted in excess allowance of ITR of ₹ 86.77 lakh.

In response to the audit observation, the Department reopened the case under Section 22(1) of CGVAT Act, 2005 and raised (March 2018) demand of ₹ 86.77 lakh. Report on recovery is awaited (August 2018).

## Compliance Audit observations

### Value Added Tax

#### 3.5 Incorrect classification of goods

**AAs failed to detect incorrect classification of goods declared by dealers which resulted in short levy of tax of ₹ 4.64 crore.**

Audit test check of the records in AC, Rajnandgaon and three circle offices<sup>14</sup> revealed that in seven cases (self assessed: four and assessed: three) of four dealers assessed between November 2013 and August 2016 for the period between 2011-12 and 2013-14, the dealers applied incorrect rate of tax of five *per cent* on residuary goods as against applicable rate of 14 *per cent*. The AAs failed to detect misclassification of goods even in assessed cases and levied tax at 5 *per cent*. However, Audit cross-checked the documents (sale/purchase details) enclosed with the returns and found that these were residuary goods (surface mounted water pump, fabricated/structural item, electric panel and metalised film) attracting tax at the rate of 14 *per cent*. This resulted in short levy of tax of ₹ 4.64 crore.

<sup>12</sup> Gross receipts (₹ 113.44 crore)-expenses and profit relating to labour and services (₹ 71.54 crore) = Taxable Turnover (₹ 41.90 crore)

<sup>13</sup>

| Sale value (after dividing the total sale in the ratio of purchases) | Rate of tax | Amount of tax (in lakh) |
|--|-------------|-------------------------|
| 524.79   | 12.5%       | 58.31                   |
| 322.71   | 14%         | 39.63                   |
| 2,766.95   | 4%          | 106.42                  |
| 151.92   | 5%          | 7.23                    |
| 192.36   | Tax free    | NIL                     |
| 231.40<br>(Trading goods)  | 12.5%       | 28.42                   |
| <b>4,190.13</b>  |             | <b>240.01</b>           |

<sup>14</sup> CTO, Raipur-1; Raipur-5 and Raipur-9

Audit further noticed that the Department was using CGCOMTAX IT system for assessment and levy of VAT, however, the system did not have provision for codified commodity/goods along with rate of tax to be fed by the dealers. In absence of such system, misclassification of commodity/goods by the dealers and non-detection of the same by the AAs occurred year after year resulting in short levy/payment of tax.

On this being pointed out (May 2017), the Department replied (July 2017) that in five cases demand notices of ₹ 1.26 crore had been raised and two cases were being reopened. Report on recovery is awaited (August 2018).

**Recommendation:**

**The Department should examine the failure of Assessing Authorities to levy correct rate of tax on residuary goods from a vigilance angle and take appropriate action.**

### **3.6 Non-levy of interest on delayed payment of tax**

#### **Interest of ₹ 1.02 crore not levied on delayed payment of tax.**

Audit test check of assessment records in two units<sup>15</sup> revealed that while the AAs had raised demand (December 2015 and May 2016 respectively) for ₹ 2.41 crore on Divisional Forest Officers (DFOs), Bilaspur and North Surguja towards unpaid VAT (of ₹ 1.43 crore and ₹ 97.18 lakh respectively) on the sale of timber, bamboo, etc., for the years 2010-11 and 2011-12 but failed to levy interest amounting to ₹ 1.02 crore on delayed payment.

Audit further noticed that the Department was using CGCOMTAX IT system for assessment and levy of VAT. However, the system did not have the provision to compute interest on delayed payment of tax. In the absence of such system, computation of interest on delayed payment of tax was left to the discretion of the AA.

In reply, the Department replied (July 2017) that necessary demands for interest had since been raised. Further progress is awaited (August 2018).

**Recommendation:**

**The Department should evolve an IT mechanism to compute interest on delayed payment of tax without leaving it to the discretion of AA.**

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<sup>15</sup> AC-1 and AC-2, Div.-1, Bilaspur

# **Chapter-4:**

# **Other Tax Receipts**

## CHAPTER-4: OTHER TAX RECEIPTS

### Section A: TAXES ON VEHICLES

#### 4.1 Tax administration

Receipts from taxes on vehicles are administered under the provisions of:

- Motor Vehicles (MV) Act, 1988;
- Central Motor Vehicle (CMV) Rules, 1989;
- Chhattisgarh *Motoryan Karadhan* (CGMK) *Adhiniyam*, 1991;
- Chhattisgarh *Motoryan Karadhan Niyam*, 1992;
- Chhattisgarh *Motoryan Niyam*, 1994; and
- Executive orders issued under these Acts and Rules from time to time.

The Transport Department functions under the overall charge of the Principal Secretary-cum-Transport Commissioner (TC) who is responsible for execution and implementation of policies, direction and administration, initiating proposals for change of tax rates etc. The TC is also the appellate authority for hearing of cases assessed by his subordinates. He is assisted by one Additional TC, one Joint TC, one Assistant TC and one Deputy Director, Finance (DDF) at Headquarters. There are four Regional Transport Officers (RTOs), two Additional Regional Transport Officers (ARTOs) and 16 District Transport Officers (DTOs) under the administrative control of TC. Under the supervisory control of RTOs/ARTOs/DTOs concerned, there are 15 check posts and one sub-check post. RTO is responsible for issue of permits, licences, registration of vehicles and assessment and collection of Motor Vehicle Tax and the ARTO/DTO discharges the duties of RTO except for issue of permits. Permits in respect of vehicles registered under ARTO/DTO are issued by the assigned RTO.

#### 4.2 Internal Audit

The Internal Audit Wing (IAW) of Transport Department comprises of one Internal Audit Officer, one Jr. Audit Officer, two Sr. Auditors and three Jr. Auditors. IAW was working in full strength in the year 2016-17.

During the year 2016-17, the IAW audited only 17 units against 27 units planned. The Department stated (September 2017) that directives have been issued to the audited units for compliance to 17 observations by the IAW.

Audit noticed (June 2018) that the four officials posted in the IAW were also looking after other works of the Department which may be the reason for not auditing all the planned units despite working in full strength.

#### **Recommendation:**

**The Government should strengthen IAW by providing dedicated staff.**

### 4.3 Results of audit

Audit test checked the records of 10<sup>1</sup> out of 21<sup>2</sup> units of the Transport Department in the year 2016-17. Revenue generated by the Department during the year 2015-16 aggregated to ₹ 829.22 crore of which, the audited units collected ₹ 646.71 crore. Audit noticed irregularities amounting to ₹ 12.08 crore, as mentioned in **Table 4.1**:

**Table 4.1: Results of audit**

(₹ in crore)

| Sl. No.      | Category   | No. of cases  | Amount       |
|--------------|--|---------------|--------------|
| 1.           | Non-realisation of tax/penalty from vehicles                           | 5,686         | 9.62         |
| 2.           | Non-remittance/delayed remittance of Government money in Bank/Treasury | 5,081         | 0.38         |
| 3.           | Short levy of tax  | 374           | 1.84         |
| 4.           | Non/short levy of Entry tax  | 12            | 0.23         |
| 5.           | Other irregularities <sup>3</sup>                                      | 925           | 0.01         |
| <b>Total</b> |  | <b>12,078</b> | <b>12.08</b> |

The Department accepted short realisation of trade tax, tax and penalty not realised and other irregularities etc. of ₹ 11.79 crore in 8,728 cases and recovered ₹ 3.11 crore in 2,165 cases up to June 2018. In the remaining cases, Audit is pursuing the matter with the Department.

During 2016-17, the Department effected recovery of ₹ 1.26 crore in respect of audit objection pertaining to previous Audit Reports and Inspection Reports. Out of recovered amount, ₹ 4.40 lakh pertains to Audit Reports and Inspection Reports prior to 2011-12.

### 4.4 Follow up of previous Audit Reports

In the Audit Reports for the period from 2011-12 to 2015-16, Audit had pointed out various observations amounting to ₹ 53.56 crore in 14 paragraphs against which the Department accepted observations involving ₹ 37.80 crore and recovered ₹ 3.97 crore.

The PAC had selected 11 paragraphs of eight Audit Reports for the years 2003-04, 2004-05 and 2006-07 to 2011-12 for discussion and gave its recommendations on four paragraphs of Audit Reports for the years 2003-04, 2004-05, 2006-07 and 2008-09. However, Action Taken Note (ATN) has not been received in respect of one paragraph for the year 2008-09.

The PAC had given its recommendations (46<sup>th</sup> Report, 2009-10; 56<sup>th</sup> Report, 2009-10; 96<sup>th</sup> Report, 2011-12) on the Audit Reports 2003-04 (paragraph 7.22), 2004-05 (Paragraph 7.26) and 2006-07 (Paragraph 3.2) to make

<sup>1</sup> ARTO: Durg and Rajnandgaon; DTO: Balodabazar, Gariyaband, Korba and Raigarh; and RTO: Bastar, Bilaspur, Raipur and Surguja

<sup>2</sup> Transport Commissioner and 20 RTOs/ARTOs/DTOs

<sup>3</sup> Other irregularities includes plying of overage vehicles, plying of vehicles without fitness certificate and non-renewal of permit by transport vehicles etc.

recoveries of outstanding tax at the earliest and to take action against negligent officials. Audit noticed that the Department recovered tax and penalty amounting to ₹ 1.08 crore out of total ₹ 5.48 crore involved in these paragraphs and initiated action against officials as recommended in 46<sup>th</sup> and 56<sup>th</sup> Report of PAC. Despite this, similar observations were noticed by Audit in 2016-17. This indicates that the Department has not evolved any mechanism to prevent recurrence of similar irregularities.

**Recommendations:**

**The Department should immediately effect recovery of tax and ensure non-recurrence of observations at least in similar cases in which assurances/instructions have been issued earlier.**

**4.5 Motor Vehicle Tax from the owners of vehicles not realised**

**Failure of RTOs/ARTOs/DTOs to issue demand notices resulted in non-recovery of tax of ₹ 3.48 crore and penalty of ₹ 2.31 crore from 2,263 vehicle owners.**

Chhattisgarh *Motoryan Karadhan (CGMK) Adhiniyam*, 1991 prescribes that tax<sup>4</sup> shall be levied on every goods and passenger vehicles used or kept for use in the State at the rate prescribed in the first schedule of the *Adhiniyam*. In case of non-payment of the tax, the owner of goods and passenger vehicles is liable to pay penalty<sup>5</sup> but not exceeding the amount of unpaid tax. Where any owner fails to pay tax, penalty or both, the taxation authority is required to issue a demand notice and take action to recover the amount as arrears of land revenue. If a vehicle owner wants his vehicle off-road for a particular period, he shall submit the intimation of non-use before the commencement of the period of non-use to the Taxation Authority concerned.

Audit test check (between April 2016 and December 2016) of Demand and Collection Register and VAHAN Database relating to 8,305 vehicles out of 1,09,221 registered vehicles in seven Transport offices<sup>6</sup> revealed that owners of 4,145 vehicles<sup>7</sup> did not pay tax amounting to ₹ 5.68 crore for the period March 2015 to November 2016. Owners of these vehicles had not submitted any off-road declaration. However, the concerned RTOs/ARTOs/DTOs did not issue demand notices to the defaulting vehicle owners for recovery of the outstanding tax. This resulted in non-realisation of tax amounting to ₹ 5.68 crore (Goods Vehicles: ₹ 3.47 crore and Passenger Vehicles: ₹ 2.21 crore). Besides, penalty amounting to ₹ 3.20 crore (Goods Vehicles: ₹ 2.04 crore and Passenger Vehicles: ₹ 1.16 crore) was also leviable on the unpaid amount of tax.

On this being pointed out, the Department replied (October 2017 and July 2018) that ₹ 3.09 crore (Tax: ₹ 2.20 crore and Penalty: ₹ 88.99 lakh) had

<sup>4</sup> Monthly tax (Passenger Vehicles); Quarterly tax (Goods Vehicles) and Life time tax (Other than passenger and goods vehicles)

<sup>5</sup> One twelfth (Passenger and Goods Vehicles) and one-hundredth (maxi-cab) of the unpaid amount of tax for the default of each month and part thereof.

<sup>6</sup> ARTO, Durg and Rajnandgaon; DTO, Korba and Raigarh; RTO, Bilaspur, Raipur and Surguja

<sup>7</sup> 3,336 (Goods vehicles) + 809 (Passenger vehicles) = 4,145 vehicles

been recovered from 1,882 vehicle owners. Demand notices for recovery of outstanding amount of ₹ 5.79 crore from 2,263 vehicle owners had been raised. Thus, the amount of ₹ 5.79 crore (Tax: ₹ 3.48 crore and Penalty: ₹ 2.31 crore) is still outstanding from the 2,263 vehicle owners.

Similar observations were pointed out in Audit Reports for the years 2011-12 to 2015-16 but appropriate action was not taken by the Department to check the persistence of such irregularities.

**Recommendation:**

**The Department may evolve a mechanism to ensure that Vehicle Taxes are collected fully and defaulters are not allowed to escape the payment of tax and penalty.**

## **Section B: STATE EXCISE**

### **4.6 Tax administration**

Excise revenue mainly comprises of Excise duty, licence fee etc., on manufacture, wholesale, retail sale, transportation of intoxicants under Chhattisgarh Excise Act, 1915. Under the provisions of the Chhattisgarh Entertainment Duty and Advertisement Tax Act, 1936, the Department also collects revenue in the form of Entertainment Duty from cinemas, video and cable TV operators and Direct-to-Home (DTH) operators.

Secretary cum Excise Commissioner (EC) is responsible for formulation and implementation of the excise policy. Two Additional Excise Commissioners (AECs), one Officer on Special Duty (OSD), two Deputy Commissioners (DCs) and five Assistant Commissioners (ACs) assist him at the headquarters. The Department has three divisions each headed by a Deputy Commissioner. In each of these divisions, there is a Flying Squad which supervises district offices, distilleries and bottling plants in the division. The Collector is the head of excise administration in each of the 27 districts and is assisted by ACs/DEOs at district headquarters/distilleries.

The receipts of Commercial Tax (Excise) Department are administered under the provisions of:

- Chhattisgarh Excise Act, 1915;
- Chhattisgarh Distillery Rules, 1995;
- Chhattisgarh Foreign Liquor Rules, 1996;
- Chhattisgarh Country Spirit Rules, 1995 and
- Chhattisgarh retail sale of excise country/foreign liquor settlement of licence Rules, 2002.

### **4.7 Internal Audit**

The Internal Audit Wing (IAW) is headed by Joint Director (JD), Finance. Audit noticed that against the sanctioned strength of one JD (Finance), two Assistant Accounts Officers, one Assistant Grade II and two Assistants Grade III, there were only one JD (Finance), one Assistant Accounts Officer and two



Assistants Grade III during the year 2016-17. One post each of Assistant Accounts Officer and Assistant Grade II are vacant for more than seven years.

Audit further noticed that IAW did not conduct internal audit during the period 2012-13 to 2015-16. Though IAW planned audit of 12 units in 2016-17, it audited only eight units.

The Department stated (June 2018) that the issue of filling up of vacant posts was addressed to the Principal Secretary, Finance but the posts are still lying vacant. It was further stated that due to non-availability of staff and dual charge by JD, Finance, all the planned units could not be audited. The Department further stated (June 2018) that compliance report was received from only one unit and reminders have been issued to remaining seven units for submission of the same.

**Recommendation:**

**The State Government should ensure filling up of vacancies in IAW and effective compliance to internal audit findings.**

**4.8 Results of audit**

Audit test checked records of 17 units<sup>8</sup> out of 27 units<sup>9</sup> relating to Commercial Tax (Excise) Department in 2016-17. Revenue generated by the Department during the year 2015-16 aggregated to ₹ 3,367.12 crore<sup>10</sup> of which, the audited units collected ₹ 2,782.91 crore<sup>11</sup>. Audit noticed irregularities involving ₹ 45.06 crore in 19,569 cases, which fall under the following categories as given in **Table 4.2:**

**Table 4.2: Results of audit**

| <i>(₹ in crore)</i> |   |               |              |
|---------------------|---|---------------|--------------|
| Sl. No.             | Category  | No. of cases  | Amount       |
| 1.                  | Non/short levy, loss of excise duty and licence fee                               | 104           | 4.42         |
| 2.                  | Non-levy of penalty for failure to maintain minimum stock of spirit in warehouses | 51            | 2.83         |
| 3.                  | Non-levy/non-recovery of excise duty on excess wastage                            | 12            | 0.20         |
| 4.                  | Other irregularities <sup>12</sup>  | 19,402        | 37.61        |
| <b>Total</b>        |   | <b>19,569</b> | <b>45.06</b> |

The Department accepted (between April 2016 and February 2017) 570 cases involving ₹ 16.03 crore and recovered (upto June 2018) ₹ 29.64 lakh in 22 cases.

<sup>8</sup> AC, Bilaspur, Durg, Janjgir-Champa, Korba, Raigarh, Raipur, Rajnandgaon and DEO, Balod, Bastar, Dantewada, Dhamtari, Jashpur, Kanker, Kawardha, Korea, Mahasamund and Surguja

<sup>9</sup> One EC; six ACs and 20 DEOs

<sup>10</sup> State excise (₹ 3,338.40 crore) and Entertainment tax (₹ 28.72 crore)

<sup>11</sup> ₹ 2,754.28 crore (State excise) and ₹ 28.63 crore (Entertainment tax)

<sup>12</sup> Other irregularities include “Non-issuance of Registration Card to subscribers by DTH operators”, “Blockage of revenue”, etc.

After issue of Draft Paragraphs, the Department reported recovery of interest of ₹ 23.35 lakh from 12 licensees for delayed deposit of licence fee and excise duty.

During the year 2016-17, the Department effected recovery of ₹ 44.09 lakh in 10 cases in respect of audit objection pertaining to previous Audit Reports and Inspection Reports. All the recovered amount pertained to Audit and Inspection Reports prior to 2011-12.

#### **4.9 Follow up of previous Audit Reports**

In the Audit Reports for the period from 2011-12 to 2015-16, Audit had pointed out various observations amounting to ₹ 270.69 crore against which the Department accepted observations involving ₹ 85.46 crore and recovered ₹ 0.79 lakh.

The PAC had selected nine paragraphs of seven<sup>13</sup> Audit Reports for discussion and gave its recommendations on two paragraphs of Audit Reports for the years 2005-06 and 2007-08. However, ATN has not been received for one paragraph 3.2.7 of Audit Report 2007-08 wherein the PAC has recommended (8<sup>th</sup> Report, 2014-15) to fix norm for yield of alcohol from grains in consultation with Principal Accountant General.

#### **Recommendation:**

**The Department should ensure prompt compliance to PAC recommendations.**

#### **4.10 Irregular adjustment of outstanding dues against Bank Guarantee and Security Deposit**

**Instead of forfeiting Bank Guarantee (BG) and Security Deposit (SD), the Department adjusted outstanding dues of ₹ 27.73 crore against BG of ₹ 3.04 crore and SD of ₹ 2.13 crore and raised demand for ₹ 22.56 crore only on cancellation of licence of six licensees and acceptance of applications for surrender of another four licensees who had not paid licence fee and duty for the period of operation of shops.**

Chhattisgarh retail sale of excise country/foreign liquor settlement of licence Rules, 2002 stipulates that Security Deposit (SD)<sup>14</sup> and Bank Guarantee (BG)<sup>15</sup> is to be deposited by the licensee. Further, under Section 33 of Chhattisgarh Excise Act, 1915, any holder of a licence may surrender his licence on the expiration of one month's notice in writing given by him to the Collector for his intention to surrender the same, and on payment of the fee payable for the licence for the remainder of the period for which it would have been current but for such surrender. In case of cancellation of licence, the licensing authority shall initiate action for cancellation of licence and forfeiture of securities deposited by licensee under Section 31 and Rule 23

<sup>13</sup> Audit Reports for the years 2004-05, 2005-06, 2007-08, 2008-09, 2010-11, 2011-12 and 2012-13

<sup>14</sup> Amount equal to one twelfth of the Excise Duty payable on Minimum Guarantee Quota (MGQ)

<sup>15</sup> Amount equal to one twelfth of the Licence Fee payable on MGQ

respectively. The licensee shall not be entitled to claim for any compensation or refund of SD and BG in case of cancellation of licence. Rule 21 specifies that adjustment shall be made only in case of payment in the month of March and final payment by licensee.

Audit test check of records of 76 cases of settlement of country/foreign liquor group of shops for the year 2014-15 and 2015-16 in two offices<sup>16</sup> revealed that four<sup>17</sup> licensees applied for surrender of their licences (between June 2015 and July 2015), but failed to deposit licence fee (₹ 13.32 crore) and excise duty (₹ 7.13 crore) for the remaining period of licence nor cleared their dues for the period of operation of shops. Similarly, licences of six<sup>18</sup> licensees were cancelled (between February 2015 and October 2015) by the Department due to non-payment of duty and fee amounting to ₹ 7.28 crore. Instead of forfeiting BG and SD as per Rule 23 of the Rules *ibid*, the Department irregularly adjusted outstanding dues of ₹ 27.73 crore against BG and SD of ₹ 5.17 crore<sup>19</sup> and raised demand for ₹ 22.56 crore only.

The Department reply (November 2017) did not address the audit observation.

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<sup>16</sup> AC, Bilaspur and AC, Janjgir-Champa

<sup>17</sup> Group of shops – Barpali, Chandrapur, Kosmanda and Taraud (AC, Janjgir- Champa)

<sup>18</sup> Group of shops- Bamnidih (AC, Janjgir-Champa); Chuchiapara, Ganiyari, Juna Bilaspur, Lingyadh and Vyapar Vihar (AC, Bilaspur)

<sup>19</sup> Bank Guarantee: ₹ 3.04 crore and Security Deposit: ₹ 2.13 crore

**Chapter-5:**  
**Forestry and Wild life**

## CHAPTER 5: FORESTRY AND WILD LIFE

### 5.1 Tax administration

The Principal Chief Conservator of Forests (PCCF) heads the Forest Department under the administrative control of the Principal Secretary, Forest. PCCF is assisted by 12 Additional PCCFs (APCCFs) and six Chief Conservators of Forests (CCFs) at Headquarters. The forest area in the State has been divided into six circles each headed by a Chief Conservator of Forests. These circles have been further divided into Forest Divisions which are administered by the Divisional Forest Officers (DFOs) who are assisted in field by the Sub Divisional Officers (SDOs) and Range Officers (ROs).

The Department is administered under provisions of the following Acts and Rules:

- The Indian Forest (IF) Act, 1927 and Rules<sup>1</sup> made thereunder;
- Forest Conservation (FC) Act, 1980 and Rules<sup>2</sup> made thereunder;
- Chhattisgarh Financial Code;
- Working Plan of the Divisions; and
- Instructions/orders issued by the Government/Department from time to time

### 5.2 Results of audit

Audit test checked records of 19<sup>3</sup> out of 60 offices relating to Forest Department during the year 2016-17. Expenditure incurred and revenue generated by the Department during the year 2015-16 aggregated to ₹ 1,105.23 crore and ₹ 409.75 crore respectively. The audited units incurred expenditure of ₹ 455.30 crore and collected revenue of ₹ 246.89 crore. Audit noticed irregularities of ₹ 116.22 crore in 1,329 cases which fall under the categories as detailed in **Table 5.1:**

**Table 5.1: Results of audit**

| <i>(₹ in crore)</i>   |                        |              |              |
|-----------------------|------------------------|--------------|--------------|
| Sl. No.               | Category               | No. of cases | Amount       |
| <b>A. Expenditure</b> |                        |              |              |
| 1.                    | Irregular expenditure  | 183          | 40.90        |
| 2.                    | Avoidable expenditure  | 31           | 10.61        |
| 3.                    | Unfruitful expenditure | 152          | 19.27        |
| 4.                    | Excess expenditure     | 72           | 11.96        |
| 5.                    | Other irregularities   | 128          | 10.40        |
| <b>Total</b>          |                        | <b>566</b>   | <b>93.14</b> |

<sup>1</sup> Chhattisgarh Protected Forest Rules, 1960; Chhattisgarh Timber and other minor forest produce rate fixation (extension) Rules, 1974; Establishment of Forest Village in Reserve and Protected Forest Rules, 1977; Chhattisgarh Grazing Rules, 1986 and Chhattisgarh Transit (Forest Produce) Rules, 2001

<sup>2</sup> Forest Conservation Rules, 2003

<sup>3</sup> DFO, Balodabazar, Balrampur, Bhanupratappur (West); Bilaspur; Dhamtari; Gariyabad; Jashpur; Kanker; Katghora; Kawardha; Khairagarh; Korba; Korea; Mahasamund; Manendragarh; Raigarh; Rajnandgaon; Surajpur and Surguja

| <b>B. Receipts</b> |   |            |              |
|--------------------|---|------------|--------------|
| 6.                 | Short realisation of revenue due to sale of forest produce below the upset price <sup>4</sup> | 646        | 3.35         |
| 7.                 | Revenue not realised due to deterioration/shortage of forest produce                          | 55         | 5.92         |
| 8.                 | Loss of revenue due to low yield of timber/bamboo   | 28         | 1.24         |
| 9.                 | Other irregularities  | 34         | 12.57        |
| <b>Total</b>       |   | <b>763</b> | <b>23.08</b> |

During the course of the year, the Department accepted 217 cases involving ₹ 19.80 crore. In the remaining cases, Audit is pursuing the matter with the Department.

During 2016-17, the Department effected recovery of ₹ 2.22 lakh in three cases in respect of audit objections pertaining to previous Audit Reports and Inspection Reports. Out of recovered amount, ₹ 45,000 pertains to Audit Reports and Inspection Reports prior to 2011-12.

### **5.3 Follow up of previous Audit Reports**

In the Audit Reports for the period from 2011-12 to 2015-16, Audit had pointed out various observations amounting to ₹ 306.90 crore in 39 paragraphs against which Department accepted observations involving ₹ 85.44 crore and recovered ₹ 18.45 crore.

The PAC had selected 22 paragraphs of Audit Reports (2002-12) for discussion and gave its recommendation (2004-06) on three paragraphs. However, Action Taken Note (ATN) has been received in only one paragraph.

### **5.4 Breach of Forest Conservation Act, 1980**

**Two Divisional Forest Officers (DFOs) incurred expenditure of ₹ 2.33 crore on construction of six new Water Bound Macadam (WBM) roads without taking clearance from GoI as required under the Forest Conservation Act, 1980.**

Guidelines (April 2005) issued by Ministry of Environment and Forests (MoEF) under FC Act, 1980 stipulates that upgradation of roads constructed in forest area prior to 1980 from 'kutcha<sup>5</sup> to pucca<sup>6</sup>' is allowed. However, no widening of roads shall be undertaken and no breaking of fresh forest land shall be carried out without prior permission of Central Government under FC Act, 1980.

The CCF, Bilaspur and Surguja sanctioned (between July 2014 and April 2015) ₹ 3.42 crore for the upgradation of forest roads to WBM roads during the year 2014-15 and 2015-16. During test check of Progress Report of the construction activities for the years 2014-15 and 2015-16 in two<sup>7</sup> DFOs, Audit noticed (between April 2016 to June 2016) that the Divisions upgraded nine forest roads of 37 kilometer length to WBM roads by incurring expenditure of ₹ 3.42 crore.

<sup>4</sup> Upset price is the reserve price of each timber lot below which the lot cannot be sold during the first auction.

<sup>5</sup> Fair weather road negotiable only during fair weather, as opposed to "all weather road"

<sup>6</sup> All weather road (WBM, CC, BM) which is negotiable during all weathers

<sup>7</sup> Korea and Marwahi

Further scrutiny of Working Plans (WPs)<sup>8</sup> of the Divisions revealed that out of nine forest roads which were upgraded, six roads having a length of 25 kilometer<sup>9</sup> were not mentioned in the WPs. As these roads were not mentioned in the WPs, the expenditure of ₹ 2.33 crore<sup>10</sup> incurred was on construction of new WBM road, but not on upgradation of existing road. Breaking of fresh forest land for construction of new forest roads was carried out without taking clearance from the GoI as required under the FC Act.

Accepting the audit observation, the DFOs Marwahi and Korea replied (April 2016 and June 2016 respectively) that the road was constructed on demand of local representatives/ villagers.

The matter was reported to the Government/Department (July 2017). Their reply has not been received (August 2018).

### **5.5 Excess and avoidable expenditure on unirrigated mixed plantation**

**The norms for departmental plantation of unirrigated mixed plantation was set higher than the plantation norms under CAMPA resulting in avoidable expenditure of ₹ 2.03 crore.**

The norms for site preparation work<sup>11</sup> for unirrigated mixed plantation under State Compensatory Afforestation Fund Management and Planning Authority (State CAMPA) for the year 2014-15 was ₹ 52,000 for plantation of 1,100 plants per hectare. The pit size prescribed in the Working Plan for plantation of bamboo and other species is 45 cm x 45 cm x 45 cm and 30 cm x 30 cm x 30 cm respectively.

Audit test check (between May 2016 and August 2016) of allotment files and plantation records in four<sup>12</sup> Divisions revealed that site preparation for plantation of 14.25 lakh mixed plants<sup>13</sup> was carried out (2014-15) in 1,295.192 hectare<sup>14</sup> by incurring expenditure of ₹ 9.43 crore under departmental head. Audit further scrutinised the norms for unirrigated mixed plantation under departmental head and noticed that the Department had set the norms of ₹ 72,800 per hectare for site preparation of 1,100 plants per hectare for the year 2014-15.

While comparing the norms of site preparation with CAMPA work<sup>15</sup>, Audit noticed that under departmental norms, the pit size prescribed for plantation of 1,100 plants per hectare was 45 cm x 45 cm x 45 cm as against the size of 30 cm x 30 cm x 30 cm under State CAMPA. Out of plantation of 14,24,711 plants

<sup>8</sup> Working Plan is the main instrument of forest planning in the country for scientific management of forests

<sup>9</sup> Korea- one road (5 km) and Marwahi –five roads (20 km)

<sup>10</sup> Korea (₹ 50.53 lakh) and Marwahi (₹ 1.82 crore)

<sup>11</sup> Site preparation work involves work like site cleaning, pit digging, fencing work etc. carried out in advance to plantation work

<sup>12</sup> Balodabazar; Balrampur; Jashpur and Korba

<sup>13</sup> 3,60,043 (bamboo) and 10,64,668 (other species)

<sup>14</sup> Balodabazar (296.71 hectare); Balrampur (634 hectare); Jashpur (260 hectare) and Korba (104.482 hectare)

<sup>15</sup> Both the departmental works and CAMPA predominantly comprise the same type of plants/trees.

in 1,295.192 hectare under departmental norms, 10,64,668 plants was of other species for which pit digging of 30 cm x 30 cm x 30 cm was prescribed in the WP while for the remaining 3,60,043 plants the pit size prescribed was 45 cm x 45 cm x 45 cm. The Department instead of carrying out the work of 10,64,668 plants (other species) by digging pits of 30 cm x 30 cm x 30 cm size, carried out the work by digging pits of bigger size. As a result, the labour charges under departmental plantation and the consumption of vermin-compost/fertilizers exceeded by more than three times<sup>16</sup>, resulting in excess expenditure of ₹ 2.03 crore<sup>17</sup> in the work of site preparation for unirrigated mixed plantation under departmental head in the year 2014-15.

In their replies to the audit observation, the concerned DFOs replied (between May 2016 and August 2016) that the norms for unirrigated mixed plantation under departmental head were fixed by the higher authorities and the work was executed as per the norms and the project report approved by the Department.

The matter was brought to the notice (July 2017) of the Department for their comments. Their reply has not been received (August 2018).

**Recommendation:**

**The Department should ensure uniformity in setting of norms for forestry work of same type covered under different schemes.**

**5.6 Store purchase procedures not observed**

**Five forest divisions procured store items amounting to ₹ 3.23 crore without floating open tender in violation of the Chhattisgarh Store Purchase Rules, 2002.**

Chhattisgarh Government Store Purchase Rules, 2002 stipulates Limited Tender<sup>18</sup> for procurement of store items valued between ₹ 5,000 and ₹ 50,000, through open tender for store items valued above ₹ 50,000. The State Government in its order (July 2003) clarified that direct purchase from *Sahkari Upbhokta Bhandar/Kendriya Bhandar/* National Consumer Cooperative Forum (NCCF) is not permissible and provisions of Store Purchases Rule should invariably be adhered to while procuring store items.

Audit test check of vouchers, store purchases files in five<sup>19</sup> divisions revealed that Secretary, Forest Department directed (September 2014) all the divisions to procure store items directly from *Kendriya Bhandar*, Raipur. This was contrary to the provisions of the Chhattisgarh State Store Purchase Rules, 2002 and also the Secretary, Forest Department is not the competent authority to relax the provisions of the Chhattisgarh Government Store Purchase Rules, 2002.

Five Divisions procured items such as Global Positioning System (GPS), Tracking devices, Neem cake, pesticides etc., valued at ₹ 3.23 crore directly

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<sup>16</sup> As per the plantation norms one fourth of the pit digged for plantation should be fed with manure i.e. under departmental norms (91,125 cu cm/4= 22,781.25 cu cm) were consumed as against under State CAMPA (27,000 cu.cm./4= 6,750 cu.cm.) per pit was to be consumed.

<sup>17</sup> Labour charges: ₹ 12.60 per pit (departmental work)- ₹ 6.30 per pit (CAMPA) = ₹ 6.30 per pit and vermin-compost cost: ₹ 18.18 per pit (departmental work)- ₹ 5.45 per pit (CAMPA) = ₹ 12.73 per pit. Total ₹ 19.03 per pit x 10,64,668 plants of other species

<sup>18</sup> Procurement of store items by inviting quotation from at least three suppliers

<sup>19</sup> Balodabazar, Dhamtari, Katghora, Korba and Korea



from *Kendriya Bhandar*, NCCF and Chhattisgarh State Consumer Cooperative Society Federation (CSCCF) during the period 2014-15 and 2015-16 . As each purchase was valued above ₹ 50,000, these items should have been procured through open tender.

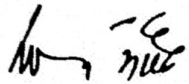
The matter was brought to the notice (September 2017) of the Department for their comments. Their reply has not been received (August 2018).

**Raipur**  
**The 26 November 2018**

  
**(BIJAY KUMAR MOHANTY)**  
**Principal Accountant General (Audit)**  
**Chhattisgarh**

**Countersigned**

**New Delhi**  
**The 27 November 2018**

  
**(RAJIV MEHRISHI)**  
**Comptroller and Auditor General of India**

# **APPENDIX**

## APPENDIX-1

(Reference paragraph 1.2.3)



बिजय कुमार मोहन्ति  
प्रधान महालेखाकार ( लेखापरीक्षा )  
BIJAY KUMAR MOHANTY  
Principal Accountant General (Audit)

DO Letter No. RS(Report)/Chapter-1/D- 12.c  
भारतीय लेखा एवं लेखा परीक्षा विभाग  
कार्यालय प्रधान महालेखाकार ( लेखा परीक्षा ), छत्तीसगढ़, राय  
INDIAN AUDIT & ACCOUNTS DEPARTMENT  
Office of Principal Accountant General (Audit), Chhattisgarh, Raip

दिनांक  
Date : 24.07.2018

Dear Sir,

Kindly refer to this office letters dated 11.6.2018, 14.6.2018, 18.6.2018 and 11.7.2018 in which information regarding preparation of budget and actual receipts of revenue in which copy of minutes of budget finalised with the departments, reasons for increase/decrease in Budget Estimates/Revised Estimates and Actuals and revision of the budget estimates proposed by the Department by the Finance Department and the reasons for revision for the financial years 2012-13 to 2016-17 was sought.

As per the information provided by various Departments, it was seen that in Excise Department, one post of Assistant Accounts Officer and one post of Assistant Grade II for internal audit are vacant for more than seven years. Similarly, in Registration Department, sanctioned posts of two Assistant Internal Audit Officers are lying vacant and in Forest Department, against the sanctioned strength of five posts of Internal Audit Wing (IAW), two posts are vacant since 2012-13.

These Departments had issued letters to Finance Department to fill the vacancies but the posts have not been filled up yet. The reasons for not filling the posts may please be furnished. Further, Commissioner, Commercial Tax Department and Chief Electrical Inspector informed that no posts are sanctioned for IAW in their Departments.

Kindly give reasons for not sanctioning any posts in Commercial Tax and Energy (Electricity) Departments. This information is to be included in the Comptroller and Auditor General's Audit Report of Revenue Sector for the year 2016-17.

I will be grateful, if you could make arrangements to provide the required information at the earliest for onward submission to CAG.

With Regards,

Yours sincerely,

Shri Amitab Jain,  
Principal Secretary,  
Finance Department  
Government of Chhattisgarh,  
Mantralaya,  
Naya Raipur.

पोस्ट - मांडर, जीरो प्वाइंट, रायपुर - 493 111 ( छत्तीसगढ़ )  
Post - Mandhar, Zero Point, Raipur - 493 111 (Chhattisgarh)

# **GLOSSARY**

## GLOSSARY OF ABBREVIATIONS

| Abbreviation | Full form   |
|--------------|---|
| AA           | Assessing Authority   |
| AC           | Assistant Commissioner  |
| ACCT         | Assistant Commissioner Commercial Tax                               |
| ACM          | Audit Committee Meeting   |
| ACTO         | Assistant Commercial Tax Officer                                    |
| AMO          | Assistant Mining Officer  |
| APCCF        | Additional Principal Chief Conservator of Forest                    |
| ARTO         | Additional Regional Transport Officer                               |
| ATN          | Action Taken Note   |
| BE           | Budget Estimate   |
| BG           | Bank Guarantee  |
| BISAG        | Bhaskaracharya Institute for Space Applications and Geo-informatics |
| CAMPA        | Compensatory Afforestation Fund Management and Planning Authority   |
| CCF          | Chief Conservator of Forest   |
| CCT          | Commissioner of Commercial Tax                                      |
| CGET         | Chhattisgarh Entry Tax  |
| CGMK         | Chhattisgarh Motoryan Karadhan Adhiniyam                            |
| CGVAT        | Chhattisgarh Value Added Tax  |
| CIMFR        | Central Institute of Mining and Fuel Research                       |
| CMMR         | Chhattisgarh Minor Mineral Rules                                    |
| CPP          | Captive Power Plant   |
| CST          | Central Sales Tax   |
| CTD          | Commercial Tax Department   |
| CTI          | Commercial Tax Inspector  |
| CTO          | Commercial Tax Officer  |
| DC           | Deputy Commissioner   |
| DDF          | Deputy Director, Finance  |
| DDMA         | Deputy Director Mineral Administration                              |
| DFO          | Divisional Forest Officer   |
| DGM          | Director, Geology and Mining  |
| DMO          | District Mining Officer   |
| DTO          | District Transport Officer  |
| ET           | Entry Tax   |
| GoCG         | Government of Chhattisgarh  |
| GoI          | Government of India   |
| IAW          | Internal Audit Wing   |
| IBM          | Indian Bureau of Mines  |
| IFSC         | Indian Financial System Code  |
| IR           | Inspection Report   |
| ITR          | Input Tax Rebate  |
| MCR          | Mineral Concession Rules  |
| MGQ          | Minimum Guarantee Quota   |
| MI           | Mining Inspector  |

|      |   |
|------|---|
| MMDR | Mines and Minerals Development and Regulation |
| MoU  | Memorandum of Understanding                   |
| MRD  | Mineral Resources Department                  |
| MT   | Metric Tonne                                  |
| NMET | National Mineral Exploration Trust            |
| PA   | Performance Audit                             |
| PAC  | Public Accounts Committee                     |
| PCCF | Principal Chief Conservator of Forest         |
| RF   | Registration Fees                             |
| RO   | Range Officer                                 |
| ROM  | Run of Mine                                   |
| RRC  | Revenue Recovery Certificate                  |
| RTO  | Regional Transport Officer                    |
| SD   | Stamp Duty                                    |
| SDO  | Sub-Divisional Officer                        |
| TC   | Transport Commissioner                        |
| TDS  | Tax Deduction at Source                       |
| TTO  | Taxable Turnover                              |
| VAT  | Value Added Tax                               |
| WBM  | Water Bound Macadam                           |



**COMPTROLLER AND  
AUDITOR GENERAL OF INDIA**  
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