Report
Of The
Comptroller And
Auditor General Of India

For The Year Ended
31 March 2007

(Revenue Receipts)

Government of Bihar

TABLE OF CONTENTS

PREFACE

This report for the year ended 31 March 2007 has been prepared for submission to the Governor under Article 151 (2) of the Constitution.

The audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This report presents the results of audit of receipts comprising taxes on sales, trade etc., State excise, taxes on vehicles, land revenue, other tax receipts, mineral concession, fees and royalties and other non-tax receipts of the State.

The cases mentioned in this report are among those, which came to notice in the course of test audit of records during the year 2006-07 as well as those which came to notice in earlier years but could not be covered in previous reports.

OVERVIEW

This report contains 33 paragraphs including one review relating to non/short levy of tax, interest etc. involving Rs. 206.42 crore. Some of the major findings are mentioned below:

I. General

Total receipts of the Government of Bihar for the year 2006-07 were Rs. 23,083.19 crore. The revenue raised by the State Government amounted to Rs. 4,544.36 crore comprising tax revenue of Rs. 4,033.08 crore and non-tax revenue of Rs. 511.28 crore. The receipts from the Government of India were Rs. 18,538.83 crore (States' share of divisible Union taxes: Rs. 13,291.72 crore and grants in aid: Rs. 5,247.11 crore). Thus, the State Government could raise only 20 *per cent* of total revenue.

(Paragraph 1.1.1)

Test check of the records of commercial taxes, State excise, taxes on vehicles, land revenue, non-ferrous mining and metallurgical industries and other departmental offices conducted during the year 2006-07 revealed under assessment/short levy/loss of revenue of Rs. 607.01 crore in 4,643 cases. During the year 2006-07, the concerned departments accepted under assessments and other deficiencies of Rs. 237.82 crore involved in 746 cases.

(Paragraph 1.10)

The number of inspection reports and paragraphs issued upto December 2006 but not settled by June 2007 stood at 3,126 and 16,835 respectively involving Rs. 3,273.56 crore. For 2,237 inspection reports, even first replies have not been received though these were required to be furnished within one month of their receipt.

(Paragraph 1.11)

II. Taxes on sales, trade etc.

In one commercial taxes circle, excise duty of Rs. 125 crore was not included in the turnover of a dealer, which resulted in short levy of tax of Rs. 21.87 crore including additional tax and surcharge.

(Paragraph 2.2.1.1)

In one commercial taxes circle, in case of a dealer, though the interstate sale of goods valued as Rs. 72.33 crore was not supported by the declaration forms, tax was levied at lower rates. This resulted in underassessment of tax of Rs. 9.64 crore.

(Paragraph 2.3.1)

In 10 commercial taxes circles, suppression of sales/purchase turnover of Rs. 47.69 crore by 35 dealers resulted in short levy of tax of Rs. 8.04 crore.

(Paragraph 2.4)

In one commercial taxes circle, incorrect allowance of exemption of Rs. 46.01 crore resulted in short levy of tax of Rs. 1.79 crore including additional tax and surcharge.

(Paragraph 2.5.1)

III. State excise

In seven excise districts, the retail licensees did not lift the minimum guaranteed quota during the year 2002-03 to 2005-06 leading to the loss of revenue of Rs. 47.98 crore.

(Paragraph 3.2.1)

In 10 excise districts, 219 country spirit, 153 spiced country spirit and 75 India made foreign liquor shops were settled after a lapse of time ranging between 1 and 11 months resulting in loss of revenue of Rs. 11.85 crore.

(Paragraph 3.3.1)

IV. Taxes on motor vehicles

In eight district transport offices, certificates of fitness were issued to 95 transport vehicles without ensuring uptodate payment of tax, which resulted in non-realisation of tax of Rs. 2.74 crore (including penalty) for the period between July 2002 and July 2006.

(Paragraph 4.2)

In 30 district transport offices, tax dues of Rs. 27.38 crore (including penalty) pertaining to 1,198 transport vehicles for the period July 2002 to June 2006 were neither paid by the vehicle owners nor action was taken towards realisation of dues by the tax authorities concerned.

(Paragraph 4.3)

V. Other tax receipts

Non-fixation of commercial rent for conversion of agricultural land for commercial purposes by tenants resulted in non-realisation of revenue of Rs. 1.18 crore.

(Paragraph 5.2)

Suppression of import value of scheduled goods by three dealers registered in three commercial taxes circles between 2001-02 and 2004-05 resulted in short levy of entry tax of Rs. 39.60 lakh including minimum penalty leviable.

(Paragraph 5.4)

VI. Non-tax receipts

A review of "**Receipts from Mines and Minerals**" revealed the following:

Lack of a system to review the brick kiln registers maintained by the district mining officers to monitor non-payment of royalty by the defaulting brick kiln owners by the Director of Mines led to non-levy of penalty of Rs. 7.89 crore.

(Paragraph 6.2.7)

Lack of a system to ensure that the Director of Mines reviewed the verification particulars of forms conducted by the district mining officers/assistant mining officers led to non-levy of penalty of Rs. 12.79 crore against the works contractors.

(Paragraph 6.2.8)

The district mining officer failed to reconcile the departmental figures with the treasury figures resulting in misappropriation of Rs. 1.70 crore.

(Paragraph 6.2.10)

Non-execution of deeds for settlement of 44 stone quarries and sand *ghats* in eight DMOs during 2001-02 to 2006-07 resulted in non/short realisation of stamp duty of Rs. 3.60 crore.

(Paragraph 6.2.12)

In five district mining offices, 118 sand *ghats* with reserve price of Rs. 9.64 crore remained unsettled, resulted in loss of revenue of Rs. 8.95 crore.

(Paragraph 6.2.13)

In seven divisions *Khatiani* for 2.11 lakh hectares of *kharif* and 2.17 lakh hectares of *rabi* land irrigated during the years 2001-02 to 2005-06 were not prepared and forwarded to the revenue divisions concerned for raising demand and collection of water rates for Rs. 8.56 crore.

(Paragraph 6.3)

In two forest divisions a sum of Rs. 86.56 lakh was not realised from the encroachers of 14.92 hectares of forest land.

(Paragraph 6.6)

CHAPTER-I: GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Bihar during the year 2006-07, the States' share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(Rupees in crore)

Sl. No.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
I.	**Revenue raised by the State Government**					
	• Tax revenue	2,761.05	2,889.69	3,347.39	3,561.10	4,033.08
	• Non-tax revenue	260.82	320.38	417.79	522.30	511.28
	Total	**3,021.87**	**3,210.07**	**3,765.18**	**4,083.40**	**4,544.36**
II.	**Receipts from the Government of India**					
	• States' share of divisible Union taxes	6,549.23	7,627.87	9,117.13	10,420.59	13,291.72
	• Grants-in-aid	1,397.32	1,617.62	2,831.83	3,332.72	5,247.11
	Total	**7,946.55**	**9,245.49**	**11,948.96**	**13,753.31**	**18,538.83**
III.	**Total receipts of the State Government [1] (I&II)**	**10,968.42**	**12,455.56**	**15,714.14**	**17,836.71**	**23,083.19**
IV.	**Percentage of I to III**	**28**	**26**	**24**	**23**	**20**

The above table indicates that during the year 2006-07, the State Government could raise only 20 *per cent* of the total revenue receipts of Rs. 23,083.19 crore against 23 *per cent* in the preceding year. The balance 80 *per cent* of receipts were from the Government of India. The contribution of revenue raised by the State Government to the total revenue receipts has decreased continuously during the period from 2002-03 to 2006-07.

---

[1] For details, please see Statement No.11 - Detailed accounts of revenue by minor heads in the Finance Accounts of Government for the year 2006-07. Figures under the major heads 0020 - corporation tax, 0021 - taxes on income other than corporation tax, 0028 - other taxes on income and expenditure, 0032 - taxes on wealth, 0037 - customs, 0038 - union excise duties, 0044 - service tax and 0045 - other taxes and duties on commodities and services - Minor Head – 901 - share of net proceeds assigned to State booked in the Finance Accounts under A - tax revenue have been excluded from the revenue raised by the State and included in State's share of divisible union taxes in this statement.

1.1.2 The following table presents the details of tax revenue raised during the period 2002-03 to 2006-07:

(Rupees in crore)

Sl. No.	Head of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+) / decrease (-) in 2006-07 over 2005-06
1.	Taxes on sales, trade etc.	1,647.62	1,637.23	1,890.54	1,733.60	2,081.49	(+) 20.07
2.	State excise	241.95	240.01	272.47	318.59	381.93	(+)19.88
3.	Stamp duty and registration fees	348.21	417.56	429.14	505.29	455.02	(-) 9.95
4.	Taxes and duties on electricity	14.30	17.62	9.54	18.06	62.84	(+) 247.95
5.	Taxes on vehicles	177.98	209.50	212.78	302.44	181.38	(-) 40.03
6.	Taxes on goods and passengers- tax on entry of goods into local areas	262.91	305.83	472.88	613.38	783.01	(+) 27.65
7.	Other taxes and duties on commodities and services	27.98	28.14	26.65	14.72	12.76	(-) 13.32
8.	Land revenue	36.15	33.80	33.39	55.02	74.65	(+) 35.68
9.	Other taxes on income and expenditure, taxes on professions, trades, callings and employments	3.95	-	-	-	-	-
	Total	**2,761.05**	**2,889.69**	**3,347.39**	**3,561.10**	**4,033.08**	**(+) 13.25**

The reasons for variation in receipts during 2006-07 from those of 2005-06 as reported by the departments are mentioned below:

Taxes on sales, trade etc.: The increase (20.07 *per cent*) was due to collection of more revenue under TDS[2] in comparison with the previous year.

Stamp duty and registration fees: The decrease (9.95 *per cent*) was attributed to the decrease in the number of documents registered and stamped.

Taxes and duties on electricity: The increase (247.95 *per cent*) was due to the collection of arrears under electricity duty.

Taxes on vehicles: The decrease (40.03 *per cent*) was due to decrease in rate of taxes.

Taxes on goods and passengers- tax on entry of goods into local areas: The increase (27.65 *per cent*) was due to the payment of entry tax on the import of scheduled goods by Power Grid Corporation and telecom companies for infrastructure and hike of crude oil prices.

[2] Tax deducted at source.

Other taxes and duties on commodities and services: The decrease (13.32 *per cent*) was due to reduction in the rate of entertainment tax by 50 *per cent*.

Land revenue: The increase (35.68 *per cent*) was due to the recovery of revenue by organising camps during the year.

The other departments did not inform (November 2007) the reasons for variation, despite being requested (June 2007).

1.1.3 The following table presents the details of non-tax revenue raised during the period 2002-03 to 2006-07:

(Rupees in crore)

Sl. No.	Head of Revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+) / decrease (-) in 2006-07 over 2005-06
1.	Interest receipts	53.01	23.08	75.06	216.07	175.99	(-) 18.55
2.	Forestry and wild life	10.04	6.29	7.16	8.89	6.35	(-) 28.57
3.	Non-ferrous mining and metallurgical industries	61.20	73.34	80.09	100.90	127.65	(+) 26.51
4.	Miscellaneous general services	0.60	0.15	9.07	11.77	20.88	(+)77.40
5.	Medium irrigation	15.43	26.22	20.82	10.82	10.95	(+) 1.20
6.	Medical and public health	13.92	11.97	12.66	15.10	17.52	(+) 16.03
7.	Fisheries	4.38	5.07	5.15	5.69	6.09	(+) 7.03
8.	Roads and bridges	10.42	10.63	8.43	12.05	16.75	(+) 39.00
9.	Police	22.71	16.86	13.72	6.00	10.53	(+) 75.50
10.	Other administrative services	15.19	80.72	107.99	34.21	20.28	(-) 40.72
11.	Other non-tax receipts	53.92	66.05	77.64	100.80	98.29	(-) 2.49
	Total	260.82	320.38	417.79	522.30	511.28	(-) 2.11

The reasons for variations in receipts during the year 2006-07 from these of 2005-06 as intimated by the concerned departments are mentioned below:

Non-ferrous mining and metallurgical industries: The increase (26.51 *per cent*) was attributed to execution of more works by the Works Department and increase in auction money of sand and stone quarry.

Interest receipts: The decrease (18.55 *per cent*) was mainly due to less receipts under interest from co-operative societies.

Forestry and wild life: The decrease (28.57 *per cent*) was mainly due to less receipts under environmental forestry and wild life.

Medical and public health: The increase (16.03 *per cent*) was mainly due to more receipts from Employees State Insurance Scheme.

Police: The increase (75.50 *per cent*) was mainly due to more receipts under fees, fine and forfeitures under the Arms Act.

Other administrative services: The decrease (40.72 *per cent*) was mainly due to less receipts under election (contribution towards issue of voter identity card).

The other department did not inform (November 2007) the reasons for variation, despite being requested (June 2007).

1.2 Variation between budget estimates and actuals

The variation between budget estimates (BE) of revenue receipts for the year 2006-07 and the actual receipts under the principal heads of tax and non tax revenue are mentioned below:

(Rupees in crore)

Sl. No.	Revenue head	BE	Actual receipts	Variations increase (+) shortfall (-)	Percentage
•	**Tax revenue**				
1.	Taxes on sales, trade etc.	2,364.67	2,081.49	(-) 283.18	(-) 11.98
2.	State excise	400.00	381.93	(-) 18.07	(-) 4.52
3.	Stamp duty and registration fees	700.00	455.02	(-) 244.98	(-) 34.99
4.	Taxes on vehicles	350.00	181.38	(-) 168.62	(-) 48.18
5.	Taxes and duties on electricity	12.07	62.84	(+) 50.77	(+) 420.63
6.	Land revenue	72.42	74.65	(+) 2.23	(+) 3.08
7.	Other taxes and duties on commodities and services	18.78	12.76	(-) 6.02	(-) 32.06
8.	Taxes on goods and passengers -Tax on entry of goods into local areas	603.64	783.01	(+) 179.37	(+) 29.71
•	**Non-tax revenue**				
1.	Non-ferrous mining and metallurgical industries	95.00	127.65	(+) 32.65	(+) 34.37
2.	Forestry and wild life	7.59	6.35	(-) 1.24	(-) 16.34
3.	Interest receipts	53.12	175.99	(+) 122.87	(+) 231.31
4.	Water rates (medium irrigation)	1.50	10.95	(+) 9.45	(+) 630.00

The reasons for variations between BE and actual receipts as reported by the concerned departments are as mentioned below:

Stamp duty and registration fees: The decrease (34.99 *per cent*) was attributed to the decrease in number of documents presented for registration.

Taxes on vehicles: The decrease (48.18 *per cent*) was due to decrease in the rate of taxes.

Taxes and duties on electricity: The increase (420.63 *per cent*) was due to substantial collection of arrears under electricity duty.

Other taxes and duties on commodities and services: The decrease (32.06 *per cent*) was due to reduction in the rate of entertainment tax by 50 *per cent*.

Taxes on goods and passengers-taxes on entry of goods into local areas: The increase (29.71 *per cent*) was due to the import of scheduled goods by

Power Grid Corporation and telecom companies for infrastructure and hike of crude oil prices.

Non-ferrous mining and metallurgical industries: The increase (34.37 *per cent*) was attributed to execution of more works by the Works Department and increased receipts from auction of sand and stone quarry.

The other departments did not inform (November 2007) the reasons for variation, despite being requested (June 2007).

1.3 Cost of collection

The gross collection of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2004-05 to 2006-07 along with the relevant all India average percentage of expenditure on collection to gross collections for 2005-06 are mentioned below:

(Rupees in crore)

Sl. No.	Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2005-06
1.	Taxes on sales, trade etc.	2004-05	1,890.54	21.46	1.14	0.91
		2005-06	1,733.60	25.47	1.47	
		2006-07	2,081.49	27.30	1.31	
2.	State excise	2004-05	272.47	16.19	5.94	3.40
		2005-06	318.59	14.78	4.64	
		2006-07	381.93	18.31	4.79	
3.	Stamp duty and registration fees	2004-05	429.14	22.02	5.13	2.87
		2005-06	505.29	22.48	4.45	
		2006-07	455.02	36.86	8.10	
4.	Taxes on vehicles	2004-05	212.78	3.85	1.81	2.67
		2005-06	302.44	5.09	1.68	
		2006-07	181.38	6.03	3.32	

The above table indicates that the percentage of expenditure on collection of taxes on sales, trade etc., state excise, stamp duty and registration fees and taxes on vehicles was more than all India average percentage, which the Government needs to look into.

1.4 Analysis of collection

The break-up of the total collection at the pre-assessment stage and after regular assessment of taxes on sales, trade etc. during the year 2006-07 and corresponding figures for the preceding four years, as furnished by the Finance (Commercial Taxes) Department is mentioned below:

(Rupees in crore)

Head of revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment	Penalty for delay in payment of taxes and duties	Amount refunded	Net collection as per department	Net collection as per Finance Account	Percentage of column 3 to 8
1	2	3	4	5	6	7	8	9
Taxes on sales, trade etc.	2002-03	1,584.73	111.43	0.82	3.16	1,693.82	1,647.62	96.18
	2003-04	1,542.98	91.72	1.01	4.17	1,630.53	1,637.23	94.24
	2004-05	1,809.59	78.79	1.37	9.18	1,879.20	1,890.54	95.72
	2005-06	1,664.13	69.92	0.89	17.36	1,716.70	1,733.60	95.99
	2006-07	2,002.62	81.25	2.81	11.96	2,071.92	2,081.49	96.21

Thus, in case of taxes on sales, trade etc., the percentage of tax collected before regular assessment increased to 96.21 *per cent* from 95.99 *per cent* reflecting improvement in voluntary compliance with the provisions of the Acts and Rules.

1.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2007 in respect of the principal heads of revenue as reported by the departments was Rs. 1,477.01 crore of which Rs. 458.32 crore were outstanding for more than five years as mentioned below:

(Rupees in crore)

Sl. No.	Heads of revenue	Amount outstanding as on 31 March 2007	Amount outstanding for more than five years as on 31 March 2007	Remarks
1.	Taxes on sales, trades etc.	942.66	429.65	Out of Rs. 942.66 crore, demands for Rs. 299.40 crore were certified for recovery as arrears of land revenue. Recovery of Rs. 345.14 crore and Rs. 9.60 crore were stayed by the courts and the Government respectively. Recovery of Rs. 7.82 crore was held up due to rectification/review of applications. Specific action taken for the remaining arrears of Rs. 280.70 crore, has not been intimated (November 2007) despite being requested (June and July 2007).
2.	Taxes on vehicles	140.38[3]	NA	Out of Rs. 140.38 crore, demand for Rs. 106.79 crore was certified for recovery as arrears of land revenue. Specific action taken for the remaining arrears of Rs. 33.59 crore, has not been intimated (November 2007), despite being requested (June and July 2007).
3.	Land revenue	124.71	NA	Stages at which the arrears were pending for collection has not been intimated (November 2007), despite being requested (June and July 2007).

[3] The amount of arrears in respect of district transport offices, Araria, Aurangabad, Banka, Bettiah, Bhagalpur, Bhojpur, Buxar, Gaya, Gopalganj, Jehanabad, Jamui, Kaimur, Katihar, Khagaria, Kishanganj, Madhepura, Madhubani, Motihari, Purnea, Saharsa, Sheohar, Sitamarhi, Siwan, Supaul and Vaishali based on certificate cases due to non-availability of their report.

4.	State excise	17.31[4]	5.23	Out of Rs. 17.31 crore, demands for Rs. 10.71 crore were certified for recovery as arrears of land revenue. Recovery of Rs. 1.93 crore and Rs 15 lakh were stayed by the courts and the Government respectively. Recovery of Rs. 20 lakh was held up due to rectification/ review of applications. Rs. 20 lakh was likely to be written off. Specific action taken for the remaining arrears of Rs. 4.12 crore has not been intimated (November 2007), despite being requested (June and July 2007).
5.	Taxes and duties on electricity	16.35	10.35	Stages at which the arrears were pending for collection has not been intimated (November 2007), despite being requested (June and July 2007).
6.	Entry tax	31.67	10.49	Out of Rs. 31.67 crore, demand for Rs. 17 lakh was certified for recovery as arrear of land revenue. Recovery of Rs. 15.69 crore was stayed by the courts. Specific action taken for the remaining arrears of Rs. 15.81 crore has not been intimated (November 2007), despite being requested (June and July 2007).
7.	Entertainment tax	3.49	1.94	Out of Rs. 3.49 crore, demands for Rs. 1.97 crore were certified for recovery as arrears of land revenue. Recovery of Rs. 93 lakh was stayed by the courts. Specific action taken for remaining arrears of Rs. 59 lakh has not been intimated (November 2007), despite being requested (June and July 2007).
8.	Taxes on sugarcane	15.34	0.66	Out of Rs. 15.34 crore, demands for Rs. 3.50 crore were certified for recovery as arrears of land revenue. Recovery of Rs. 13 lakh and Rs. 10.89 crore were stayed by the courts and the Government respectively. Specific action taken for remaining arrears of Rs. 82 lakh has not been intimated (November 2007), despite being requested (June and July 2007).
9.	Water rates	185.10	NA	Stages at which the arrears were pending for collection has not been intimated (November 2007), despite being requested (June and July 2007).
	Total	**1,477.01**	**458.32**	

The position of arrears of revenue at the end of 2006-07 in respect of other departments, was not furnished by the departments (November 2007), despite being requested (June and July 2007).

1.6 Arrears in assessment of sales tax

The details of sales tax assessment cases pending at the beginning of the year, cases becoming due for assessment during the year, cases assessed during the year and number of pending cases at the end of each year during 2002-03 to 2006-07 as furnished by the department are mentioned below:

[4] The amount of arrears does not include figures in respect of district excise offices, Begusarai, East Champaran, Jamui, Lakhisarai, Saharsa, Sheohar, Supaul, West Champaran and Narkatiaganj distillery.

Year	Opening balance	New cases due for assessment during the year	Total	Cases finalised during the year	Balance at the end of the year	Percentage of column 6 to 4
1	2	3	4	5	6	7
2002-03	1,97,638	69,069	2,66,707	58,495	2,08,212	78
2003-04	2,08,212	66,398	2,74,610	49,202	2,25,408	82
2004-05	2,25,408	69,914	2,95,332	75,582	2,19,750	74
2005-06	2,19,750	65,917	2,85,667	64,944	2,20,723	77
2006-07	2,20,723	20,193	2,40,916	33,280	2,07,636	86

The reason for decrease in the number of new cases for assessment and cases finalised during the year 2006-07 in comparison to 2005-06 was attributed by the department to the dealers having tax liability upto Rs. 2.50 lakh annually were treated as self assessed.

1.7 Evasion of tax

The details of cases of evasion of tax detected by the departments, cases finalised and demands raised as reported by the department concerned are mentioned below:

Sl. No.	Head of revenue	Cases pending as on 31 March 2006	Cases detected during 2006-07	Total	Number of cases in which assessments /investigation completed and additional demand including penalty etc. raised during 2006-07		Number of pending cases as on 31 March 2007
					No. of cases	Amount of demand (Rupees in lakh)	
1.	Taxes on sales, trade etc., taxes on entry of goods and passengers, Taxes and duties on electricity and other taxes and duties on commodities and services	122	131	253	148	48.58	105
2.	State excise	2	-	2	-	-	2

Thus, the Commercial Taxes Department could finalise 148 cases only which is 58.50 *per cent* of the total number of cases pending for settlement, while State Excise Department could not finalise any case during 2006-07 which were pending for settlement as on 31 March 2006.

1.8 Refunds

The number of refund cases pending at the beginning of the year 2006-07, claims received during the year, refunds allowed during the year and cases pending at the close of the year (March 2007), as reported by the departments are mentioned below:

(Rupees in crore)

Sl. No.	Particulars	Sales Tax		Tax on entry of goods into local areas		Non-ferrous mining and metallurgical industries	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	2,384	15.42	5	0.20	-	-
2.	Claims received during the year	197	13.57	6	2.40	1	0.32
3.	Refunds made during the year	117	11.96	6	2.40	1	0.32
4.	Balance outstanding at the end of the year	2,464	17.03	5	0.20	-	-

1.9 Internal audit

Internal audit, a vital component of internal control is to enable an organisation to assure itself that the prescribed systems are functioning reasonably well.

As per the compiled manual[5] and circular (1953) of the Finance Audit Department, the internal audit organisation of the departments of the Government were centralised under the Finance Department. As informed by the Finance Department (November 2007), internal audit of different offices of the Government of Bihar is conducted on requisition received by the administrative department. The department added that there was shortfall in internal audit due to shortage of staff. However, the department did not furnish further information regarding the number of offices due for audit, audit conducted, number of observations issued and amount involved, despite request. This indicates that internal audit is not accorded the importance it deserves and is ineffective.

1.10 Results of audit

Test check of the records of sales tax, state excise, motor vehicles tax, stamps and registration fees, electricity duty, other tax receipts, forest receipts, interest receipts and other non-tax receipts during the year 2006-07 revealed underassessment/short levy/loss of revenue of Rs. 607.01 crore in 4,643 cases. During the year 2006-07, the concerned departments accepted underassessmen ts and other deficiencies of Rs. 237.82 crore involved in 746 cases. The concerned departments also reported recovery of Rs. 82 lakh.

This report contains 33 paragraphs including one review relating to non/short levy of taxes, duties, interest and penalties etc. involving Rs. 206.42 crore. The departments/Government accepted audit observations involving Rs. 61.40 crore in 19 cases involved in 12 paragraphs. No replies have been received in remaining cases (November 2007).

1.11 Outstanding inspection reports and audit observations

Principal Accountant General (Audit), Bihar (PAG) conducts periodical inspection of the Government departments to test check, the transactions and

[5] Compendium of important Government instruction issued from time to time.

verify the maintenance of the important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with inspection reports (IRs) incorporating irregularities detected during inspection and not settled on the spot, which are issued to the heads of offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report of compliance through initial reply to the PAG within one month from the date of issue of IRs. Serious financial irregularities are reported to the heads of the departments and Government.

Inspection reports issued upto December 2006 disclosed that 16,835 paragraphs involving Rs. 3,273.56 crore relating to 3,126 IRs remained outstanding at the end of June 2007, as mentioned below, along with the corresponding figures for preceding two years.

	June 2005	June 2006	June 2007
Number of outstanding IRs	8,275	2,823	3,126
Number of outstanding audit observations	34,331	15,324	16,835
Amount involved (Rupees in crore)	3,780.24	2,628.21	3,273.56

The department wise details of IRs and audit observations outstanding as on 30 June 2007 and the amounts involved are mentioned below:

Sl. No.	Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (Rupees in crore)
1.	Finance	Taxes on sales, trade, etc.	408	4,158	647.60
		Entry tax	80	152	21.14
		Electricity duty	20	23	16.69
		Entertainments tax, luxury tax, etc.	12	17	0.52
2.	Excise	State excise	263	1,504	294.53
3.	Revenue	Land revenue	1,297	5,614	533.46
4	Transport	Taxes on motor vehicles	264	2,074	679.86
5.	Stamps and registration	Stamps and registration fees	318	888	82.45
6.	Mines and geology	Non – ferrous mining and metallurgical industries	172	1,278	368.08
7.	Forest and environment	Forestry and wild life	81	356	160.93
8.	Water resources	Water rates	155	627	416.04
9.	Cane	Sugar cane	56	144	52.26
Total			3,126	16,835	3,273.56

Even the first replies required to be received from the heads of offices within one month from the date of issue of IRs, were not received for 2,237 IRs issued upto December 2006. This large pendency of IRs due to non-receipt of replies is indicative of the fact that the heads of offices and heads of the departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by the PAG in the IRs.

It is recommended that the Government takes suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as taking action against officials/officers who fail to send replies to the IRs/paragraphs as per the prescribed time schedules and also fail to take action to recover loss/outstanding demand in a time bound manner.

1.12 Departmental audit committee meetings

In order to expedite settlement of the outstanding audit observations contained in the IRs, the Government constituted departmental audit committees. These committees are chaired by the administrative secretary of the department concerned and attended among others by the officers concerned of the State Government and of the office of the PAG.

The meetings for reviewing and monitoring the progress of settlement of the audit observations/paragraphs are required to be held quarterly. During the year 2006-07, not a single audit committee meeting was held. The Government/departments did not take any initiative for settling the outstanding audit observations through these meetings. The Government should ensure holding of periodical meetings of these committees for effective progress.

1.13 Response of the departments to draft audit paragraphs

The Department of Finance issued directions to all the departments to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The PAG forwards the draft paragraphs to the secretaries of the departments concerned through demi official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the department is invariably indicated at the end of each paragraph included in the audit report.

Thirty three draft paragraphs including one review included in this Report for the year ended 31 March 2007 were forwarded to the secretaries of the departments concerned between May and August 2007 through demi official letters.

The secretaries of the various departments sent partial replies to the review while replies to 23 paragraphs have not been received. Therefore, 23 draft paragraphs have been included in this report without the response of the department/Government.

1.14 Follow-up on Audit Reports

The departments of the Government are required to prepare the detailed explanations (departmental notes) on the audit paragraphs and send it to the

Public Accounts Committee within three months of an Audit Report being laid down on the table of the State Legislature.

A review revealed that as of September 2007, 13 departments had not furnished the departmental notes in respect of 232 paragraphs included in the Audit Reports for the years between 1990-91 and 2004-05 for vetting. The delay ranged from 15 months to over 13 years, as mentioned below:

Sl. No.	Department	Year of Audit Report	Dates of presentation to the Legislature	Last date by which departmental notes were due	Number of paragraphs for which departmental notes were due	Delay in months
1.	Revenue	1993-94, 2000-01 to 2004-05	December 1995, December 2003 to March 2006	March 1996, March 2004 to June 2006	19	15 to 138
2.	Finance (Commercial taxes)	1990-91 to 2004-05	March 1994 to March 2006	June 1994 to June 2006	79	15 to 159
3.	Finance	2003-04 to 2004-05	December 2005 to March 2006	March 2006 to June 2006	2	15 to 30
4.	State excise	1990-91 to 2004-05	March 1994 to March 2006	June 1994 to June 2006	53	15 to 159
5.	Transport	1996-97, 1998-99, 2000-01 to 2004-05	July 1998, July 2000, December 2003 to March 2006	October 1998, October 2000, March 2004 to June 2006	17	15 to 107
6.	Mines and geology	2000-01 to 2004-05	December 2003 to March 2006	March 2004 to June 2006	15	15 to 42
7.	Forest and environment	2000-01 to 2004-05	December 2003 to March 2006	March 2004 to June 2006	11	15 to 42
8.	Water resources	1994-95 to 1998-99, 2000-01, 2002-03 to 2004-05	July 1996 to July 2000, December 2003, December 2004 to March 2006	October 1996 to October 2000, March 2004, March 2005 to June 2006	13	15 to 131
9.	Registration	1996-97, 2000-01, 2002-03 to 2003-04	July 1998, December 2003, December 2004 to December 2005	October 1998, March 2004, March 2005 to March 2006	5	18 to 107
10.	Sugar cane	1990-91 to 2000-01	March 1994 to December 2003	June 1994 to March 2004	14	42 to 159
11.	Home (Police)	1998-99	July 2000	October 2001	1	83
12.	Co-operative	2004-05	March 2006	June 2006	2	15
13.	Urban Development	1997-98	August 1999	November 1999	1	94
Total					232	

Thus, the executive failed to take prompt action on the important issues highlighted in the Audit Reports that involved large sums of unrealised revenue.

1.15 Recovery of revenue of accepted cases

During the years between 2001-02 and 2005-06, the departments/Government accepted audit observations involving Rs. 84.71 crore of which only an amount of Rs. 1.93 crore was recovered as on 31 March 2007 as mentioned below:

(Rupees in crore)

Year of Audit Report	Total money value of Audit Report	Accepted money value	Recovery made
2001-02	273.55	---	NF
2002-03	175.15	0.48	NF
2003-04	1,117.71	19.53	NF
2004-05	176.92	56.63	0.67
2005-06	304.68	8.07	1.26
Total	2,048.01	84.71	1.93

The concerned departments did not inform (November 2007) the uptodate recovery, despite being requested (June 2007).

CHAPTER II: TAXES ON SALES, TRADE ETC.

2.1 Results of audit

Test check of the records relating to assessments and refund of sales tax in various commercial taxes circles, conducted during the year 2006-07, revealed underassessment of tax and other deficiencies involving Rs. 62.82 crore in 365 cases which broadly fall under the following categories:

(Rupees in crore)

Sl. No.	Categories	No. of cases	Amount
1.	Non/short levy of tax	98	32.86
2.	Irregular allowance of exemption from tax	56	14.25
3.	Short levy due to incorrect determination of turnover	100	10.86
4.	Non-levy of penalty	18	1.26
5.	Application of incorrect rates of tax	11	0.88
6.	Non-levy of penalty for excess collection of tax/mistake in computation	3	0.37
7.	Irregular allowance of concessional rate of tax	17	0.25
8.	Non/short levy of additional tax and surcharge	14	0.13
9.	Other cases	48	1.96
	Total	365	62.82

During the year 2006-07, the department concerned accepted underassessment and other deficiencies of Rs. 2.12 crore in 76 cases of which 10 cases involving Rs. 65 lakh were pointed out during 2006-07 and the rest during the earlier years.

A few illustrative cases involving Rs. 44.80 crore highlighting important observations are discussed in the following paragraphs.

2.2 Incorrect determination of turnover

2.2.1 Under the Bihar Finance (BF) Act, 1981, sale price means the amount payable to a dealer as valuable consideration in respect of sale or supply of goods. It has been judicially held[1] that duties or taxes paid under the customs, central excise or state excise laws form an integral part of the sale price, whether they are separately charged or not, and whether they are recoverable by the seller alongwith the sale price or at a later date.

2.2.1.1 In Special circle, Patna, it was noticed in November 2006 that a dealer of petroleum products claimed exemption on account of export sale to Nepal worth Rs. 448.73 crore during 2001-02. The assessing authority (AA) while finalising the assessment in March 2006, disallowed the claim of export sale in the absence of the bill of export and levied tax at the rate applicable in the State treating it as sales made within the State. Excise duty of Rs. 125 crore on disallowed claim was, however, not included in the turnover which resulted in short levy of tax of Rs. 21.87 crore including additional tax and surcharge.

2.2.1.2 In Special circle, Patna, it was noticed in November 2006 that in the case of a dealer, the AA determined the taxable turnover after adding excise duty of Rs. 161.87 crore and finalised the assessment in March 2006 for the period 2001-02. The actual amount of excise duty by applying the correct rates leviable on the sale of petroleum products was however calculated as Rs. 193.84 crore. Thus, less determination of taxable turnover by Rs. 31.97 crore resulted in the underassessment of tax of Rs. 90.85 lakh including additional tax and surcharge.

After the cases were pointed out, the AAs stated in November 2006 that the case would be examined. Further reply has not been received (November 2007).

2.2.2 Under the BF Act, gross turnover of a dealer shall be the aggregate of sale prices received including the gross amount received or receivable for the execution of works contract or for the transfer of right to use any goods for any purpose during any given period.

In commercial taxes circle, Sasaram, it was noticed in June 2006 that in case of a dealer engaged in construction of roads, the AA while finalising the assessments in June 2005 for the years 2002-03 and 2003-04 did not include the value of raw materials amounting to Rs. 1.78 crore in the gross turnover. This resulted in short levy of tax of Rs. 17.80 lakh.

After the case was pointed out, the AA stated in June 2006 that the case would be examined. Further reply has not been received (November 2007).

The cases were reported to the Government between January and June 2007; their reply has not been received (November 2007).

2.3 Underassessment of the central sales tax

The Government of Bihar issued a notification in June 1986, under section 8(5) of the Central Sales Tax (CST) Act, 1956, reducing the rate of sales tax

[1] Hindustan Sugar Mills Vrs. State of Rajasthan (1978) 43 STC 13 SC; K.L. Johar & Co. Vrs. State of Kerala (1972) 30 STC 394 ker.

on interstate sale of jute from four to three *per cent*. By another notification issued under the same section of the CST Act in May 1996, industrial units were exempted from the levy of sales tax on interstate sale of manufactured iron and steel. Further, under the CST Act as amended in May 2002, production of form 'C' is mandatory while granting exemption/allowing tax at the reduced rates on the interstate sales. In case of failure to produce declarations in form 'C', tax is leviable at twice the rate applicable in the State in case of declared goods[2] and in case of goods other than declared goods, at the rate of 10 *per cent* or at the rate applicable in the State whichever is higher.

2.3.1 During test check of the records of Special circle, Patna in November 2006 it was noticed that a dealer claimed concessional rate of tax on account of interstate sales of petroleum products worth Rs. 1,483.63 crore during the assessment years 2000-01 and 2001-02. The AA while finalising the assessments between March 2005 and March 2006, levied tax at the concessional rate, though sales of Rs. 72.33 crore were not supported by the prescribed declarations in form 'C'. This resulted in underassessment of tax of Rs. 9.64 crore including additional tax and surcharge.

After the case was pointed out, the AA stated in November 2006, that the case would be examined. Further reply has not been received (November 2007).

2.3.2 In two commercial taxes circles[3] it was noticed between June and August 2006 that two dealers claimed exemption/payment of tax at the reduced rate on the interstate sales of iron and steel and jute worth Rs. 18.37 crore during the assessment years 2002-03 and 2003-04. The AA while finalising the assessments between February 2004 and May 2005 allowed the exemption/payment of tax at the reduced rate, though the sales were not supported by declaration in form 'C'. This resulted in underassessment of tax of Rs. 1.30 crore.

After the cases were pointed out, the AAs stated between July and September 2006 that these would be examined. Further reply has not been received (November 2007).

2.3.3 Under the CST Act read with the BF Act and the rules framed thereunder, no tax shall be payable on the sale or purchase of goods, which take place in the course of export out of the territory of India provided the sale is substantiated by documentary evidence. According to the orders issued by the State Government in March 1986 and August 1991 for exemption from levy of tax on sale in the course of export to Nepal, the transactions must be supported, apart from other evidence, by bills of export granted by the Customs Department of India.

During test check of the records of commercial taxes circle, Danapur in August 2006, it was noticed that though export sale of goods valued as Rs. 49.83 lakh of a dealer during the years 2003-04 and 2004-05 was not supported by the prescribed documentary evidence like bill of export granted by the Customs Department of India, yet the AA while finalising the assessments between May 2005 and January 2006 incorrectly allowed

---

2 Goods of special importance in interstate trade and commerce as described in section 14 of the CST Act.

3 Danapur and Forbesganj.

exemption on the aforesaid sales treating it as export sales. This resulted in underassessment of tax of Rs. 4.98 lakh including additional tax and surcharge.

After the case was pointed out, the AA stated in September 2006 that the matter would be reviewed. Further reply has not been received (November 2007).

The cases were reported to the Government between April and June 2007; their reply has not been received (November 2007).

2.4 Suppression of purchase/sales turnover

Under the BF Act read with the CST Act, if the prescribed authority has reasons to believe that a dealer has concealed, omitted or willfully failed to disclose particulars of turnover or has furnished incorrect particulars of such turnover, the said authority shall assess or reassess the amount of tax due from the dealer in respect of such turnover, and shall direct the dealer to pay, besides the tax assessed on the escaped turnover, penalty not exceeding three times but not less than an amount equivalent to the amount of tax on the escaped turnover.

In 10 commercial taxes circles[4], it was noticed between November 2004 and November 2006, that 35 dealers had purchased/sold goods of Rs. 871.49 crore during the assessment years 2001-02 to 2004-05, as shown in their purchase/ sale statements, road permit utilisation statements, utilisation statements of declaration forms[5] and figures furnished by Commissioner of Commercial Taxes (CCT), Bihar but had accounted for only Rs. 823.80 crore in their trading account and returns etc. The dealers thus suppressed purchase/sales of goods of Rs. 47.69 crore. The AAs while finalising the assessments between May 2003 and May 2006, however, failed to detect the suppression of purchase/sales. This resulted in short levy of tax of Rs. 8.04 crore including additional tax, surcharge and minimum penalty as mentioned below:

(Rupees in lakh)

Sl. no.	Name of circle No. of dealers	Period of assessment Month/ Year of assessment	Commodity	Rate applicable (*per cent*)	Actual purchase Purchase accounted for	Actual sale Sale accounted for	Turnover concealed	Amount of tax, additional tax and surcharge Penalty	Total
1.	Patliputra circle, Patna 6	2001-02 to 2004-05 between 11/03 and 3/06	Motor cycle	12	5,068.93 4,179.67	-	2,327.60	244.26 222.43	466.69
			Fertilizer	6	-	51,784.24 50,345.90			
			Tyre and tube	9					
			Wheat product	10					

[4] Ara, Aurangabad, Bhagalpur, Buxar, Danapur, Hajipur, Jehanabad, Patliputra circle Patna, Sasaram and Special circle Patna.

[5] C, F, IX and CHA.

2.	Danapur 4	2002-03 and 2003-04 between 1/05 and 5/05	PVC pipe	8	918.56 602.18	-	532.83	85.06 77.79	162.85
			Foam	10					
			India made foreign liquor[6]	25	173.24 85.69	955.05 889.63			
			Iron rod and bar	4	-	265.63 202.14			
3.	Special circle, Patna 5	2003-04 and 2004-05 between 5/05 and 1/06	Shoe polish	8	21,947.18 21,606.52	-	340.66	36.60 33.42	70.02
			Cement	11					
			Medicine	8					
			Iron & steel	4					
4.	Sasaram 7	2001-02 to 2004-05 between 5/03 and 5/06	Iron & steel	4	1,781.73 1,206.26	-	575.48	14.88 13.60	28.48
			Cement	11					
			Tractor and its spare parts	1 (AT)[7]					
			Fertilizer	1 (AT)					
5.	Hajipur 4	2001-02 to 2003-04 between 11/04 and 3/06	G.I. Pipe	4	2,116.38 1,553.12	-	574.47	13.44 12.89	26.33
			Fertilizer	1 (AT)					
			Aluminium utensils	12					
			Bread	4	-	277.13 265.92			
6.	Aurangabad 3	2002-03 and 2003-04 between 9/04 and 9/05	Fertilizer	6	732.89 590.97	--	141.91	12.40 11.42	23.82
			Coal	4					
			Tractor	4					
			Motor vehicle	12					
			Motor parts	10					
7.	Buxar 3	2001-02 to 2003-04 9/04 and 11/04	Coal	4	178.16 Nil	--	178.16	7.13 7.12	14.25
8.	Ara 1	2002-03 9/04	Soap and detergent	12	--	859.98 830.00	29.99	4.33 3.93	8.26
9.	Bhagalpur 1	2001-02 9/05	Milk product	8	26.10 16.47	--	9.62	0.96 0.87	1.83
10.	Jehanabad 1	2001-02 1/06	-do-	1(AT)	64.37 5.70	--	58.67	0.64 0.59	1.23
Total					**33,007.53** **29,846.58**	**54,142.04** **52,533.60**	**4,769.39**	**419.70** **384.06**	**803.76**

[6] The dealer had suppressed both purchase and sales.
[7] Additional tax.

After the cases were pointed out, the AA Patliputra circle, Patna in one case raised a demand in September 2005 for Rs. 1.07 crore and in the remaining cases, the AAs concerned stated between April and November 2006 that the cases would be reviewed/examined. Further replies and report on recovery have not been received (November 2007).

The cases were reported to the Government in March 2005 and June 2007; their reply has not been received (November 2007).

2.5 Incorrect allowance of exemption

2.5.1 Under the BF Act, the State Government may, by an order published in the gazette, permit any class or description of registered dealers to pay a fixed amount or a fixed percentage of the gross turnover in lieu of the amount of tax payable under the Act, in respect of the sales of any goods or class or description of goods for a specified period on the specified transaction of goods. The State Government in 1993 issued a notification stipulating the payment of compounding tax by the works contractors at the rate of two *per cent* of the gross turnover in lieu of the tax payable under the BF Act.

During test check of the records of Patliputra commercial taxes circle, Patna, in October 2006, it was noticed that two sub-contractors engaged in road construction work were allowed exemption of Rs. 157.83 crore by the AAs while finalising the assessments in October 2004 and September 2005 for the years 2003-04 and 2004-05 on the ground that the main contractor had paid compounding tax of two *per cent* on the entire amount of the turnover. Since the sub-contractors were also registered under the BF Act and did not opt for compounding benefit, liability to pay tax on the goods[8] of Rs. 46.01 crore consumed in execution of works contract rested with them and not on the main contractor. Further, there was no provision for granting the exemption to the sub-contractors either under the BF Act or the aforesaid notification of 1993.

Thus, incorrect exemption allowed to sub-contractors resulted in short levy of tax of Rs. 1.79 crore including additional tax and surcharge, after adjusting the amount of tax deducted at source at the rate of two *per cent* deducted by the main contractor.

After the case was pointed out, the AA stated in October 2006 that the matter would be examined. Further reply has not been received (November 2007).

2.5.2 Under the BF Act, the State Government by issuing a notification in December 1995 granted exemption to the industrial units for eight or 10 years as the case may be or upto a tax limit of 150 *per cent* of the capital investment whichever was earlier.

In commercial taxes circle, Hajipur, it was noticed in June 2006 that a dealer with capital investment of Rs. 1.44 crore was assessed in September 2005 for the year 2003-04 and was allowed tax exemption upto Rs. 2.21 crore till the month of June 2003, though the prescribed tax limit of 150 *per cent* of the capital investment was Rs. 2.16 crore which was exhausted in April 2003. Therefore, sales made during May and June 2003 to the extent of

[8] Bitumin, boulder, brick, cement, iron & steel, Reinforced concrete cement, pipe, PVC items, sand etc.

Rs. 1.28 crore were incorrectly exempted which resulted in underassessment of tax of Rs. 5.13 lakh.

After the case was pointed out, the AA stated in June 2006 that the matter would be examined. Further reply has not been received (November 2007).

The cases were reported to the Government in April 2007; their reply has not been received (November 2007).

2.6 Non-levy of purchase tax

Under the BF Act, every dealer who purchases goods on which no sales tax is payable or has been paid and either consumes such goods in the manufacture of other goods for sale or otherwise or disposes such goods in any manner other than by way of sale in the State or sale in the course of interstate trade, shall be liable to pay tax on the purchase price.

In Patliputra commercial taxes circle, Patna, it was noticed in October 2006 that a dealer purchased taxable goods[9] valuing Rs. 7.21 crore from unregistered dealers within the State during the assessment year 2002-03 and consumed these in the manufacture of cattle feed, a tax free commodity in Bihar. The AA, however, while finalising the assessment did not levy tax on the purchase value of the aforesaid raw material. This resulted in non-levy of purchase tax of Rs. 60.62 lakh including additional tax and surcharge.

After the case was pointed out, the AA stated in October 2006 that the case would be examined. Further reply has not been received (November 2007).

The case was reported to the Government in May 2007; their reply has not been received (November 2007).

2.7 Short levy of tax

Under the BF Act read with the Bihar Sales Tax Rules, 1983, the State Government by issuing notifications in June 1985 and July 2002 specified certain goods, class or description of goods on which sales tax was leviable at more than one point or on all the points of sale and the amount of sales tax paid at each preceding stage of sale, was to be adjusted against the amount of sales tax payable at each subsequent stage of sale in the prescribed manner.

During test check of the records of four commercial taxes circles[10] between April and October 2006, it was noticed that during the years 2001-02 to 2004-05 six dealers sold goods[11] valued as Rs. 22.44 crore on which tax was leviable at all the points of sale. The AAs while finalising the assessments between May 2004 and March 2006 incorrectly levied tax of Rs. 64.90 lakh instead of Rs. 84.80 lakh resulting in short levy of tax of Rs. 19.90 lakh as mentioned below:

---

9 Jowar, maize, mustard cake, rice bran and wheat bran.

10 Aurangabad, Biharsarif, Gaya and Patliputra circle, Patna.

11 India made foreign liquor, soaps and detergents and vacuum cleaners.

(Rupees in lakh)

Name of circle No. of dealers	Commodity Turnover	Tax leviable	Tax levied	Short levy of tax	Remarks
Biharsharif and Gaya 3	Soap and detergent 431.18	7.21	4.74	2.47	The AA levied additional tax and surcharge instead of multipoint tax.
Aurangabad and Patliputra 2	IMFL 1365.78	49.36	36.23	13.13	The amount of tax paid at the preceding stage was incorrectly calculated.
Patliputra 1	Vacuum cleaner 447.01	28.23	23.93	4.30	- do -
Total		84.81	64.90	19.90	

After the cases were pointed out, the AAs concerned stated between April and October 2006 that the cases would be examined. Further replies have not been received (November 2007).

The cases were reported to the Government between February and May 2007; their reply has not been received (November 2007).

2.8 Non-realisation of tax due to incorrect adjustment

Under the Bihar Tax on entry of goods into local area (BTEG) Act, 1993 and the Rules framed thereunder, an importer of scheduled goods becomes liable to pay tax under the BF Act by virtue of sale of such scheduled goods. The liability to pay tax under the BF Act shall stand reduced to the extent of tax paid under the BTEG Act. Further, under the BF Act, if any registered dealer fails to make payment of the admitted tax within the due date or the extended date, the prescribed authority shall impose a penalty as well as interest at the prescribed rates.

During scrutiny of the records of Patliputra commercial taxes circle, Patna, in October 2006, it was noticed that a dealer sold lubricants valued as Rs. 18.19 lakh during the year 2004-05 on which tax of Rs. 4.54 lakh was payable. The dealer, however, instead of paying admitted tax on sale of lubricants, claimed adjustment of entry tax which was paid on the purchase of tractors. This escaped the notice of the AA while finalising the assessments in September 2005. Thus, incorrect adjustment of entry tax paid on the purchase of tractors against tax payable on sale of lubricants resulted in non-realisation of tax of Rs. 11.06 lakh including penalty and interest.

After the case was pointed out, the AA stated in October 2006 that the case would be examined. Further reply has not been received (November 2007).

The case was reported to the Government in May 2007; their reply has not been received (November 2007).

2.9 Mistake in calculation of tax

In two commercial taxes circles[12], it was noticed in June and October 2006 that two dealers were assessed in March and May 2006 for the periods

[12] Hajipur and Patliputra circle, Patna.

2001-02 and 2003-04 respectively and levied tax of Rs. 22.25 lakh instead of Rs. 27.60 lakh due to mistake in computation of tax. This resulted in short levy of tax of Rs. 5.35 lakh.

After the cases were pointed out, the AAs concerned stated between June and October 2006 that the matter would be examined. Further replies have not been received (November 2007).

The cases were reported to the Government in April and May 2007; their reply has not been received (November 2007).

CHAPTER-III: STATE EXCISE

3.1 Results of audit

Test check of the records of the excise offices, conducted during the year 2006-07, revealed underassessments and loss of revenue of Rs. 167.09 crore in 3,404 cases which broadly fall under the following categories:

(Rupees in crore)

Sl. No.	Categories	No. of cases	Amount
1.	Non-lifting of minimum guaranteed quota	12	48.83
2.	Non/delayed settlement of excise shop	1,891	46.10
3.	Non-extension of licences	181	3.03
4.	Unreasonable settlement of shops	50	1.53
5.	Loss of revenue due to low yield of spirit	4	0.47
6.	Undue financial benefit due to unauthorised concession	14	0.41
7.	Non-realisation of advance fee	21	0.23
8	Other cases	1,231	66.49
	Total	3,404	167.09

During the year 2006-07, the department concerned accepted underassessment and other deficiencies of Rs. 48.15 crore involved in 258 cases out of which 246 cases involving Rs. 37.36 crore was pointed out during 2006-07 and the rest in the earlier years. The department recovered Rs. 15 lakh.

A few illustrative cases involving Rs. 80.86 crore are discussed in the following paragraphs.

3.2 Loss of revenue due to non-lifting of minimum guaranteed quota

As per condition 19 of the sale notification issued under the provisions of the Bihar Excise Act (BE Act), 1915, the licensee is required to lift the entire minimum guaranteed quota (MGQ) during the month failing which penalty may be imposed or the licence is to be cancelled under the BE Act. Further, Rule 26 (1) of the Bihar Excise (Settlement of licences for retail sale of country/spiced country liquor) Rules 2004, effective from January, 2005 provides for obtaining a pass for lifting liquor after depositing the issuing fee at the rate of Rs. 2.50 per london proof litre (LPL)[1].

3.2.1 In seven excise districts[2], it was noticed between February and July 2007 that the retail licensees of excise shops did not lift the MGQ during 2002-03 to 2005-06 involving revenue of Rs. 48.26 crore (Annexure-I) worked out on the basis of MGQ fixed for the respective shops. The departmental authorities did not cancel the licences and fine of Rs. 28.10 lakh only was imposed in case of shops in four excise districts. This resulted in loss of revenue of Rs. 47.98 crore.

3.2.2 In five excise districts[3], it was found between March and July 2007 that the licences of retail vend groups of country spirit/spiced country spirit (CS/SCS) shops lifted 32.54 lakh LPL against the MGQ of 66.71 lakh LPL fixed for the year 2005-06. Non-lifting of 34.17 lakh LPL of liquor resulted in loss of revenue of Rs. 85.44 lakh in the shape of issuance fees.

After the cases were pointed out, the department attributed (October 2007) the reasons for non/delayed settlement of excise shops to the fixing of high MGQ and licence fee, making the excise shops unprofitable. The reply is not tenable as the audit observation relates to non-lifting of MGQ which led to the loss of government revenue and not on non/delayed settlement of excise shops as contended.

3.3 Settlement of excise shops

Under the BE Act and the rules framed thereunder, the licences for retail vend of CS, SCS and India made foreign liquor (IMFL) are settled annually by public auction subject to a reserve fee previously sanctioned by the Excise Commissioner (EC) and as per the terms and conditions of sale notification issued for the said purpose. When the sanctioned fee is not obtained, the Collector may in his discretion accept a lower fee not less than the amount arrived at by taking the average of the preceding three years reserve fee enhanced by 10 *per cent* and provisionally settle the shops subject to the approval of the EC. In case the shops remained unsettled, the supply of alcoholic liquor in the areas concerned were to be regulated by the department

---

1 Strength of alcohol is measured in terms of 'degree proof'. Strength of alcohol, 13 parts of which weigh exactly equal to 12 parts of water at 51 degree Fahrenheit is assigned 100 degree proof. Apparent volume of a given sample of alcohol when converted into volume of alcohol having strength 100 degree is called LPL.

2 Araria-cum-Kishanganj, Bhojpur-cum-Buxar, Gaya, Madhepura, Munger-cum-Jamui-cum-Lakhisarai-cum-Sheikhpura, Purnea and Rohtas-cum-Kaimur.

3 Bhojpur-cum-Buxar, Gaya, Munger-cum-Jamui-cum-Lakhisarai-cum-Sheikhpura, Purnea and Rohtas-cum-Kaimur.

through its own management, as reiterated through the departmental instruction issued in June 1995. The instruction of June 1995 regarding departmental operation of unsettled shops was, however, withdrawn in October 2003 with a direction to the Collectors to review the position of non-profit bearing shops at the beginning of the settlement year and club them with profit bearing shops for settlement. The provision of departmental operation was re-introduced in April 2005 for 10 districts[4] only.

By an amendment (January 2005) to the provisions relating to settlement of excise shops, the department adopted the policy of settlement of licence for retail vend of CS/SCS shops by grouping all the shops at the sub-division level mainly in one lot with a provision to have more than one group in the interest of revenue. The condition 6 of sale notification further provides that the licences are required to be settled before commencement of the excise year (beginning from 1st April and ending on 31st March of next year). Normally the licences would be settled for one year which may be extended/renewed upto three years.

The BE Act also provides that all dues of excise revenue may be recovered from the person primarily liable to pay by distress[5] or sale of his movable property or by process prescribed for recovery of the arrears of revenue.

3.3.1 Delayed settlement of excise shops

In 10 excise districts[6], it was noticed between May 2006 and July 2007 that 219 CS, 153 SCS and 75 IMFL shops were settled after expiry of time ranging between 1 and 11 months. Though these shops could have been operated departmentally till the date of settlement, no efforts were made in this regard. Thus, due to delayed settlement of the shops coupled with non-operation of the shops departmentally, the Government lost revenue of Rs. 11.85 crore (Annexure-II).

After the cases were pointed out, the Superintendent of Excise (SE), Chapra stated (May 2006) that to ensure settlement of CS/SCS shops, the settlement of IMFL shops were deferred while the remaining Assistant Commissioners of Excise (ACEs)/SEs stated between May 2006 and July 2007 that due to non-availability of bidders, settlement of shops were delayed. The reply of the SE, Chapra is not tenable because there is no such provision in the Act/rule. Moreover, effective steps should have been taken for departmental operation of CS/SCS shops and in case of IMFL shops the reserve fee should have been reduced in anticipation of the approval of the EC and shops settled.

3.3.2 Shops remaining unsettled

In eight excise districts[7] it was noticed between July 2006 and July 2007 that 57 CS, 22 SCS and 25 IMFL shops put to auction, remained unsettled and

---

4 Arwal, Aurangabad, Bhojpur, Gaya, Jehanabad, Nawada, Purnea, Rohtas, Saran and West Champaran.

5 A warrant authorising seizure of property to obtain payment of revenue or other dues.

6 Araria-cum-Kishanganj, Bhagalpur-cum-Banka, Chapra, Gaya, Katihar, Madhepura, Munger-cum-Jamui-cum-Lakhisarai-cum-Sheikhpura, Patna, Rohtas-cum- Kaimur and Siwan.

7 Araria-cum-Kishanganj, Bhojpur-cum-Buxar, Gaya, Madhepura, Munger-cum-Jamui-cum-Lakhisarai-cum-Sheikhpura, Patna, Purnea and Rohtas-cum- Kaimur.

were also not operated departmentally during 2002-03 to 2005-06. This resulted in loss of revenue of Rs. 8.03 crore in the shape of excise duty and license fee (Annexure-III).

After the cases were pointed out, the department stated in October 2007 that in the absence of infrastructure, place and staff, unsettled shops could not be settled. The reply is not tenable as the Government should have provided the infrastructure at the time of issue of instruction for departmental operation for realisation of the revenue by settlement of shops.

3.3.3 Shops remained unsettled after cancellation

In seven excise districts[8], it was noticed between July 2006 and July 2007 that the licences of 31 CS, nine SCS and 20 IMFL shops were cancelled between April 2002 and December 2005 due to non-payment of licence fee and short lifting of MGQ by the vendors. No initiatives were also taken for departmental management of these cancelled shops. This resulted in loss of excise duty and licence fee amounting to Rs. 2.28 crore (Annexure-IV).

The cases were reported to the Government in August 2007; their reply has not been received (November 2007).

3.3.4 Improper determination of fee

In five excise districts[9], it was noticed between January and July 2007 that as per the provisions of the BE Act and the rules framed thereunder, the reserve fee of 42 IMFL shops for the period 2005-06 was required to be fixed as Rs. 1.93 crore. However, this was fixed as Rs. 1.55 crore only. The reserve fee so fixed was also less than the average of preceding three years reserve fee enhanced by 10 *per cent*. Thus, due to improper determination of reserve fee, the Government lost revenue of Rs. 38.10 lakh.

The cases were reported to the Government in August 2007; their reply has not been received (November 2007).

3.3.5 Unreasonable settlement of shops

In five excise districts[10], it was noticed between August 2006 and July 2007 that the department decided to settle the IMFL shops in groups for the financial year 2005-06 and realised revenue of Rs. 7.76 crore. The revenue realised during 2004-05 was, however, Rs. 9.29 crore when the shops were settled individually. Thus, revenue realised during 2005-06 was less by Rs. 1.53 crore. The decision to opt for group settlement of shops has thus not proved to be in favour of revenue and led to a minimum loss of revenue of Rs. 1.53 crore.

The cases were reported to the Government in August 2007; their reply has not been received (November 2007).

---

8 Gaya, Katihar, Munger-cum-Jamui-cum-Lakhisarai-cum-Sheikhpura, Patna, Purnea, Rohtas-cum-Kaimur and Samastipur.

9 Araia-cum-Kishanganj, Gaya, Madhepura, Patna and Purnea.

10 Araria-cum-Kishanganj, Bhagalpur-cum-Banka, Bhojpur-cum-Buxar, Gaya and Motihari.

3.4 Omission in applying the provisions of Act/Rules

The BE (Settlement of licence for retail sale of CS/SCS) Rules, envisages that the person participating in auction for settlement of the licence of a shop or group of shops shall deposit advance money equal to one twelfth portion of the determined reserve fee before participating in the auction. The BE Act provides that the holder of any licence granted under the Act may surrender it on the expiry of one month's notice in writing given by him to the Collector with his intension to surrender it, on payment of the reserve fee payable for the licence for the whole period for which it would have been current but for such surrender.

In Bhojpur excise district, it was noticed (April 2007) that the licences for three groups of shops (Arrah Sadar, Piro and Jagdishpur) were settled between April and July 2005 with the bidders who had not deposited the advance money before participating in the auction. The licensees of these three groups of shops later surrendered their licences on 31 December 2005, 31 January 2006 and 30 September 2005 respectively. The surrender was, however, accepted without realisation of licence fee for the whole period for which the licences would have been current but for such surrender. This resulted in non-realisation of revenue of Rs. 3.47 crore as mentioned below:

(Rupees in lakh)

Name of group	Date of surrender	Period for which licence would have been current but for surrender	Amount not realised		
			Advance money	Fee	Total
Arrah sadar	31.12.2005	1 January 2006 to 31 March 2006	47.50	142.50	190.00
Piro	31.01.2006	1 February 2006 to 31 March 2006	14.26	28.52	42.78
Jagdishpur	30.09.2005	1 October 2005 to 31 March 2006	16.33	98.00	114.33
Total			78.09	269.02	347.11

After the case was pointed out, the ACE concerned stated in August 2006 that necessary legal action would be taken after verification. The reply is not tenable as issue of licence without realising advance money and subsequently acceptance of the surrender of licence without realisation of dues was irregular.

3.5 Non-extension of licences

Under the BE Act and the rules framed thereunder, the licences for the vend of CS, SCS and IMFL shops are settled annually by auction by the Collector before the commencement of the excise year. Due to Parliamentary election (February 2004) and the enforcement of code of conduct, annual settlement of the excise shops for the excise year 2004-05 was deferred for three months (April 2004 to June 2004). Further, as per the conditions of the sale notification, the Government reserved the right to change the licence period anytime and the licensees were bound to accept changes, if any, made during the currency of the licence.

In eight excise districts[11], it was noticed between January and July 2007 that though the EC issued instructions in March 2004 for extension of licences

[11] Araria-cum-Kishanganj, Bhojpur-cum-Buxar, Gaya, Madhepura, Munger-cum-Jamui-cum-Lakhisarai-cum-Sheikhpura, Patna, Purnea and Rohtas-cum-Kaimur.

issued during 2003-04 which were valid upto March 2004, yet the licensees of 75 CS, 53 SCS and 53 IMFL shops did not get their licences extended for three months (April to June 2004) as per the instruction of the EC. The department did not take any action to regulate the supply of liquor where the licences were not extended and take punitive measures against the licensees not complying with the conditions of the sale notification. This also resulted in the loss of revenue of Rs. 3.03 crore (Annexure-V).

The matter was reported to the Government in August 2007; their reply has not been received (November 2007).

3.6 Non-realisation/loss of revenue

The BE Act and the rules framed thereunder provide that the successful bidder must immediately pay the sum required on account of advance licence fee, failing which the settlement shall be cancelled and security money forfeited. Notification for the sale of excise shops issued each year stipulates that when a shop is knocked down, the purchaser is liable for any loss that may accrue to the Government in case it becomes necessary to resettle the shop at lower sum or to keep it unsettled in consequence of his failure to pay the sum at the time of sale. Further, the said notification also provides for deposit of security money equal to the reserve fee of the shop prior to the participation in the bid.

3.6.1 Loss of revenue due to non-operation of spirit shops

Scrutiny of the records of SE, Purnea in March 2007 revealed that during 2003-04 and 2004-05, 29 CS/SCS shops were settled within the due date i.e. prior to the commencement of the excise year. The SEs cancelled the licences between August 2003 and October 2004 as the licensees did not lift any quantity of liquor since the date of settlement. No action was taken either to resettle the shops or to operate these departmentally. This led to the loss of revenue of Rs. 1.20 crore (reserve fee: Rs. 36.22 lakh + excise duty: Rs. 83.43 lakh). Action to recoup the loss from the defaulting licensees as prescribed under the condition of sale notification was also not on record.

The matter was reported to the Government in August 2007; their reply has not been received (November 2007).

3.6.2 Default in the payment of advance fee

In four excise districts[12], it was found between January and June 2007 that the purchasers whose bids were accepted for nine CS, six SCS and six IMFL shops failed to deposit the advance fee as required under the rules and consequently settlements were cancelled between April 2002 and March 2005. These shops remained unsettled from the date of cancellation till the end of the year resulting in non-realisation of licence fee of Rs. 24.92 lakh. Apart from adjusting the partial payment and security deposited by the licensee of one IMFL shop (Patna) amounting to Rs. 1.56 lakh, no action was taken to make good the loss of balance revenue of Rs. 23.36 lakh (Annexure-VI) as envisaged under the rules.

[12] Araria-cum-Kishanganj, Munger-Cum-Jamui-cum-Lakhisarai-Cum-Sheikhpura, Patna and Rohtas-cum-Kaimur.

The cases were reported to the Government in August 2007; their reply has not been received (November 2007).

3.7 Irregular credit to revenue head

Article 284 of the Constitution of India provides that all money (other than Government revenue) shall be paid into the Public Accounts of the State. Further, article 266 directs that no money shall be appropriated out of the Consolidated Fund of the State without legislative approval.

In eight excise districts[13], it was noticed (January to July 2007) that security deposit of Rs. 23.04 crore (Annexure-VII) for the years 2002-03 to 2005-06 was irregularly credited under the revenue receipts head[14] instead of security deposit head[15]. Since amounts deposited into the consolidated fund cannot be forfeited, the department was unable to forfeit security deposit of Rs. 87.67 lakh on account of default by the licensees of IMFL shops. Besides, credit of security deposit into the revenue receipts head resulted in inflated depiction of the revenue collection figures.

After the case was pointed out, the department accepted the audit observation and stated in October 2007 that instructions were issued to all excise districts to credit the amount of security deposit under head '8443 - Civil Deposit-Security Deposit' instead of revenue head '0039 - State Excise'.

3.8 Loss of revenue due to short lifting off/yield of alcohol from molasses by distilleries

The Molasses Control Act, 1947 provides for the control of the distribution, supply, storage and price of molasses produced by factories in the State of Bihar. The Bihar Molasses Control (Rules), 1955 framed under the provision of the Act, stipulates that every distillery shall submit an indent (by 31 October) to the Controller of its estimated requirement of molasses during the 12 months commencing from 1 January following. According to the indent and after making such verification, the Controller allots molasses to the distillery.

As per the rules framed by the Board of Revenue in January 2000, the distiller shall be responsible for maintaining a minimum yield of 92 LPL of alcohol from each quintal of fermentable sugar present in the molasses consumed for production of alcohol. To ensure this, composite samples of molasses are required to be drawn by the excise officer-in-charge of the distillery and sent to the chemical examiner for examination.

3.8.1 Scrutiny of the spirit production register, molasses consumption register and chemical examiner reports regarding fermentable sugar contents in two distilleries in Bhagalpur and Hathidah (September 2006 and July 2007) revealed that the distilleries failed to maintain the prescribed minimum yield of alcohol from molasses consumed during 2005-06. This resulted in loss of revenue of Rs. 43.39 lakh in the shape of excise duty as mentioned below:

---

13 Araria-cum-Kishanganj, Bhojpur-cum-Buxar, Gaya, Madhepura, Munger-cum-Jamui-cum-Lakhisarai- cum Sheikhpura, Patna, Purnea and Rohtas-cum-Kaimur.

14 '0039 - State Excise'.

15 '8443 - Civil Deposit'.

Year	Name of distillery	Quantity of molasses distilled (in quintals)	Minimum yield of alcohol required (in LPL)	Actual yield of alcohol (in LPL)	Shortfall (in LPL)	Rate per LPL (in Rupees)	Loss of excise duty (Rupees in lakh)
2005-06	Mc Dowell Distillery, Hathidah, Patna	69,392.71	17,19,316.31	16,80,198.50	39,117.81	100	39.12
2005-06	SCI Distillery Rajaun, Banka	31,405.00	8,82,748.29	8,70,554.60	12,193.69	35	4.27
Total		**1,00,797.71**	**26,02,064.60**	**25,50,753.10**	**51,311.50**		**43.39**

After the case was pointed out, the SEs stated between September 2006 and July 2007 that action would be taken after examination of records. The replies are, however, silent regarding inaction by the SEs till this was pointed out in audit.

3.8.2 During 2005-06, the Government allotted quota of 1,35,720 quintals of molasses to one distillery in Hathidah against which 79,806.75 quintal of molasses was lifted by the distillery leaving a balance of 55,913.25 quintals. Considering the prescribed minimum content of fermentable sugar in molasses, short lifting of molasses resulted in loss of production of 11,182.65 LPL of alcohol and the Government was deprived of revenue of Rs. 11.18 lakh.

The matter was reported to the Government in August 2007; their reply has not been received (November 2007).

3.9 Recovery of arrears of revenue

3.9.1 Blocking of government revenue

Scrutiny of the records in three excise districts[16] between March and June 2007 revealed that though 101 licences of various categories of excise shops did not deposit advance licence fee amounting to Rs. 1.73 crore (Annexure-VIII) during 2002-03 to 2005-06, as required under the sale notification issued every year, yet certificate proceedings were not initiated by the department leading to blocking of revenue.

3.9.2 Loss of interest due to delay in filing of certificate case

Under the Public Demand and Recovery Act, 1914, interest upon public demand to which the certificate relates, shall be charged at the rate of 12 *per cent* per annum from the date of signing of the certificate upto the date of realisation. Any delay in the institution of certificate proceedings would result in loss of revenue in the shape of interest.

It was noticed between June and July 2007 in two excise districts that arrear of demands relating to the period 1980-81 to 2003-2004 amounting to Rs. 21.84 lakh was outstanding against which the department instituted certificate cases

[16] Bhojpur - cum - Buxar, Munger-cum-Jamui-cum- Lakhisarai-cum-Sheikhpura and Purnea.

after delays ranging from 1 to 22 years. Thus, due to delayed institution of certificate proceedings there was a loss of revenue of Rs. 36.31 lakh by way of interest as mentioned below:

(Rupees in lakh)

Name of excise districts	No. of shops	Year to which excise revenue relates	Year in which certificate cases instituted	Total arrear	Arrear recovered	Delay	Loss of interest at the rate of 12 *per cent* per annum
Munger-cum-Jamui-cum-Lakhisarai-cum-Shekhpura	28	1980-81to 2000-01	2002-03 to 2003-04	20.97	NIL	3 to 22 years	35.37
Gaya	2	1992-93 and 1994-95	1994-95 and 1995-96	0.87	NIL	1 to 2 years	0.94
Total	30			21.84			36.31

The cases were reported to the Government in August 2007; their reply has not been received (November 2007).

3.10 Non-identification of new sites for surrendered shops

The EC issued instruction in October 2003 stipulating that the proposal for surrender of excise shops should be submitted along with the new profitable sites in respect of shops which remained unsettled.

Scrutiny of the records in Gaya excise district in July 2007 revealed that the proposal for surrender of 11 CS shops which remained unsettled were accepted in December 2003 without any recommendation for new profitable sites. Absence of a proposal for new sites resulted in blocking of revenue amounting to Rs. 25.20 lakh during the year 2004-05 (worked out on the basis of licence fee and duty on MGQ for the year 2003-04).

The matter was reported to the Government in August 2007; their reply has not been received (November 2007).

CHAPTER IV: TAXES ON MOTOR VEHICLES

4.1 Results of audit

Test check of the records of the transport offices during the year 2006-07, revealed non/short levy of motor vehicles tax, fees, penalties/fines etc. of Rs. 41.63 crore in 172 cases, which broadly fall under the following categories:

(Rupees in crore)

Sl. No.	Categories	No. of cases	Amount
1.	Non-imposition of fines and penalties	09	0.97
2.	Non/short levy of tax	01	0.01
3.	Other cases	162	40.65
	Total	**172**	**41.63**

During the year 2006-07, the department accepted underassessment and other deficiencies in 116 cases involving Rs. 28.49 crore which was pointed out during the year 2006-07.

A few illustrative cases involving tax effect of Rs. 30.44 crore are mentioned in the following paragraphs.

4.2 Irregular issue of certificate of fitness

Under the Central Motor Vehicle (CMV) Rules, 1989, fitness certificate for a transport vehicle cannot be granted unless the vehicle owner obtains a tax clearance certificate in such form as may be prescribed by the State Government. As held by the Patna High Court[1], tax token being an evidence of payment of tax, is required to be produced for obtaining certificates of fitness (CF). Further, according to the executive instructions issued by the State Transport Commissioner (STC), Bihar in 1994, the motor vehicle inspectors (MVIs) are prohibited from grant/renewing certificate of fitness to transport vehicles against which tax has not been paid.

During cross verification of the entries in CF registers with those in the taxation registers of eight District transport offices[2] (DTOs) between August 2006 and March 2007, it was noticed that CF were issued to 95 transport vehicles without ensuring uptodate payment of tax. The omission not only violated the rules and STC's order but also resulted in non-realisation of tax of Rs. 2.74 crore including penalty pertaining to the period between July 2002 and July 2006.

After the cases were pointed out, six DTOs[3] stated between August 2006 and March 2007 that the matter would be referred to the MVIs for compliance. DTO, Saharsa, stated in March 2007 that the matter would be examined and action taken accordingly while DTO, Patna, stated in January 2007 that demand notices would be issued. Further replies have not been received (November 2007).

The cases were reported to the Government in April 2007; their reply has not been received (November 2007).

4.3 Non-realisation of motor vehicle taxes

Under the Bihar Motor Vehicle Taxation (BMVT) Act 1994, motor vehicles tax is to be paid to the registering authority (RA) in whose jurisdiction the vehicle is registered. The vehicle owner can pay the tax to the new RA in case of change of residence/business, subject to the production of no objection certificate (NOC) from the previous RA. Further, the RA may exempt the vehicle owner from payment of tax, if he is satisfied that the prescribed conditions have been fulfilled by the vehicle owner. DTOs are required to issue demand notice to ensure timely realisation of tax and in case of non-response to the demand notice, certificate proceedings are to be initiated as per the executive instructions issued by the department from time to time. Non-payment of tax beyond 90 days attracts penalty at the rate of 200 *per cent* of the tax due.

During test check of the taxation registers of 30 DTOs[4] between July 2006 and March 2007, it was noticed that though owners of 1,198 transport vehicles did

---

1 Patna Zila Truck Association Vs. State of Bihar 1993 (1) PLJR 211.

2 Banka, Begusarai, Katihar, Motihari, Munger, Muzaffarpur, Patna and Saharsa.

3 Banka, Begusarai, Katihar, Motihari, Munger and Muzaffarpur.

4 Araria, Aurangabad, Banka, Begusarai, Bhabhua, Bhagalpur, Bhojpur, Buxar, Chapra, Darbhanga, Gaya, Gopalganj, Jehanabad, Jamui, Katihar, Khagaria, Kishanganj, Lakhisarai, Madhepura, Motihari, Munger, Muzaffarpur, Nalanda, Nawada, Patna, Saharsa, Samastipur, Sheikhpura, Siwan and Vaishali.

not pay tax of Rs. 9.13 crore pertaining to the period falling between July 2002 and June 2006, yet the DTOs did not initiate action towards realisation of dues from the defaulting vehicle owners. In none of the cases, change of addresses of the owners or surrender of documents for securing exemption from payment of tax was found on record. This resulted in non-realisation of tax of Rs. 9.13 crore. Besides, penalty of Rs. 18.25 crore at the rate of 200 *per cent* was also leviable.

After the cases were pointed out, 26 DTOs[5] stated between July 2006 and March 2007 that demand notices would be issued which would be followed by certificate proceedings. DTOs, Khagaria and Jehanabad stated in November 2006 that action would be taken after verification. DTO, Jamui stated in November 2006 that demand notices had been issued. DTO, Araria stated in December 2006 that replies would follow. The replies were, however, silent about the reasons for not initiating action against the vehicle owners for realisation of tax till it was pointed out in audit. A report on further development has not been received (November 2007).

The cases were reported to the Government between January and June 2007; their reply has not been received (November 2007).

4.4 Non-realisation of tax from vehicles involved in surrender

Under the BMVT Act and the rules made thereunder, when the owner of a motor vehicle does not intend to use his vehicle for a period not exceeding six months at a time, he can be exempted from the payment of tax by the competent authority provided his claim for exemption is supported by the surrender of documents such as registration certificate (RC), CF, tax token etc. for the period of non-use of the vehicle. The vehicle owner shall also, from time to time, furnish an undertaking to the concerned taxation officer for extension, if any, of the said period. The taxation officer is required to carry out physical verification of the parking place of the vehicle atleast once in a month in a random manner and record a memo of inspection in the case record of the vehicle. If at any time, during the period covered by an undertaking, the motor vehicle is found to be used or is kept at a place other than the place mentioned in the undertaking, such vehicle shall, for the purpose of this Act, be deemed to have been used throughout the said period without the payment of tax.

During scrutiny of the records of three DTOs between July 2006 and March 2007, it was noticed from the taxation/surrender register and other relevant records that in respect of 23 vehicles involved in surrender, tax of Rs. 14.61 lakh was not realised from their owners as mentioned below:

[5] Aurangabad, Banka, Begusarai, Bhabhua, Bhagalpur, Bhojpur, Buxar, Chapra, Darbhanga, Gaya, Gopalganj, Katihar, Kishanganj, Lakhisarai, Madhepura, Motihari, Munger, Muzaffarpur, Nalanda, Nawada, Patna, Saharsa, Samastipur, Sheikhpura, Siwan and Vaishali.

(Rupees in lakh)

Sl. No.	Name of DTOs	No. of vehicles	Period of tax involved	Irregularities	Tax effect
1.	Nalanda	06	01.02.2003 to 31.03.2006	Extension ranging between 28 and 39 months was granted after the expiry of the initial surrender period without obtaining a fresh undertaking.	8.31
2.	Muzaffarpur	13	04.11.2004 to 30.06.2006	Extension ranging between 16 and 20 months was granted after the expiry of the initial surrender period without obtaining a fresh undertaking. Further, of these 13 vehicles, CF was not surrendered in one case at the time of initial surrender filed.	4.47
3.	Motihari	04	01.12.2004 to 30.06.2006	Extension ranging between 13 and 18 months was granted after the expiry of the initial surrender period without obtaining a fresh undertaking. Further, surrender of one out of four vehicles was irregularly accepted on the basis of photocopy of RC.	1.83
	Total	**23**			**14.61**

After the cases were pointed out, two DTOs[6] stated between December 2006 and March 2007 that notices would be issued to the vehicle owners regarding cancellation of surrenders. The DTO, Nalanda, intimated in May 2007 that demand notices had already been issued for realisation of tax. The replies, however, do not explain the reasons for irregular extension of initial surrender period without obtaining fresh undertaking from the vehicle owners for subsequent periods and acceptance of surrender without proper documents/photocopies of documents. A report on further development has not been received (November 2007).

The cases were reported to the Government in April and May 2007; their reply has not been received (November 2007).

4.5 Non/short realisation of trade tax from the dealers of motor vehicles

Under the provisions of the BMVT Act and rules framed thereunder, tax at an annual rate as prescribed shall be paid by a manufacturer or a dealer in respect of motor vehicles which are in his possession in the course of his business as a manufacturer/dealer. Non-payment of tax within the due date attracts penalty ranging between 25 and 200 *per cent* of the tax due.

Scrutiny of the records of two DTOs[7] between October and December 2006 revealed that in case of 12 dealers of motor vehicles, trade tax at the prescribed rate was either not deposited or deposited short in respect of 9,360 two wheelers and 151 three/four wheelers possessed by them between the period 2002-03 and 2005-06. The DTOs also did not raise any demand on the defaulting traders. This resulted in non/short realisation of trade tax of Rs. 12.46 lakh including penalty.

After the cases were pointed out, DTO, Begusarai, stated in December 2006 that verification would be done after obtaining challans from the dealers. The

6 Motihari and Muzaffarpur.
7 Begusarai and Munger.

DTO, Munger stated in October 2006 that demand notices would be issued. Further replies have not been received (November 2007).

The cases were reported to the Government in April 2007; their reply has not been received (November 2007).

4.6 Irregular issue of tax token

Under the BMVT Act, the taxation officer shall grant a receipt and a tax token in the prescribed form to every person who pays the prescribed tax. Further, the taxation officer shall not accept tax or penalty, if any, in respect of a motor vehicle for the current period and issue tax token unless arrear of tax and penalties due have been fully paid/settled.

During test check of the taxation register of DTO, Sheikhpura in February 2007, it was noticed that the DTO issued tax token to 19 transport vehicles after accepting tax for the current period without realising the arrear tax and penalties pertaining to the period from June 2002 to October 2006. Since none of the vehicles claimed exemption from payment of tax after surrendering the documents in original, issue of tax token on realisation of current tax without realising arrear dues was in contravention of the Act and resulted in non-realisation of the Government revenue of Rs. 5.32 lakh.

After the cases were pointed out, the DTO stated in February 2007 that notices would be issued to the vehicle owners. Further reply has not been received (November 2007).

The case was reported to the Government in May 2007; their reply has not been received (November 2007).

4.7 Irregular issue of special agreement card

Under the Motor Vehicle (MV) Act, 1988 read with BMV Rules, the Government of Bihar, Department of Transport in October 2003 launched a special agreement card (SAC) scheme popularly known as the 'Golden Card'. These prepaid cards were of different values depending upon the load bearing capacity of goods carriage which included fees for weighing and unloading of excess goods and storage of such goods etc. According to the scheme and the STC's executive instructions, the said cards were non-transferable and were to be issued for a calendar month to vehicles registered in Bihar having valid RC, CF, insurance, permit and tax token and also to vehicles registered in other states having temporary permits for plying in Bihar for not less than 28 days.

Test check of the records relating to SAC in three DTOs[8] between December 2006 and March 2007 revealed that 8,573 cards of different series valuing Rs. 2.31 crore were issued by these DTOs during the period from October 2003 to November 2006 without ensuring uptodate payment of tax, CF, insurance and valid permit. No record was maintained to indicate details of the vehicles to which SACs were issued. Thus, irregular issue of 8,573 SACs valued as Rs. 2.31 crore were open for use by the transporters for different

[8] Motihari, Muzaffarpur and Saharsa.

vehicles in contravention of the conditions laid down for use of SACs leading to the scope of leakage of Government revenue.

After the cases were pointed out, two DTOs[9] stated between December 2006 and March 2007 that the matter would be referred to the ex-DTOs, while DTO, Muzaffarpur stated in March 2007 that the matter would be examined with reference to the provisions of rules and regulations. The replies of the DTOs Motihari and Saharsa are not tenable as the incumbent DTOs are the competent authorities to examine records, take action and furnish appropriate replies to the audit observations. Further, replies have not been received (November 2007).

The cases were reported to the Government between May and June 2007; their reply has not been received (November 2007).

[9] Motihari and Saharsa.

CHAPTER V: OTHER TAX RECEIPTS

5.1 Results of audit

Test check of the records of the following receipts, conducted during the year 2006-07, revealed underassessments of tax, fee, duty and loss of revenue etc. of Rs. 83.10 crore in 388 cases which broadly fall under the following categories:

(Rupees in crore)

Sl. No.	Categories	No. of cases	Amount
A. Land revenue			
1.	Non-fixation of salami and commercial rent	101	36.63
2.	Non-settlement of vested lands	107	29.43
3.	Non/short levy of cess and/or interest on arrears of cess	43	6.96
4.	Non-settlement of sairats	48	1.04
5.	Other cases	10	0.74
	Total	**309**	**74.80**
B. Entry tax			
1.	Non/short levy of tax	31	2.98
2.	Application of incorrect rate of tax	13	0.68
3.	Non-levy of penalty for excess collection of tax	4	0.26
4.	Short levy due to incorrect determination of turnover	1	0.19
5.	Irregular allowance of exemption from tax	2	0.08
6.	Other cases	17	4.00
	Total	**68**	**8.19**
C. Stamp duty and registration fees			
1.	Short realisation of stamp duty and registration fees due to late receipts of revised rates	4	0.01
2.	Other cases	5	0.03
	Total	**9**	**0.04**
D. Electricity duty			
1.	Non-realisation of electricity duty	2	0.07
	Total	**2**	**0.07**
	Grand Total	**388**	**83.10**

During the year 2006-07, the concerned department accepted underassessment and other deficiencies etc. involving Rs. 50.73 crore in 207 cases which were pointed out during the year 2006-07. The department reported recovery of Rs. 67 lakh pertaining to the earlier years.

A few illustrative cases involving tax effect of Rs. 2.47 crore are mentioned in the following paragraphs.

A: LAND REVENUE

5.2 Non-fixation and non-realisation of land rent

Under the provisions of the Bihar Tenancy Act, 1885 as amended with effect from 26 August 1993, a *raiyat* may, with prior permission of the Collector, use his land for purposes other than agriculture. The Collector before giving such permission shall redetermine the rent and cess of such land to the extent of five *per cent* but not less than three *per cent* of the market value of such land. The *anchal adhikari* (AA) is required to conduct periodical surveys to detect any change in use of land and send the report to the Deputy Collector, Land Reforms (DCLR). The DCLR, provided a *raiyat* has not applied for permission for change of use, shall give post facto approval on the basis of the survey report after fixing the commercial rent and send it to the AA for raising the demand.

Scrutiny of the records of three AAs[1] during August to September 2006 revealed that during 2001-02 to 2005-06, 25 *raiyats* having tenancy for agricultural purposes utilised 38.16 acres of land for commercial purposes such as shops, petrol pumps, brick kilns, rice mills, bank, offices and hotels etc. Though the AAs sent the survey reports to the DCLR for fixation of the commercial rent, the DCLR did not act upon these. As a result, the AAs could not raise demand for rent and cess for use of agricultural land as commercial purposes. Thus, failure of the DCLR to fix the rent and cess on the basis of the survey reports resulted in non-realisation of revenue of Rs. 1.18 crore.

After the cases were pointed out, the AAs stated in August/September 2006 that the cases had been/would be referred to the concerned DCLR. Further replies have not been received (November 2007).

The cases were reported to the Government between March and April 2007; their reply has not been received (November 2007).

B: ENTRY TAX

5.3 Application of incorrect rate of entry tax

Under the Bihar tax on entry on goods into local areas for consumption, use or sale therein (BTEG) Act, 1993, the State Government, by a notification issued in August 2003, revised the rates of tax on entry of goods into local areas. As per the revised rates, entry tax on motor cycle and IMFL was leviable at the rate of eight and 16 *per cent* respectively.

During test check of the records of Patliputra commercial taxes circle in September - October 2006, it was noticed that three dealers imported motor cycles and IMFL valued as Rs. 13.98 crore during the years 2003-04 and 2005-06 as shown in their monthly/annual returns. The AA, however, while finalising the assessments between October 2004 and March 2006 levied entry tax either at the pre-revised rates or at the rates lower than those applicable, which resulted in short levy of entry tax of Rs. 46.14 lakh.

After the cases were pointed out, the AA stated in October 2006 that the cases would be examined. Further reply has not been received (November 2007).

---

[1] Chennary, Kargahar and Shivsagar.

The case was reported to the Government in May 2007; their reply has not been received (November 2007).

5.4 Short levy of entry tax due to suppression of import value

Under the BTEG Act read with the Bihar Finance (BF) Act 1981, if the prescribed authority has reasons to believe that a dealer has concealed, omitted or wilfully failed to disclose the particulars of turnover or has furnished incorrect particulars of such turnover, the said authority shall assess or reassess the amount of tax due from the dealer in respect of such turnover and shall direct the dealer to pay, besides the tax assessed on escaped turnover, penalty not exceeding three times but not less than an amount equivalent to the amount of tax on the escaped turnover.

Cross verification of the utilisation of road permits, declaration forms, purchase statements, trading accounts etc. with the returns filed by three dealers in three commercial taxes circle audited between June and October 2006 revealed that the dealers suppressed import/purchase of scheduled goods of Rs. 4.60 crore between 2001-02 and 2004-05. The assessing authority (AA), while finalising the assessments between March 2004 and January 2006 failed to detect the suppression which resulted in short levy of entry tax of Rs. 39.60 lakh including minimum leviable penalty as mentioned below:

(Rupees in lakh)

Sl. No.	Name of the circle No. of dealers	Period Month of assessment	Commodity Rate (in *per cent*)	Actual purchase Purchase accounted for	Suppression	Entry Tax penalty	Short levy of tax and minimum penalty	Records cross verified
1.	Patliputra 1	2003-04 and 2004-05 10/2004 and 01/2006	Iron and Steel and PVC goods 4 Paint and motor vehicle 5 Electrical goods 8	2,896.99 2,651.00	245.99	10.09 10.09	20.18	Purchase statement and statement of green road permit
2.	Sasaram 1	2001-02 11/2004	Tractors[2] 4 & 5	218.60 26.14	192.46	8.57 8.57	17.14	Statement of green road permit/trading account and returns
3.	Bhagalpur 1	2002-03 03/2004	Tobacco 5	63.27 40.44	22.83	1.14 1.14	2.28	Purchase statement and returns
Total					**461.28**	**19.80 19.80**	**39.60**	

After the cases were pointed out, the AAs Bhagalpur and Patliputra circle stated between August and October 2006 that the cases would be examined

[2] Rate was enhanced from four to five *per cent* w.e.f. 25 July 2001.

while the AA, Sasaram in June 2006 admitted the audit observation and assured to revise the case. Further replies have not been received (November 2007).

The cases were reported to the Government between December 2006 and May 2007; their reply has not been received (November 2007).

5.5 Non-levy of tax due to non-registration of dealers

Under the BTEG Act read with the BF Act and rules framed and instructions issued thereunder, entry tax is levied at the rates prescribed on entry of certain specified goods (scheduled goods) for consumption, use or sale in Bihar. Every dealer who is liable to pay tax under the BTEG Act, shall make an application for registration before the prescribed authority within seven days of his becoming liable to pay tax. Failure to apply for registration attracts penalty, in addition to tax, at the rate of Rs. 50 for each day of default or an amount equivalent to the amount of tax, whichever is less.

During test check of the records of Patna Special circle, in November 2006 it was noticed that two dealers registered under the BF Act imported scheduled goods valued as Rs. 4.17 crore during 2003-04 and 2004-05. The dealers neither got themselves registered under the BTEG Act nor paid any entry tax on the import value of the aforesaid goods. The AAs also failed to get these dealers registered under the BTEG Act and levy tax at prescribed rates. This resulted in non-levy of entry tax of Rs. 31.82 lakh including penalty.

After the cases were pointed out, the AA in November 2006 stated that the matter would be examined. Further reply has not been received (November 2007).

The case was reported to the Government in June 2007; their reply has not been received (November 2007).

5.6 Non-imposition of penalty

Under the BTEG Act read with the BF Act and the rules framed thereunder, every dealer who is liable to pay tax under the BTEG Act, shall furnish a true and complete return in respect of all scheduled goods and tax payable thereon. The BF Act, further provides that if the prescribed authority detects any escaped turnover before assessment, he shall direct the dealer to pay, in addition to tax assessed by way of penalty, a sum not exceeding two times but not less than an amount equal to the amount of tax. The BTEG Act further provides that all provisions relating to returns, assessment, reassessment, escaped turnover, recovery of tax, offences and penalties etc. under the BF Act, shall apply mutatis mutandis under the BTEG Act. Further, according to executive instructions issued by the department in November 1998 and May 2002, the AAs were required to review the returns and initiate proceedings against the defaulting dealers under the relevant provisions of the BF Act.

5.6.1 During test check of the records of Munger commercial taxes circle in May 2006, it was noticed that a dealer disclosed import of scheduled goods of Rs. 15.69 lakh in his return during 2003-04. Cross verification of the utilisation statement of road permits with the returns revealed that the dealer had actually imported scheduled goods worth Rs. 1.71 crore. The AA,

however, failed to review the returns and detect concealment of import value of Rs. 1.55 crore which resulted in non-levy of minimum penalty of Rs. 6.80 lakh.

After the case was pointed out, the AA stated in May 2006 that the case would be examined. Further reply has not been received (November 2007).

5.6.2 During test check of the records of Bhabhua commercial taxes circle in July 2006, it was noticed that a dealer disclosed import of scheduled goods of Rs. 3.71 crore during 2002-03 and 2003-04 in his returns against actual purchase of goods of Rs. 4.68 crore as communicated to the AA, by the CCT, Bihar. The AA however, failed to review the returns in the light of information furnished by the CCT and thus suppression of Rs. 96.93 lakh remained undetected leading to non-imposition of minimum penalty of Rs. 3.88 lakh.

After the case was pointed out, the AA intimated in July 2007 that the demand had been raised. A report on recovery has not been received (November 2007).

The cases were reported to the Government between January and February 2007; their reply has not been received (November 2007).

CHAPTER-VI : NON-TAX RECEIPTS

6.1 Results of audit

Test check of the records of the following receipts conducted during the year 2006-07, revealed loss/non-recovery of revenue etc. of Rs. 252.37 crore in 314 cases as mentioned below:

(Rupees in crore)

Sl. No.	Categories	No. of cases	Amount
A.	**Mines and Minerals**		
1.	**Receipts from mines and minerals (A review)**	1	38.32
2.	Non-initiation of certificate proceedings	7	34.99
3.	Non-levy of penalty/fees	36	30.64
4.	Non-levy of interest	9	9.17
5.	Non/short levy of auction money due to non/irregular settlement of *sand ghat*	6	3.81
6.	Non-levy of stamp duty and registration fees	11	2.28
7.	Non-levy or short levy of dead rent/surface rent	4	1.47
8.	Non/short levy of royalty and cess	1	0.20
9.	Other cases	18	16.77
	Total	**93**	**137.65**
B.	**Water Rates**		
1.	Delay in assessment of water rates	11	10.85
2.	Other cases	40	65.01
	Total	**51**	**75.86**
C.	**Forest Receipts**		
1.	Loss of revenue due to departmental lapses	115	13.54
2.	Less raising of demand	1	2.08
3.	Other cases	54	23.24
	Total	**170**	**38.86**
	Grand Total	**314**	**252.37**

During the year 2006-07, the concerned departments accepted underassessment and other deficiencies involving Rs. 108.33 crore in 89 cases which were pointed out during the year 2006-07.

Audit findings of the review of "**Receipts from Mines and Minerals**" involving a total financial effect of Rs. 38.32 crore and a few other illustrative cases involving Rs. 9.53 crore are mentioned in the following paragraphs.

A: MINES AND MINERALS

6.2 Receipts from Mines and Minerals

Highlights

Lack of a system to review the brick kiln registers maintained by the district mining officers to monitor non-payment of royalty by the defaulting brick kiln owners by the Director of Mines led to non-levy of penalty of Rs. 7.89 crore.

(Paragraph 6.2.7)

Lack of a system to ensure that the Director of Mines reviewed the verification particulars of forms conducted by the district mining officers/assistant mining officers led to non-levy of penalty of Rs. 12.79 crore against the works contractors.

(Paragraph 6.2.8)

The district mining officer failed to reconcile the departmental figures with the treasury figures resulting in misappropriation of Rs. 1.70 crore.

(Paragraph 6.2.10)

Non-execution of deeds for settlement of 44 stone quarries and sand *ghats* in eight DMOs during 2001-02 to 2006-07 resulted in non/short realisation of stamp duty of Rs. 3.60 crore.

(Paragraph 6.2.12)

In five district mining offices, 118 sand *ghats* with reserve price of Rs. 9.64 crore remained unsettled, resulted in loss of revenue of Rs. 8.95 crore.

(Paragraph 6.2.13)

6.2.1 Introduction

The mining of minerals is governed by the Bihar Minor Mineral Concession Rules (BMMC Rules), 1972 and Mineral Concession Rules (MC Rules), 1960 framed by the State Government under the Mines and Minerals (Regulation and Development) Act (MMRD Act), 1957. Receipts from mining of minerals accrue mainly in the form of royalty, dead rent, surface rent, application fee for lease/permit/prospecting licence, penalties, fines and interest for delayed/belated payment of dues etc. The minor minerals available in the State, are brick earth, building stones, clay, lime stones, sand etc.

A review of the receipts from mines and minerals was conducted in audit. It revealed a number of system and compliance deficiencies which are mentioned in the succeeding paragraphs.

6.2.2 Organisational set up

The regulation and development of mines and minerals, grant of mineral concessions, assessment, levy and collection of mining dues are administered by the Mines and Geology Department with the Commissioner cum Secretary as its head at the Government level. The Director of Mines is the head of the department and is assisted by seven Deputy Directors of Mines (DDMs), one at headquarters and six at circles and 27 district mining officers

(DMOs)/assistant mining officers (AMOs) in the districts. The DMO/AMO, in-charge of the district mining offices, are responsible for assessment, levy and collection of royalty and other mining dues. The DDM of a circle is the appellate authority and is vested with the powers of certificate officer for recovery of the mining dues.

6.2.3 Audit objectives

The review was conducted to examine whether

- the Acts/Rules/provisions relating to mining and realisation of royalty, dead rent, surface rent, application fees for lease permit/prospecting licence, fines, penalties and interest for delayed payment were properly adhered to;
- revenues realised were properly accounted for in the Government account under the proper head; and
- an effective internal control mechanism existed for monitoring the functioning of the department.

6.2.4 Scope of audit

The records pertaining to the years 2001-02 to 2005-06 in nine[1] out of 27 district mining offices, two[2] out of six circles and the Directorate of Mines were reviewed between November 2006 and June 2007. The units have been selected on the basis of revenue collected[3].

6.2.5 Acknowledgement

Indian Audit & Accounts Department acknowledges the co-operation of the Mines and Geology Department in providing the necessary information and records for audit. The finding of the review were forwarded to the Government and department in July 2007 and were discussed in the Audit Review Committee meeting held on 9 October 2007 with the Principal Secretary, Mines and Geology Department. The reply of the Government has been suitably incorporated in the respective paragraphs.

Audit findings

6.2.6 Trend of revenue

The details of budget estimates (BE) and actual receipts for the year 2001-02 to 2005-06 are mentioned below:

(Rupees in crore)

Year	BE	Actual receipts	Variation	Percentage of variation
2001-02	50.00	39.20	(-) 10.80	(-) 21.60
2002-03	61.60	61.20	(-) 0.40	(-) 0.65
2003-04	75.00	73.34	(-) 1.66	(-) 2.21
2004-05	81.00	80.09	(-) 0.91	(-)1.12
2005-06	81.00	100.90	(+) 19.90	(+)24.57

1 Aurangabad, Bhojpur, Gaya, Jamui, Kaimur, Munger, Nawada, Patna and Rohtas.
2 Gaya and Patna.
3 69 *per cent* of the total collection during 2005-06.

The receipts of the department have been steadily increasing which is an encouraging trend. The increase of Rs. 19.90 crore in 2005-06 over the BEs was mainly due to the receipts of royalty from the National Thermal Power Corporation (NTPC), Barh for earth work and other receipts from auction of stone quarries and Works Department which were not known at the time of framing the BE.

System deficiencies

6.2.7 Receipts from brick kilns

Under the BMMC Rules and notification issued (March 2001) thereunder, brick kilns are classified into different categories. The brick kiln owners are required to pay the consolidated amount of royalty in two equal instalments at the prescribed rates (first instalment of 50 *per cent* is to be paid before commencement of the operation of the kiln and the second instalment of 50 *per cent* before March of that year). Rule 28 further provides that every application for quarrying permit shall be accompanied with a fee of Rs. 2,000.

As per Rule 26 A, if the brick earth remover/brick kiln owner fails to pay the consolidated amount of royalty in the prescribed manner, he shall not be allowed to carry on the business and the competent officer or any other officer duly authorised in this behalf by the State Government shall be competent to stop such business. Further, under the provision of the BMMC Rules and instruction issued by the Government (October 1986), it is the duty of the DMO/AMO/mining inspector (MI) to inspect the area of the brick kiln every month for detection of illegal mining operation.

The MMRD Act provides that in case of continued contravention of the provision of the Act by the brick kiln owner, an additional fine which may extend to Rs. 500 for every day during which such contravention continues after conviction for the first such contravention, may be imposed.

A brick kiln register is required to be maintained by each DMO containing the names of the licensees and the details of royalty paid by them. **There was no system to ensure that the Director of Mines reviewed the brick kiln registers maintained by the DMOs to monitor non-payment of royalty by the defaulting brick kiln owners and imposition of penalty. In the absence of such a system, a number of lapses were noticed which are mentioned below.**

6.2.7.1 Non-levy of penalty for illegal removal of brick earth

Test check of the records of six DMOs[4] revealed that 603 brick kilns were operated during the period from 2001-02 to 2005-06 without obtaining permit and without paying the consolidated amount of royalty. Thus, the kilns were operated illegally. **Though all the kilns were inspected by the DMOs and illegal mining detected, yet no action was taken to impose the penalty of Rs. 3.16 crore[5] under the BMMC Rules** (Annexure-IX).

---

4 Aurangabad, Bhojpur, Gaya, Kaimur, Patna and Rohtas.

5 In absence of actual price of earth excavated, the price has been calculated on royalty payable by the brick kiln owners, which is one of the components for working out cost.

6.2.7.2 Loss due to non-levy of fine for continued contravention

Test check of the register and other records in respect of five DMOs[6], revealed that 82 defaulting brick kiln owners continued to engage in repeated illegal removal of brick earth and operated the kilns without paying royalty and obtaining permit for the period ranging between two to five years during 2001-02 to 2005-06. **Though the illegal operation was in the knowledge of the departmental authorities, no action was taken to stop it and levy fine.** Besides, continued violation of the provisions of the Act/Rules, this also resulted in non-levy of maximum penalty of Rs. 4.73 crore as mentioned below:

(Rupees in lakh)

Sl. No.	Name of the district mining office	No. of defaulting brick kiln owners	Period of contravention during 2001-02 to 2005-06	Non-levy of fine
1.	Aurangabad	17	2 to 5 years	107.68
2.	Kaimur	16	2 to 4 years	83.93
3.	Nawada	16	2 to 5 years	105.85
4.	Patna	16	2 to 4 years	73.00
5.	Rohtas	17	2 to 5 years	102.20
Total		82	--	472.66

After this was pointed out, the Government, while admitting the audit observation stated (October 2007) that inter-departmental squad had been constituted to check illegal mining and action was being taken for filing a certificate case where previously not done.

6.2.7.3 Non-levy of interest

As per the BMMC Rules, the Government may charge simple interest at the rate of 24 *per cent* per annum on any rent, royalty or fee, or other sum due to the Government.

Test check of the records of three DMOs /AMOs[7] revealed that during the period from 2001-02 to 2004-05, 475 brick kilns were operating without paying consolidated royalty and 293 brick kilns paid a part of royalty. The DMOs /AMOs had not maintained the prescribed register for effective control to verify the dates of payment of royalty. In the absence of such register, interest amounting to Rs. 2.27 crore could not be levied on the unpaid royalty of Rs. 3.44 crore (Annexure-X).

After the cases were pointed out, the Government while admitting the audit observation stated in October 2007 that action would be taken for recovery of the interest.

The department may consider making the DMOs/AMOs accountable for illegal mining to prevent leakage of revenue. The brick kiln registers may be prepared. Review by the Director of Mines of the brick kiln registers may also be prescribed with appropriate periodicity for monitoring purpose.

---

6 Out of six DMOs referred in para no.6.2.7.1, four DMOs (Aurangabad, Kaimur, Patna and Rohtas) are common.

7 Bhojpur, Kaimur and Patna.

6.2.8 Non-imposition of penalty against works contractor for illegal procurement of minerals

The BMMC Rules provide that the works contractor shall purchase the mineral from lessee / permit holder and authorised dealer only. The Works Department shall not accept any bill which the works contractors submit to recover the cost of minerals used by them in completion of work unless the same is accompanied with prescribed forms 'M' and 'N' describing the names and addresses of the dealers from whom the minerals were purchased. It shall be the duty of the officer, who receives the said bill, to send the photocopy of the form and particulars to the concerned DMO / AMO. If contents of the forms, on verification by the concerned DMO / AMO, reveal that the minerals are not purchased from any bonafide lessee, it shall be presumed that the concerned mineral was obtained by illegal mining and in that event the said DMO/AMO shall take action as prescribed in these rules against the works contractor. **Audit scrutiny revealed that the Works Department was not furnishing the photocopies of the forms 'M' and 'N' to the DMOs/AMOs. Also, there was no system to ensure that the Director of Mines reviewed that the verification of the particulars of the forms was being conducted by the DMO/AMO. In the absence of such a system, a number of lapses were noticed which are mentioned below.**

Test check of the records of nine DMOs[8] revealed that three works departments[9] did not send the particulars of the minerals used by the works contractors to the DMOs/AMOs for verification. Instead, the departments during 2001-02 to 2005-06 levied royalty of Rs. 12.79 crore from the contractors for use of minerals and deposited it into the Government account. This indicates that the minerals were not purchased from any authorised lessee/dealer and the contractors were thus liable to pay penalty in addition to royalty. **But the DMOs/AMOs, on receipt of the statement of royalty from the works departments, did not initiate any follow up action to call for the copies of the forms 'M' and 'N' from the Works Department for verification and detection of the cases of the illegal mining.** This not only encouraged the contractors to purchase/mine the minerals illegally, but also led to non-imposition of penalty amounting to Rs. 12.79 crore as mentioned below:

(Rupees in crore

Sl. No.	Name of the DMOs	Year	Amount
1.	Aurangabad	2001-02 to 2005-06	0.93
2.	Kaimur	2002-03 to 2005-06	1.21
3.	Bhojpur	2001-02 to 2005-06	1.98
4.	Gaya	2003-04 to 2005-06	2.02
5.	Jamui	2005-06	1.07
6.	Munger	2001-02 to 2005-06	0.78
7.	Nawada	2001-02 to 2005-06	1.70
8.	Patna	2001-02 to 2005-06	2.98
9.	Rohtas	2005-06	0.12
Total			**12.79**

[8] Aurangabad, Bhojpur, Gaya, Jamui, Kaimur, Munger, Nawada, Patna and Rohtas.

[9] Public Works Department, Rural Development Department and Urban Development Department.

Note: Price of mineral as per Rule40(8) of the BMMC Rules, includes cost of production, handling charges, transport cost, royalty, sales tax and other tax and cess, margin of profit. But in the absence of rates of components, only royalty was considered for working out the price of mineral.

After the cases were pointed out, the Government stated in October 2007 that instructions had been issued to the treasury officer, not to entertain the bill of the contractors without obtaining form 'M' and 'N'. The reply is, however, silent on the failure of the DMOs/AMOs to detect these lapses.

The Government may consider fixing responsibility on the DMOs/AMOs who fail to obtain and verify the details in forms 'M' and 'N'.

6.2.9 Revenue recovery mechanism

Under the Bihar Financial Rules (BFR), it is the duty of the controlling officer to ensure that the dues of the Government are correctly and properly assessed, collected and paid into the treasury. As per the instruction of the Board of Revenue under the Public Demand Recovery (PDR) Act, the requiring officer (RO) and the certificate officer (CO) are jointly responsible for the speedy disposal of certificate cases and in case of any difficulties, bring the matter to the notice of the collector, without any undue delay for ensuring disposal of the certificate cases.

The RO is primarily responsible for systematic application for certificates, the prompt disposal of objections and the early application for execution. He is also required to ensure that execution proceedings are progressing satisfactorily.

Under the BMMC Rules and instructions issued thereunder from time to time, the amount of rent, royalty and penalty payable shall be recoverable as a public demand under the Bihar PDR Act, 1974. Accordingly, certificate proceedings are to be initiated for realisation of arrears for which the RO is required to maintain the details of cases in register IX and send the proposal of certificate case to the CO, who records the cases in register X. **These registers are required to be cross verified from time to time to reconcile the entries therein and ensure timely disposal of the certificate cases.** Further in case of permit holder/authorised dealer who fails to pay any Government dues within the stipulated time, a certificate case must be filed within seven months after the due date.

6.2.9.1 Position of outstanding revenue

As per details supplied by the Mines and Geology Department, the year wise break up of the arrear of revenue is as mentioned below:

Year (Upto)	Progressive Amount (Rupees in Crore)
2001-02	75.28
2002-03	83.93
2003-04	99.03
2004-05	116.63
2005-06	125.86

Out of the total outstanding dues of Rs. 125.86 crore, Rs. 106.26 crore (84.42 *per cent*) was covered under the certificate proceedings.

After the case was pointed out, the Government stated in October 2007 that action would be taken for early recovery of the dues.

6.2.9.2 Collection from certificate cases

Scrutiny of the records of the department revealed that no age wise details of pending certificate cases and their disposal along with year of recovery of the amount to which it related were available in the department. **The register IX required to be maintained by the RO was not maintained properly due to which the department was not in a position to monitor the status of outstanding dues and recovery. There was also no system of any report/return to be furnished by the district authorities showing the status of the certificate cases.** The department, on being requested by audit, obtained the figures of year wise collection of certificate dues for the year 2001-02 to 2005-06 from the respective district authorities which are as mentioned below:

(Rupees in crore)

Year	Collection from certificate dues					
	Dues		Collection		Percentage	
	No. of cases	Amount	No. of cases disposed	Amount received	Cases	Amount
2001-02	30,066	65.56	406	1.81	1.35	2.76
2002-03	NA	75.15	409	1.74	NA	2.31
2003-04	32,618	82.83	256	1.56	0.78	1.88
2004-05	32,417	96.24	176	0.83	0.54	0.86
2005-06	34,828	108.39	435	2.13	1.25	1.96

Thus, there was no effective follow up action by the department for expeditious disposal of certificate cases which resulted in accumulation of arrears of revenue of Rs. 106.26 crore. The chances of recovery from cases pending for long periods are also remote.

After the case was pointed out, the Government stated in October 2007 that action would be taken for speedy disposal of the cases.

6.2.9.3 Non-filing of certificate cases

Scrutiny of the records of the DMOs, Rohtas and Patna revealed that 48 cases of 2002-03 involving a revenue of Rs. 65 lakh were recorded in register IX of the concerned ROs and were sent to the CO for processing certificate cases. Verification with the entries in register X of CO by audit revealed that these cases were not recorded in the register for processing as certificate cases. Perusal of the statement of arrears of revenue revealed that these amounts were also not reflected as arrear in the records of the DMO (RO). **Thus, failure of the ROs to cross verify the entries of register IX with those in register X maintained by the COs resulted in non-initiation of certificate cases by the CO.**

After the case was pointed out, the Government stated in October 2007 that certificate proceedings would be initiated.

The Government may consider strengthening the mechanism for ensuring timely and speedy initiation/disposal of certificate cases in the interest of revenue.

6.2.10 Misappropriation of Government revenue

As per Rule 7 of BFR volume I, it is the duty of the controlling officer concerned to see that the dues of the Government are correctly and promptly assessed, collected and paid into the treasury. They should accordingly arrange to obtain from their subordinates monthly account and returns in suitable form claiming credit for amount paid into the treasury or otherwise accounted for and compare them with the statement of treasury credits furnished by the Accountant General (A&E), Bihar to see that the amounts reported as collected have been duly credited in the Public Accounts. If wrong credits come to the notice of the controlling officer, he should at once inform the Accountant General (A&E), Bihar for correction of the accounts. If any credits are claimed but not found in the accounts, enquiries should be made by the departmental officer concerned.

The amount received by the DMOs/AMOs in respect of mineral receipts are entered in the Bank Draft Register/Kacha Challan Register for cash amount. The DMOs/AMOs also send to the Government monthly statement containing the details of the revenue realised and credited to Government account. He is also required to verify the credits from the treasury records for its correctness.

Scrutiny of the monthly return sent by the DMO, Nawada for the year 2003-04 and 2004-05 revealed that Rs. 1.96 crore and Rs. 2.32 crore respectively were received as revenue from auction of sand *ghat* and were deposited in the treasury. Cross verification by audit of the treasury receipt schedule of Treasury Officer, Nawada revealed that only Rs. 2.58 crore was deposited in the Government account during the period. Failure of the DMO to reconcile the departmental figure with the treasury figure resulted in misappropriation of Rs. 1.70 crore (Annexure-XI).

After the case was pointed out, the Government while accepting the audit observation stated in October 2007 that departmental proceedings had been initiated against the concerned staff of the office.

The department may issue instruction for mandatory reconciliation of revenue figures of the department with those of the treasury figures every month.

6.2.11 Internal audit

Internal audit, a vital component of the internal control systems that enable an organisation to assure itself that the prescribed systems are functioning reasonably well. The internal audit of different departments of the Government were centralised under the Finance Department in 1953. On enquiry by audit, the Finance (Audit) Department stated that the internal audit of the departments was being conducted on the basis of the requisition received from the administrative department for its subordinate offices.

Regarding the internal audit of Mines and Geology Department, only 15 audit reports had been issued by the Finance (Audit) Department during 2001-02 to 2005-06.

The details regarding number of offices due for audit, number of offices actually audited and position of internal audit reports, paragraphs issued and disposed were not furnished by the Mines and Geology Department (November 2007), despite being requested. Moreover, neither the department of Mines and Geology nor Internal Audit Wing (IAW) was in a position to state the number of requisitions sent/received during the years under review. **This indicates that the management had no means of knowing the areas of malfunctioning of systems and did not, therefore, have the opportunity of taking remedial action at the appropriate time.**

Thus, internal audit which is an important tool in the hands of the management of an organisation for ensuring its efficient functioning, has been rendered ineffective and inoperational.

The Government may take appropriate measures to make the IAW effective.

Compliance deficiencies

6.2.12 Non/short levy of stamp duty, surcharge and additional surcharge

6.2.12.1 The BMMC Rules provide that the right for extraction of any mineral may be leased out for five years and settled through public auction in the prescribed manner. The lease granted shall be executed in the prescribed form 'D' or in a form as near thereto as the circumstances of each case may require. The rule further envisages that where a mining lease is granted, the formal lease shall be executed within 90 days of the order sanctioning the lease and the lessee is liable to pay the stamp duty at the rate of three *per cent*[10] as provided under the Indian Stamp (IS) Act, 1899. In addition, surcharge equivalent to stamp duty and 10 *per cent* additional surcharge are also leviable under the Bihar Finance Act.

Scrutiny of the records of three DMOs[11] revealed that 44 quarries of 88.57 acres were settled between February 2002 and July 2006 at Rs. 57.27 crore. But the department in case of 31 quarries involving auctioned amount of Rs. 55.55 crore, did not levy any stamp duty, surcharge and additional surcharge amounting to Rs. 3.48 crore. In 13 cases, the department levied only Rs. 1.29 lakh as stamp duty, surcharge and additional surcharge instead of Rs. 12.52 lakh. This resulted in non/short realisation of revenue of Rs. 3.60 crore (Annexure-XII).

After the cases were pointed out, the Government stated in October 2007 that stamp duty was collected at one fifth value of the lease deed (annual basis) in the case of DMO, Nawada and in the remaining 30 cases, demand would be raised. The reply is not tenable as the collection of stamp duty on one fifth value of five year lease agreement is not legally allowed and stamp duty on the

---

10 Calculated on the basis of anticipated royalty disclosed under clause 9 of Part IX of form 'D'.

11 Munger, Nawada and Rohtas.

entire value at which the settlement was made was leviable. A report on recovery of stamp duty in the remaining cases has not been received (November 2007).

6.2.12.2 The BMMC Rules and notification issued by the Government in December 2002 provide that where the said settlements are made by public auction, a deed shall ordinarily be executed within 60 days and stamp duty will be charged as prescribed in the IS Act. Surcharge equivalent to stamp duty as well as 10 *per cent* additional surcharge are also required to be levied under the Bihar Finance Act for execution of the deed.

Scrutiny of the records in seven DMOs[12] revealed that 245 sand *ghats* were settled between calendar years 2004 and 2006 at Rs. 47.30 crore. But the department did not execute any settlement deed as required under the rule/notification. Thus, failure of the DMOs/AMOs to follow the provisions resulted in non-realisation of Rs. 1.02 crore on account of stamp duty including surcharge and additional surcharge (Annexure-XIII).

After the cases were pointed out, the Government stated in October 2007 that demand had been raised in the light of audit observation. A report on recovery has not been received (November 2007).

6.2.13 Loss of revenue due to non-settlement of sand *ghats*

Under the BMMC Rules, the settlement of sand *ghat* as minor mineral will be done by public auction by the Collector concerned with the highest bidder on annual basis.

Scrutiny of the records of sand *ghats* of five DMOs[13] revealed that 118 sand *ghats* were not settled during the calendar year 2002 to 2006 with a reserve price of Rs. 9.64 crore. In Rohtas district, 15 out of 27 sand *ghats* were departmentally operated in the calendar years 2002 and 2004 and Rs. 68 lakh only was collected against the reserve price of Rs. 6.02 crore. Since riverine sand is in constant process of accumulation and depletion, lack of effective steps to settle the sand *ghats* year after year led to a loss of revenue of Rs. 8.95 crore to the Government (Annexure-XIV).

After the cases were pointed out, the Government stated in October 2007 that no bidder turned up for settlement of the sand *ghat*. The reply is not tenable as the department could have operated the sand *ghats* departmentally. Further, the reply is also silent regarding the failure of the department to realise the reserve fee in cases where the sand ghats were departmentally operated.

6.2.14 Loss of revenue due to injudicious settlement of stone quarries

According to rule 52 (1) (i) of BMMC Rules, as amended from March 2001, stone quarry is to be leased/settled out by public auction in respect of the mineral, notified under Rule 9 A. The Government in August 2001 notified the reserve price of stone quarries for all the districts of Bihar and accordingly the settlee had to pay the auctioned amount only.

---

12 Aurangabad, Bhojpur, Gaya, Kaimur, Nawada, Patna and Rohtas.

13 Aurangabad, Bhojpur, Kaimur, Patna and Rohtas.

Scrutiny of the records of DMOs, Munger and Rohtas revealed that 12 stone quarries were settled by public auction between October 2002 and March 2004 for five years at the total auctioned amount of Rs. 4.42 crore. The settlees extracted 4,20,96,181 cft of stone from the said quarries up to March 2006. A sum of Rs. 11.91 crore was receivable in shape of royalty, had it been leased out, in the manner prescribed before the amendment. Thus, due to injudicious decision of the Government to auction stone quarries instead of leasing them, there was loss of revenue of Rs. 7.50 crore (Annexure -XV).

After the case was pointed out, the Government stated in October 2007 that instructions had been issued (November 2004) that in cases where the royalty receivable from the extracted stone exceeded the auctioned amount, the settlee had to pay the differential amount. The reply of the Government is, however silent regarding the delay of more than three years in issuing such corrective instructions which led to the loss of revenue in the cases of these 12 stone quarries test checked in audit.

6.2.15 Loss of revenue due to departmental operation of sand *ghat*

Rule 11A of the BMMC Rules provides for settlement of sand *ghat* by public auction by the Collector with the highest bidder for one calendar year. The Government decided in December 2001 to departmentally operate the sand *ghats* if these were not settled by auction.

The Government, due to imposition of model election code of conduct, decided to settle the sand *ghats* for the period from January to March 2005 with the settlees of 2004 on the proportionate reserve fee for three months as calculated on the basis of the reserve price for the year 2004. Accordingly, instructions were issued to all the District Collectors in December 2004 for settlement of the sand *ghats*.

Test check of the record relating to settlement of sand *ghat* for the calendar year 2005 in DMO, Munger revealed that the settlee for the year 2004 agreed to pay Rs. 77.28 lakh for the period January to March 2005 on the average reserve price of the preceding 12 months. The District Collector, Lakhisarai in December 2004, referred the request to the Government for appropriate direction on the matter. The department decided not to award the work to the previous settlee and issued instructions to carry out the work departmentally on the plea that the bidder did not agree to undertake the work. The plea of the Government is not tenable as the audit observation of acceptance of previous settlee has again been confirmed (November 2007) by the DMO/AMO, Lakhisarai. The department collected only Rs. 3.49 lakh during the period through departmental operation. Thus, failure of the department to award the work to the previous settlee resulted in loss of revenue of Rs. 73.79 lakh.

6.2.16 Non-imposition of penalty for illegal use of minerals in construction of railway tracks

The Government of India issued a notification in February 2000 specifying that ordinary earth used for filling or levelling purposes in construction of embankments, road, railways, building is a minor mineral. Further, every AMO/DMO is required to keep the list of the contractors engaged in construction work.

Rule 27(1) of the BMMC Rules provides that on an application made, the competent officer may grant a quarrying permit in form 'E' to any person to extract and remove any mineral from any specified land within the limits of his jurisdiction.

Scrutiny of the records of the DMO, Nawada revealed that 12.79 lakh cubic metre of earth and 72,000 cubic metre of *moorum*[14] were used in the construction of a railway track for which no royalty was realised from the railway contractor. The railway contractor did not apply for permit for removal of earth and *moorum*. The DMO detected in his inspection that the contractors had illegally used the minerals attracting penal provisions of the BMMC Rules. Though three certificate cases were filed against the contractor for realisation of royalty of Rs. 2.13 crore, penalty of Rs. 2.13 crore for illegal removal of minor minerals was not levied as mentioned below:

Name of the Contractor	Earth work in filling at the rate of Rs. 15 per cubic metre	Moorum at the rate of Rs. 30 per cubic metre	Royalty payable (Rupees in lakh)
Modi construction Prop- Shri Naveen Modi, Kanke Road Ranchi	9,09,000 cubic metre	-----	136.35
--do--	3,00,000 cubic metre	48,000 cubic metre	59.40
M/s Allied company Kolkatta Prop- Shri Ajay kumar	70,000 cubic metre	24,000 cubic metre	17.70
Total	**12,79,000**	**72,000**	**213.45**

After the case was pointed out, the Government stated in October 2007 that necessary directives had been issued to the DMOs/AMOs. A report on recovery has not been received (November 2007).

6.2.17 Irregular renewal of lease of stone quarry

Under the provision of the BMMC Rules, application for renewal of mining lease shall be made at least 90 days but not earlier than 180 days before the expiry of the lease. The Government, in March 2001, however, stopped renewal of existing leases and fixed the reserve price of each unit of two acres of leased area at Rs. 11.50 lakh for five years in Nawada district.

Scrutiny of the records of the DMO, Nawada revealed that the lease period of a stone quarry of 162 acres was to expire on 30 September 2001. The department, however, in contravention of the Government order renewed 53.10 acres (out of 162 acres) on 7 April 2001 in favour of the lessee. The department, thereafter, suspended the operation of the mining lease in April 2007 without taking the possession of the area. Meanwhile, for such irregular renewal of mining operation the department sustained a loss of Rs. 1.31 crore[15] on account of fixed reserve price receivable from fresh settlement.

---

14 A mixture of soil and clay used for levelling of roads.

15 Period 01.10.2001 to 31.03.2007 i.e. 5 ½ years
53.10/2 X 11.5 lakh/5yrs X 5 ½ years = Rs 335.86 lakh
Less revenue receipts up to 3/2007 = (-) Rs 204.87 lakh
(As per AMO Nawada during discussion) Rs 130.99 lakh

The Government, while accepting audit observation stated in October 2007 that orders for recovery had been issued. The reply is, however, silent regarding the reasons for such illegal renewal in violation of the Government order which led to loss of revenue.

6.2.18 Non-reconciliation of revenue receipts

The department is required to reconcile the receipts as per the records maintained by them with figures recorded in the books of the Accountant General (A&E), Bihar. Audit scrutiny revealed that reconciliation was not conducted during the period under review. As a result, there was variation between the departmental figures and the figures appearing in the Finance Accounts prepared by the Accountant General (A&E), Bihar as mentioned below:

(Rupees in crore)

Year	Receipt as per Finance Account	Receipt as per Department	Difference
2001-02	39.20	40.99	(+)1.79
2002-03	61.20	57.52	(-)3.68
2003-04	73.34	67.59	(-)5.75
2004-05	80.09	75.33	(-) 4.76
2005-06	100.90	96.39	(-) 4.51

After this was pointed out the Government stated in October 2007 that necessary instruction had been issued to all the DMOs/AMOs for reconciliation of the figures.

6.2.19 Conclusion

Mining receipts are the second largest non-tax receipts to the State. Audit review revealed a number of deficiencies in the system of levy and collection of mining receipts leading to leakages of revenue and also in the non-levy of penalty for illegal and unauthorised mining operations. Internal control mechanism in the department was very weak as is evidenced by the failure of the DMOs/AMOs to maintain the prescribed registers and take appropriate action. Internal audit which is an important tool in the hands of the management of an organisation for ensuring its efficient functioning, has been rendered ineffective and inoperational due to lack of proper attention.

6.2.20 Summary of recommendations

The Government may consider implementation of the following recommendations for rectifying the system and compliance issues:

- making the DMOs/AMOs accountable for illegal mining to prevent leakage of revenue. The brick kiln registers may be prepared. Review by the Director of Mines of the brick kiln registers may also be prescribed with appropriate periodicity for monitoring purpose;
- fixing responsibility on the DMOs/AMOs who fail to obtain and verify the details in forms 'M' and 'N';
- strengthening the mechanism for ensuring timely and speedy initiation/disposal of certificate cases in the interest of revenue;

- issuing instruction for mandatory reconciliation of revenue figures of the department with those of the treasury every month; and
- taking appropriate measures to make the IAW effective.

B: WATER RATES

6.3 Non-raising of the demand of *khatiani*

Under the Bihar Irrigation Act, 1997 and the rules framed thereunder, preparation of the statement of land irrigated (*sudkar*), cultivator wise measurement (*khesara*) and demand statement (*khatiani*[16]) are required to be completed by 30 November for *kharif*, 30 April for *rabi* and 15 June for hot weather crops by the Irrigation Department for recovery of water rates from the beneficiaries to whom water is supplied for irrigation purposes. These statements are to be forwarded to the revenue divisions of the department for recovery.

Test check of the records in seven divisions[17] between April and November 2006 revealed that *khatiani* for 2.11 lakh hectares of *kharif* and 2.17 lakh hectares of *rabi* land irrigated during the years 2001-02 to 2005-06 were not prepared and forwarded to the concerned revenue divisions by the Irrigation Department. This resulted in non-raising of demand and collection of water rates of Rs. 4.55 crore for *kharif* and Rs. 4.01 crore for *rabi* crops.

After the cases were pointed out, the Executive Engineers (EEs) of three divisions[18] stated between June and September 2006 that action was being taken to prepare *khatiani* at the earliest. The EEs of two divisions[19] stated between September and October 2007 that demand had been raised. The other EEs attributed non-preparation of the *khatiani* to shortage of staff. Their replies are not tenable as adequate manpower was available in the divisions with reference to the sanctioned strength. Further reply has not been received (November 2007).

The cases were reported to the Government between October 2006 and April 2007; their reply has not been received (November 2007).

6.4 Loss of revenue due to non-settlement of cultivable *chat* land

Under the Bihar Irrigation Manual and instructions issued thereunder, the *chat* land[20] is to be settled/renewed on lease for nine months for the period from June to March every year for cultivation to persons belonging to the scheduled castes/scheduled tribes and to the landless farmers on priority basis. For this, applications are to be invited by the Sub-Divisional Canal Officer for *chat* land available for settlement on realisation of the settlement amount at prescribed rates including water rates. The settled amount of *chat* land is to be realised in advance along with all the arrears.

---

16 Abstract demand of irrigated land.

17 Dehri division, Dehri; Ganga Pump division, Chausa; Irrigation division, Baunsi, Bijikhorba and Laxmipur at Banka; Sone canal division, Bikramganj and Buxar.

18 Dehri division, Dehri, Irrigation division, Laxmipur at Banka and Sone canal division, Bikramganj.

19 Ganga Pump canal division, Chausa and Sone canal division, Buxar.

20 Government land which is situated on both sides of the canal.

Test check of the records in Sone Canal sub division, Karagahar, Dehri division in July 2006 revealed that out of available 580.29 acres of *chat* land, settlement of 307.82 acres of land had expired. But neither did the department take any initiative to resettle the land with the previous settlee nor did it invite any application for fresh settlement of the land. Instead, the land was retained unauthorisedly by the previous settllees. Thus, failure of the department to settle the land for the period from 2002-03 to 2005-06 resulted in loss of revenue of Rs. 10.83 lakh.

After the case was pointed out, the EE stated in July 2006 that steps would be taken to settle the vacant land. The reply is however, silent about the reasons for non-settlement of *chat* land for such long period which eventually led to loss of revenue. Further reply has not been received (November 2007).

The case was reported to the Government in November 2006; their reply has not been received (November 2007).

C: FOREST RECEIPTS

6.5 Blocking of revenue due to non-disposal of collected/unclaimed timber

The Bihar Forest Produce (Regulation of Trade) Act, 1984, provides that all forest produce collected or to be collected from the forests of the State shall be disposed by public auction every year preferably before the end of April. Besides, unclaimed timber was to be disposed through public auction under the provisions of Indian Forest (IF) Act, 1927.

Test check of the records in five forest divisions[21] between May and November 2006 revealed that 1,678.679 cubic meters of timber of various species and 505 fencing poles valuing Rs. 40.69 lakh were collected/seized during the years 2001-02 to 2005-06 and were not disposed till March 2006. This has resulted in blocking of revenue of Rs. 40.69 lakh.

After the cases were pointed out, the Divisional Forest Officer (DFO), Gaya, stated that timber was being sold from various depots. The reply is not tenable as effective steps were not taken by the DFOs for disposal. DFO, Purnea stated that all the arrear lots were placed on auction every month but due to abundant availability of dry woods in market from *raiyati* plots, the sale of arrear lots was slow, DFO, Sasaram stated that timber was being disposed as per the new guidelines. The replies, however, do not throw any light on the undue delay in disposal of seized timber leading to accumulation of unsold timber in forest depots which eventually will result in deterioration and consequential loss of revenue.

The cases were reported to the Government between April and May 2007; their reply has not been received (November 2007).

6.6 Non-eviction of encroached forest land

Under the IF Act, as amended from time to time, encroachment of forest land is a cognisable and non-bailable offence. Any forest officer not below the rank of DFO, if he has reason to believe that encroachment of the Government forest land has taken place, may evict the encroachers and use all the powers

[21] Gaya, Jamui, Munger, Purnea and Sasaram.

conferred on a magistrate under the Bihar Public Land Encroachment Act (BPLE Act), 1956. The IF Act further provides for realisation of royalty and compensation for damages to forest produce and forest land from the encroachers.

Continuance of encroachment and any unauthorised activity on forest land tantamounts to violation of the orders of the Supreme Court[22] directing complete eviction of encroachers. The Principal Chief Conservator of Forest (PCCF), Bihar issued instructions in June 2003 for departmental action against forest officers for any slackness in compliance with the Apex Court's orders.

In Jamui and Sasaram forest divisions, it was noticed between May and September 2006 that in 18 cases, an area of 14.9229 hectares of forest land was encroached. Despite directives issued by the PCCF and orders of the Apex Court, no action was taken by the department to ensure eviction of the encroachers from such forest land. The revenue for damage to standing trees with compensation was also not assessed by the department for realisation from the encroachers. At the minimum net present value of Rs. 5.80 lakh per hectare, the value of encroached forest land is Rs. 86.56 lakh.

After the cases were pointed out, DFO, Sasaram stated in September 2006 that eviction proceeding was being initiated while DFO, Jamui did not furnish any reply. Further replies have not been received (November 2007).

The cases were reported to the Government in April 2007; their reply has not been received (November 2007).

Patna
The 26 FEB 2008

(ARUN KUMAR SINGH)
Principal Accountant General (Audit),
Bihar

Countersigned

New Delhi
The 29 FEB 2008

(VINOD RAI)
Comptroller and Auditor General of India

[22] Writ Petition (Civil)-202 of 1995 T N Godavaram Thirumalpad Vs. Union of India.

ANNEXURES

ANNEXURE-I

(Reference - Paragraph 3.2.1)

Loss of revenue due to non-lifting of minimum guaranteed quota

Sl. No.	Name of the office	Kind of shops	2002-03		2003-04		2004-05		2005-06		Total of previous four years		Short lifting of quota	Loss of duty (in Rupees)
			Quota	Lifting	Quota	Lifting	Quota	Lifting	Quota	Lifting	Quota	Lifting		
1.	Madhepura	C.S.	55246.00	47654.00	14096.00	9076.00	30573.00	19856.00	-	-	99915.00	76586.00	23329.00	816515.00
		S.C.S.	87108.00	27727.50	75427.00	22386.00	29523.00	13719.56	-	-	192058.00	63833.06	128224.94	5128997.60
		IMFL	125304.00	63644.38	113003.00	66863.96	82641.00	18956.07	149994.00	77783.68	470942.00	227248.00	243693.91	24369391.00
2.	Purnea	C.S.	418560.00	177184.00	439488.00	223744.00	283309.00	223744.00	-	-	1141357.00	624672.00	516685.00	18083975.00
		S.C.S.	69130.00	-	72586.00	3496.00	11064.00	3496.00	-	-	152780.00	6992.00	145788.00	5831520.00
		IMFL	197378.00	178016.58	207247.00	181177.19	194100.00	178954.47	291635.00	151271.00	598725.00	538148.24	60576.76	6057676.00
3.	Araria-cum-Kishanganj	C.S.	312225.00	275804.00	327864.00	253176.00	341057.00	228302.00	-	-	981146.00	757282.00	223864.00	7835240.00
		S.C.S.	133102.00	33936.31	139361.00	41283.53	171588.00	372426.00	-	-	444051.00	112462.41	331588.59	13263543.60
		IMFL	102478.00	73693.38	107608.00	61677.00	222277.00	160736.00	196467.00	110152.00	628830.00	406258.38	222571.62	22257162.00
4.	Bhojpur-cum-Buxar	C.S.	102411.00	987768.00	1075343.00	880554.00	1358822.00	675204.00	-	-	3458276.00	2543526.00	914750.00	32016250.00
		S.C.S.	357876.00	266313.00	393224.00	193807.00	429855.00	228164.00	-	-	1080955.00	688286.00	392669.00	15706760.00
		IMFL	242155.00	180100.00	253751.00	231652.00	274437.00	162213.00	317979.00	119403.00	1091322.00	693768.00	397554.00	39755400.00
5.	Rohtas-cum-Kaimur	C.S.	1648928.00	1214297.00	1511386.00	1091738.00	1296394.00	1270866.00	-	-	4656708.00	3576901.00	1079807.00	37793245.00
		S.C.S.	143088.00	103390.00	150173.00	110183.00	157712.00	140370.00	-	-	450973.00	353943.00	97030.00	3881200.00
		IMFL	214629.00	183439.00	193868.00	126743.00	219471.00	161086.00	243508.00	141247.00	871476.00	612515.00	258961.00	25896100.00
6.	Munger-cum-Jamui-cum-Lakhisarai-cum-Sheikhpura	C.S.	684051.00	463883.00	711588.00	514460.00	754802.00	438862.00	-	-	2150441.00	1417205.00	733236.00	25663260.00
		S.C.S.	147502.00	22369.00	153639.00	17622.00	160984.00	13564.00	-	-	462125.00	53555.00	408570.00	16342800.00
		IMFL	214582.00	204266.00	51301.00	50906.00	212625.00	203518.00	268307.00	245279.00	746815.00	703969.00	42846.00	4284600.00
7.	Gaya	C.S.	774179.24	337563.00	749642.00	277034.00	513128.00	141247.00	-	-	2036949.24	755844.00	1281105.24	44838683.40
		S.C.S.	61617.56	43556.80	100856.00	48808.00	69229.65	39229.65	-	-	231703.21	1315940.45	100108.67	40043550.40
		IMFL	388546.56	232360.43	483738.00	271649.00	471992.22	271730.11	604949.00	246538.69	1949225.78	1022278.23	926947.55	92694755.00
Total														**48,25,60,624.00**

ANNEXURE-II

(Reference - Paragraph 3.3.1)

Delayed Settlement of Excise Shops

Table -I

(Country Spirit)

Sl. No	Name of the office	Year	Monthly reserve fee	No. of shops	Annual quota	Date(s) of Settlement	Delay in settlement	Quota for the delayed period of settlement	Loss of reserve fee	Loss of duty (In Rupees)
1.	ACE, Patna	2005-06	-	-	-	-	-	-	-	-
2.	SE, Madhepura	2004-05	-	-	-	-	-	-	-	-
		2005-06	-	-	-	-	-	-	-	-
3.	SE, Araria-cum-Kishanganj	2003-04	1,37,920	3	64,356	November 03	8 Months	64,356	16,55,044	22,52,460
		2004-05	56,540	2	7,739	October 04	4 Months	7,739	2,26,160	2,70,865
4.	ACE, Rohtas-cum-Kaimur	2005-06	1,63,30,847	53	-	26 April 05 30 May 05	25 days 2 Months	-	-	-
5.	SE, Munger-cum-Jamui-cum-Lakhisarai-cum-Sheikhpura	2002-03	16,314	3	11,522	1 June 02 20 December 02	2 Months 9 Months	1,583	31,203	55,405
		2003-04	-	-	-	-	-	-	-	-
		2005-06	26,02,440	Two groups	4,95,522	28 September 05 30 January 06	5 Months	-	86,25,011	-
6.	ACE, Gaya	2002-03	1,14,888	9	-	15 July 02 19 July 02 17 December 02	3 Months 8 Months	33,336	4,22,568	11,67,485
		2004-05	1,87,785	8	-	6 November 04 28 July 04	4 Months 1 Month	1,16,591	7,52,661	25,00,141
		2005-06	38,63,390	27	12,10,544	22 February 06	11 Months	11,09,665	4,53,94,833	-
7.	SE, Bhagalpur-cum-Banka	2005-06	-	-	-	-	-	-	-	-
8.	SE, Chapra	2005-06	5,46,5194	59	8,42,697	31 May 05	2 Months	1,17,329	63,80,332	-
9.	SE, Katihar	2005-06	-	-	-	-	-	-	-	-
10.	SE, Siwan	2005-06	79,96,633	55	-	4 May 05	1 Month	-	87,70,502	-
Grand Total		**-**	**-**	**219**	**-**	**-**	**-**	**-**	**7,22,58,314**	**62,46,356**

Continued.....

Table -II

(Spiced Country Spirit)

Sl. No	Name of the office	Year	Monthly reserve fee	No. of shops	Annual quota	Date(s) of Settlement	Delay in settlement	Quota for the delayed period of settlement	Loss of reserve fee	Loss of duty (In Rupees)
1.	ACE, Patna	2005-06	-	-	-	-	-	-	-	-
2.	SE, Madhepura	2004-05	-	-	-	-	-	-	-	-
		2005-06	-	9	-	7 May 05	-	-	-	-
3.	SE, Araria-cum-Kishanganj	2003-04	-	-	-	30 April 05 5 July 05	-	-	-	-
		2004-05	-	15	-	-	-	-	-	-
4.	ACE, Rohtas-cum-Kaimur	2005-06	-	-	-	-	-	-	-	-
5.	SE, Munger-cum-Jamui-cum-Lakhisarai-cum-Sheikhpura	2002-03	-	-	-	-	-	-	-	-
		2003-04	-	-	-	-	-	-	-	-
		2005-06	-	-	-	28 September 05 30 January 06	5 Months	-	-	-
6.	ACE, Gaya	2002-03	4,477	2	-	11 May 02 11 December 02	1 Month 8 Months	7,173	32,178	2,86,920
		2004-05	3,100	1	-	6 November 04	4 Months	38,111	12,917	1,52,440
		2005-06	-	13	1,01,912	-	-	93,419	-	-
7.	SE, Bhagalpur-cum-Banka	2005-06	-	-	-	-	-	-	-	-
8.	SE, Chapra	2005-06	-	61	3,51,888	4 May 05	1 Month	52,317	27,80,427	-
9.	SE, Katihar	2005-06	-	-	-	-	-	-	-	-
10.	SE, Siwan	2005-06	-	52	-	-	-	-	-	-
Grand Total		-	-	153	-	-	-	-	28,25,522	4,39,360

Continued.....

Table -III

(India made foreign liquor)

Sl. No.	Name of the office	Year	Monthly reserve fee	No. of shops	Annual quota		Date(s) of Settlement	Delay in settlement	Quota for the delayed period of settlement		Loss of Reserve fee	Loss of duty (In Rupees)
					IMFL	Beer			IMFL	Beer		
1.	ACE, Patna	2005-06	-	12	-	-	11 June 05 3 August 05	2 Months 5 Months	1,22,310	2,06,587	15,75,011	1,38,83,696
2.	SE, Madhepura	2004-05	1,16,876	4	32,383	17,096	4 December 04	8 Months	17,991	9,499	5,95,690	18,75,092
		2005-06	4,840	1	3,600	2,858	16 June 05	2 Months	600	476	12,100	63,808
3.	SE, Araria-cum-Kishanganj	2003-04	2,794	1	1,392	-	November 03	8 Months	697	-	22,352	69,700
		2004-05	35,183	3	4,858	3,892	October 04	4 Months	2,159	1,729	1,40,732	2,29,732
4.	ACE, Rohtash-cum-Kaimur	2005-06	7,86,200	34	2,42,533	1,68,509	26 April 05 30 May 05	1 Month 2 Months	37,152	26,607	13,77,300	39,28,480
5.	SE, Munger –cum-Jamui- cum-Lakhisarai-cum-Sheikhpura	2002-03	17,250	1	11,806	5,887	30 April 02	1 Month	984	491	17,250	1,02,328
		2003-04	25,374	2	5,485	3,714	1 June 03 30 June 03	2 Months 3 Months	1,599	989	60,832	1,67,112
		2005-06	-	-	-	-	-	-	-	-	-	-
6.	ACE, Gaya	2002-03	56,831	9	-	-	21 January 03 27 May 02 23 September 02 15 July 02 11 May 02	9 Months 2 Months 5 Months 3 Months 1 Month	22,740	6,120	2,83,565	23,22,960
		2004-05	24,500	2	-	-	6 November 04	4 Months	4,807	1,633	1,02,084	4,93,764
		2005-06	-	-	-	-	-	-	-	-	-	-
7.	SE, Bhagalpur-cum-Banka	2005-06	56,050	3	17,666	6,810	10 February 06 2 May 05	10 Months 1 Month	6,132	3,141	2,59,331	6,38,328
8.	SE, Chapra	2005-06	4,46,283 3,13,049	3 Groups	-	-	31 May 05	2 Months	53,854	40,835	13,11,040	57,12,080
9.	SE, Katihar	2005-06	85,232	3	27,828	23,600	16 December 05 27 May 05	8 Months 2 Months	10,038	8,440	3,86,040	10,71,320
10.	SE, Siwan	2005-06	-	-	-	-	-	-	-	-	-	-
	Grand Total	-		**75**							**61,43,327**	**3,05,58,400**

Sl. No.	Loss of Reserve Fee	Loss of duty
Table I	7,22,58,314	62,46,356
Table II	28,25,522	4,39,360
Table III	61,43,327	3,05,58,400
	8,12,27,163 **(A)**	3,72,44,116 **(B)**
		(A) + (B) Rs. 11,84,71,279

ANNEXURE-III

(Reference - Paragraph 3.3.2)

Table I

Shops remaining unsettled

Name of district	Year	Country Spirit			Loss of licence fee A X 12 (In Rupees)	Loss of duty B X Rs.35 (In Rupees)
		Monthly reserve fee (A)	No. of Shops	Annual quota LPL (B)		
ACE, Rohtas	2002-03	3,76,811	14	3,21,856	45,21,732	1,12,64,960
	2005-06	9,13,438	10	4,71,057	1,09,61,256	
SE, Munger	2002-03	18,927	4	24,328	2,27,124	8,51,480
	2005-06	1,40,674	5	23,782	16,88,094	
ACE, Gaya	2002-03	2,61,208	24	2,40,105	31,34,496	84,03,675
Total			57		2,05,32,702	2,05,20,115

Continued.....

Table II

Shops remaining unsettled

Name of district	Year	Spiced Country Spirit			Loss of licence fee A X 12 (In Rupees)	Loss of duty B X Rs.35 (In Rupees)
		Monthly reserve fee (A)	No. of Shops	Annual quota LPL (B)		
SE, Munger	2002-2003	2,475.00	1	1,852.00	29,700.00	74,080.00
ACE, Gaya	2002-2003	7,590	2	28,318.00	91,080.00	11,32,720.00
SE, Araria	2002-2003	48,679	3	7,652.00	5,84,148.00	3,06,080.00
	2003-2004	3,42,992	14	1,40,205.00	41,15,904.00	56,08,200.00
ACE, Bhojpur	2002-2003	17,772	2	6,960.00	2,13,264.00	2,78,400.00
Total			22		50,34,096.00	73,99,480.00

Continued.....

Table III

Shops remaining unsettled

Name of district	year	I.M.F.L				Loss of licence fee A X 12 (In Rupees)	Loss of duty (In Rupees)		
		Monthly reserve fee (In Rupees) (A)	No. of Shops	Annual quota (In LPL)					
				IMFL (B)	Beer (C)		(B) X 100	(C) X 8	Total
ACE, Patna	2003-2004	62,688	2	44,503	7,055	7,52,256.00	44,50,300	56,440	45,06,740
SE, Madhepura	2002-2003	8,085	1	10,183	4,666	97,020.00	10,18,300	37,328	10,55,628
	2003-2004	35,585	2	29,404	13,890	4,27,020.00	29,40,400	1,11,120	30,51,520
	2005-2006	12,562	2	7,228	3,442	1,50,744.00	7,22,800	27,536	7,50,336
SE, Purnea	2002-2003	10,340	1	768	615	1,24,080.00	76,800	4,920	81 ,720
SE, Araria	2003-2004	57,510	4	7,253	4,248	6,90,120.00	7,25,300	33,984	7,59,284
ACE, Bhojpur	2005-2006	1,50,377	4	47,407	28,950	18,04,524.00	47,40,700	2,31,600	4 9,72,300
SE, Munger	2002-2003	19,140	2	4,574	3,699	2,29,680.00	4,57,400	29,592	4,86, 992
	2005-2006	34,448	3	8,750	5,710	4,13,376.00	8,75,000	45,680	9,20,680
ACE, Gaya	2002-2003	79,390	4	44,962	12,890	9,52,680.00	44,96,200	1,03,120	45,99,320
Total			**25**			**56,41,500.00**	**2,05,03,200**	**6,81,320**	**2,11,84,520**

Table	Loss of fee (Rs. in lakh)	Loss of duty (Rs. in lakh)
I	205.33	205.20
II	50.34	73.99
III	56.42	211.85
Total	312.09 (A)	491.03 (B)
		(A) + (B)
Grand Total		Rs. 803.12 lakh

ANNEXURE-IV

(Reference - Paragraph 3.3.3)

Shops remained unsettled after cancellation

Name of the office	Year	Country Spirit						Spiced Country Sprit						IMFL							
		Monthly Reserve fee	No. of shops	Annual Quota	Loss of monthly reserve fee	Quota for cancellat -ion period	Date of cancella -tion	Monthly Reserve fee	No. of shops	Annual Quota	Loss of monthly reserve fee	Quota for cancella -tion period	Date of cancella -tion	Monthly Reserve fee	No. of shops	Annual quota		Loss of monthly reserve fee	Quota for cancellation period		Date of cancellation
																IMFL	Beer		IMFL	Beer	
ACE, Patna	2000-03	-	-	-	-	-	-	-	-	-	-	-	-	1,15,700	4	1,22,893	1,57,159	8,01,865	1,16,885	1,40,798	05.04.02 26.09.02 11.10.02 06.01.03
SE , Purnea	2003-04	-	-	-	-	-	-	-	-	-	-	-	-	4,33,340	2	13,147	8,353	1,00,661	2,182	1,372	21.01.04
ACE, Rohtas cum Kaimur	2002-03	16,240	1	6,696	1,05,560	6,336	16.9.02	50,760	2	19,245	2,88,823	18,304	10.10.03	-	-	-	-	-	-	-	-
	2003-04	1,10,281	3	35,324	5,94,068	31,286	16.11.03 10.10.03	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SE, Mungar cum Jamui cum Lakhisarai cum Sheikhpura	2002-03	27,726	4	30,945	1,29,465	11,742	25.10.02 5.11.02 25.1.03	3,505	1	2,134	33,414	1,600	15.6.02	11,066	2	5,875	5,214	41,814	1,689	1,414	25.10.02 13.12.02
	2005-06	-	-	-	-	-	-	-	--	-	-	-	-	32,600	3	9,420	7,454	97,800	2,355	2,100	12.12.05
ACE, Gaya	2002-03	73,800	1	51,216	2,21,400	12,804	1.03	-	-	-	-	-	-	37,510	1	21,776	-	1,12,530	5,444	-	01.01.03
	2005-06	35,95,049	22	-	-	-	-	-	6	-	-	-	-	-	-	-	-	-	-	-	-
SE, Samastipur	005-06	-	-	-	-	-	-	-	-	-	-	-	-	2,29,500	7	-	-	11,08,951	19,466	10,982	05.11.05
SE, Katihar	2005-06	-	-	-	-	-	-	-	-	-	-	-	-	26,500	1	3,728	6,000	1,02,581	1,248	2,000	05.12.05
Grand Total		**38,23,096**	**31**	**1,24,181**	**10,50,493**	**62,168**	**-**	**54,265**	**9**	**21,379**	**3,22,237**	**19,904**	**-**	**8,86,216**	**20**	**1,76,839**	**1,84,180**	**22,66,202**	**1,49,269**	**1,58,666**	**-**

Loss of licence fee (A)

CS = Rs. 10,50,493
SCS = Rs. 3,22,237
IMFL = Rs. 22,66,202
Rs. 36,38,932

Loss of duty (B)

62,168 X Rs. 35 Rs. 21,75,880
19,904 X Rs. 40 Rs. 7,96,160
1,49,269 X Rs. 100 Rs. 1,49,26,900
1,58,666 X Rs. 8 Rs. 12,69,328
Rs. 1,91,68,268

A + B = Rs. 2,28,07,200

ANNEXURE- V

(Reference - Paragraph 3.5)

Non-extension of licences

Sl. No.	Name of the district	Year	Country spirit			Spiced Country spirit			IMFL			
			Monthly reserve fee	No. of shops	Quota for the extension period in LPL	Monthly reserve fee	No. of shops	Quota for the extension period in LPL	Monthly reserve fee	No. of shops	Quota for the extension period	
											In LPL	In BL
1.	ACE, Patna	2004-05	-	-	-	1,58,995.00	12	41,892.00	3,83,799.00	10	34,800.00	52,294.00
2.	SE, Madhepura	- Do -	50,325.00	07	6,360.00	15,868.00	05	2,904.00	62,095.00	04	6,123.00	3,105.00
3.	SE, Purnea	- Do -	2,27,585.00	05	Quota distributed among balance shops	72,325.00 + 7,232.00	10	Quota distributed among balance shops	47,674.00	02	Quota distributed among balance shops	Quota distributed among balance shops
4.	SE, Araria-cum-Kishanganj	- Do -	3,43,090.00	17	22,796.90	38,252.00	04	6,411.75	1,55,562.00 + 18,370.00	9+1	15,751.25	6,648.75
5.	ACE, Bhojpur-cum-Buxar	- Do -	3,18,288.00	18	1,11,102.10	37,758.00	07	10,665.00	89,304.00	08	15,263.00	15,986.00
6.	ACE, Rohtas-cum- Kaimur,	- Do -	2,52,871.00	11	74,586.00	20,674.00	03	5,190.00	5,225.00	01	5,685.00	7,290.00
7.	SE, Munger-cum-Jamui-cum-Lakhisarai- cum-Sheikhpura,	- Do -	30,384.00	06	4,711.00	-	-	-	28,014.00	01	788.00	365.00
8.	ACE, Gaya	- Do -	1,36,493.00	11	41,226.00	30,035.00	12	8,267.00	1,05,429.00	17	32,961.00	6,937.00
Total			13,59,036.00	75	2,60,781.90	3,81,139.00	53	35,329.75	8,95,472.00	53	1,11,371.25	92,625.75

No. of shops		Reserve fee		Amount	Duty M.G.Q.	Rate	Amount
75	1	Country spirit	13,59,036 x 3=	40,77,108.00	2,60,781.90	35	91,27,366.50
53	2	Spiced country spirit	3,81,139 x 3=	11,43,417.00	35,329.75	40	14,13,190.00
53	3	IMFL	8,95,472x 3=	26,86,416.00	1,11,371.25	100	1,11,37,125.00
					92,625.75	8	7,41,006.00
				(A) 79,06,941.00			(B) 2,24,18,687.50

Total (A+B) Rs. 3,03,25,628.50

ANNEXURE-VI

(Reference - Paragraph 3.6.2)

Default in payment of advance fee

Sl. No.	Name of the office	Year	No. of shops	Monthly reserve fee	Annual Quota		Remarks
					IMFL	BEER	
1.	ACE, Patna	2002-03 & 2004-05	2 (IMFL)	Rs. 57,289.00 Rs. 34,100.00	15,937 -	53,540 -	(1) Certificate cases instituted for recovery of Rs. 6,87,000 cancellled on 29 March 2003 (2) Cancellled on 15 March 05, paid Rs. 75,000. Balance Rs. 1,23,367 adjusted Rs. 80,720 from Security deposit by Collector.
2.	SE, Araria-cum-Kishanganj	2002-03	1 (CS) 4 (SCS) 3 (IMFL)	Rs. 1,66,445.00	12120 (CS) 53,759 (SCS) 4588 (IMFL) 3076		Araria cancelled the shop on 20 April 2002 and Kishanganj on 13 April 2002.
3.	ACE, Rohtas-cum-Kaimur	2003-04	1 (CS)	Rs. 63,030.00	25264 (CS)		Cancelled by Collector Rohtas on 11 June 2003.
4.	SE, Munger-cum-Jamui-cum-Lakhisarai-cum-Sheikhpura	2004-05	7 (CS) 2 (SCS) 1 (IMFL)	Rs. 94,428.00	42105 (CS) 3170 (SCS) 1095 (IMFL) 1095		Collector Munger cancelled the shop on 09 July 2004 and Collector Lakhisarai on 16 August 2004.
				Rs. 4,15,292 X 6 months = 24,91,752 (-) 75,000 24,16,752 (-) 80,720 = 23,36,032			

ANNEXURE- VII

(Reference - Paragraph 3.7)

Irregular credit to Revenue Head

(In Rupees)

Sl. No.	Name of the Office	2002-03			2003-04			2004-05			2005-06		
		CS	SCS	IMFL	CS	SCS	IMFL	CS	SCS	IMFL	CS	SCS	IMFL
1.	ACE, Patna	1,04,34,170	-	-	62,936	-	-	7,91,25,000	-	3,06,57,669	-	-	-
2.	SE, Madhepura	2,73,682	97,208	3,31,250	1,38,432	-	77,505	18,34,700	2,08,616	15,62,811	3,73,251	-	10,59,866
3.	SE, Purnea	17,67,375	-	-	-	42,980	-	-	-	41,61,160	1,05,47,279	-	-
4.	SE, Araria-cum-Kishanganj	7,81,495	2,77,682	6,72,970	8,56,358	1,48,701	5,85,156	9,43,980	1,80,202	11,76,594	1,47,05,459	1,02,09,435	10,25,681
5.	ACE, Bhojpur-cum- Buxar,	38,04,253	5,16,544	9,99,042	1,04,890	37,793	-	64,56,439	9,23,692	37,17,163	2,68,005	-	7,92,578
6.	ACE, Rohtas-cum- Kaimur	36,48,878	2,69,962	7,50,305	5,38,791	63,289	77,743	96,24,027	6,47,462	21,73,316	-	-	20,20,834
7.	SE, Munger-cum-Jamui-cum-Lakhisarai- cum-Sheikhpura	7,47,714	1,30,202	6,11,388	37,785	-	14,300	55,17,367	3,03,340	24,91,319	-	-	19,77,526
8.	ACE, Gaya	6,00,357	63,886	4,92,650	1,90,231	2,880	87,050	16,22,055	71,342	10,53,154	-	-	25,94,758
		22057924	**13,55,484**	**38,57,605**	**19,29,423**	**2,95,643**	**8,41,754**	**10,51,23,568**	**23,34,654**	**4,69,93,186**	**2,58,93,994**	**1,02,09,435**	**94,71,243**

2002-03	2,72,71,013
2003-04	30,66,820
2004-05	15,44,51,408
2005-06	4,55,74,672
	Rs 23,03,63,913

ANNEXURE-VIII

(Reference - Paragraph 3.9.1)

Outstanding licence fee

(In Rupees)

Sl. No.	Name of the office	Year	No. of licences	Outstanding licence fee
1.	SE, Purnea	2003-04	13	2,81,883
		2005-06	24	1,07,61,000
2.	ACE, Bhojpur-cum-Buxar	2004-05	8	11,82,656
		2005-06	1	1,00,000
3.	SE, Munger-cum-Jamui-cum-Lakhisarai-cum-Sheikhpura	2002-03	7	78,983
		2003-04	6	1,73,028
		2004-05	37	2,63,847
		2005-06	5	44,18,501
Total			**101**	**1,72,59,898**

ANNEXURE – IX

(Reference – Paragraph 6.2.7.1)

Non- levy of penalty for illegal removal of brick earth

(Amount in Rupees)

Name of DMOs	Year	Category & No. of Brick Kiln with amount of penalty							Amount of royalty paid	Penalty leviable (9-10)
		Category I	Amount of royalty @ Rs. 90,000 per brick Kiln	Category II	Amount of royalty @ Rs70,000 per brick kiln	Category III	Amount of royalty @ Rs50,000 per brick kiln	Total amount of royalty (4+6+8)		
1	2	3	4	5	6	7	8	9	10	11
1.Aurangabad	05-06	-	-	-	-	32	16,00,000	16,00,000	Nil	16,00,000
2. Kaimur	01-02	-	-	3	2,10,000	21	10,50,000		Nil	
	02-03	-	-	-	-	31	15,50,000		Nil	
	03-04	-	-	-	-	32	16,00,000		Nil	
	04-05	-	-	-	-	30	15,00,000		Nil	
	Total	-	-	3	2,10,000	114	57,00,000	59,10,000	Nil	59,10,000
3. Bhojpur (i) Ara	05-06	-	-	2	1,40,000	37	18,50,000	19,90,000	Nil	19,90,000
(ii) Buxar	05-06	-	-	5	3,50,000	35	17,50,000	21,00,000	Nil	21,00,000
4. Gaya	04-05	-	-	-	-	152	76,00,000		Nil	
	05-06	-	-	-	-	75	37,50,000		Nil	
	Total	-	-	-	-	227	113,50,000	113,50,000	Nil	113,50,000
5. Patna	04-05	14	12,60,000	11	7,70,000	55	27,50,000		Nil	
	05-06	7	6,30,000	10	7,00,000	35	17,50,000		Nil	
	Total	21	18,90,000	21	14,70,000	90	45,00,000	78,60,000	Nil	78,60,000
6. Rohtas	05-06	-	-	1	70,000	15	7,50,000	8,20,000	Nil	8,20,000
G. Total		21	18,90,000	32	22,40,000	550	2,75,00,000	3,16,30,000	Nil	3,16,30,000

Category I - 21
Category II - 32
Category III- 550
Total - 603

ANNEXURE – X

(Reference – Paragraph 6.2.7.3)

Non-levy of interest

(Rupees in lakh)

Name of DMOs office	Year	Without payment					Part payment							Total arrear	Interest at the rate of 24 *per cent*
		Category (No. of Kiln)				Amount not paid	Category (No. of Kiln)				Amount				
		I	II	III	Total		I	II	III	Total	Leviable	Paid	Not paid		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Bhojpur (Buxar)	01-02	--	7	34	41	22.72	--	8	39	47	26.04	11.44	14.60	37.32	35.83
	02-03	--	2	20	22	11.88	--	17	22	39	23.68	15.55	8.13	20.01	14.41
	03-04	--	--	16	16	8.32	--	11	30	41	23.72	15.33	8.39	16.71	8.02
	04-05	--	2	28	30	16.00	--	9	40	49	27.28	18.05	9.23	25.23	6.06
	Total	**--**	**11**	**98**	**109**	**58.92**	**--**	**45**	**131**	**176**	**100.72**	**60.37**	**40.35**	**99.27**	**64.32**
Bhojpur (Ara)	01-02	--	9	63	72	39.22	--	13	28	41	23.92	14.30	9.62	48.84	46.89
	02-03	--	10	21	31	18.12	--	8	8	16	9.92	5.33	4.59	22.71	16.35
	03-04	--	--	15	15	7.80	--	5	14	19	10.88	6.42	4.46	12.26	5.88
	04-05	--	1	33	34	17.88	--	8	33	41	22.92	12.79	10.13	28.01	9.72
	Total	**--**	**20**	**132**	**152**	**83.02**	**--**	**34**	**83**	**117**	**67.64**	**38.84**	**28.80**	**111.82**	**75.84**
Kaimur	03-04	--	--	32	32	16.64	--	--	--	--	--	--	--	16.64	7.99
	Total	**--**	**--**	**32**	**32**	**16.64**	**--**	**--**	**--**	**--**	--	--	--	**16.64**	**7.99**
Patna	01-02	19	9	47	75	48.40	--	--	--	--	--	--	--	48.40	46.46
	02-03	7	6	28	41	25.32	--	--	--	--	--	--	--	25.32	18.23
	03-04	4	4	17	25	15.40	--	--	--	--	--	--	--	15.40	7.39
	04-05	12	6	23	41	27.32	--	--	--	--	--	--	--	27.32	6.56
	Total	**42**	**25**	**115**	**182**	**116.44**	**--**	**--**	**--**	**--**	--	--	--	**116.44**	**78.64**
Grand Total		**42**	**56**	**377**	**475**	**275.02**	**--**	**79**	**214**	**293**	**168.36**	**99.21**	**69.15**	**344.17**	**226.79**

ANNEXURE – XI

(Reference – Paragraph 6.2.10)

Misappropriation of Government revenue

(Rupees in lakh)

Year	Name of the depositor of royalty of sand	Amount reflected in treasury schedule	Amount of royalty of sand as shown in collection report	Difference
2003-04	1. Shri Rajnish Chandra (Calendar year 2003) 2. Sri Karu yadav (Calendar year. 2004)	45.33 96.50		
	Total	141.83	195.75	53.92
2004-05	Sri Arun Yadav (Calendar year 2005)	115.77	232.00	116.23
Grand Total		257.60	427.75	170.15

ANNEXURE- XII

(Reference – Paragraph 6.2.12.1)

Non/short levy of stamp duty, surcharge and additional surcharge

(Rupees in lakh)

Name of DMOs	No. of settlement	Date of settlement	Auctioned amount	Stamp duty chargeable at the rate of 3 *per cent* of auctioned amount	Surcharge	Additional surcharge	Total	Stamp duty already levied	Non-levy of stamp duty
Munger	13 quarries in 24.12 acre	between February'02 and October'04	198.69	5.96	5.96	0.60	12.52	1.29	11.23
Nawadah	1 quarry in 13.5 acres	24.2.2006	173.25	5.20	5.20	0.52	10.92	-	10.92
Rohtas	30 quarries in 50.95 acres	Between 24.01.2003 to 14.07.2006	5,357.07	160.71	160.71	16.07	337.49	-	337.49
Total	**44 quarries in 88.57 acre**	-	**5,727.01**	**171.87**	**171.87**	**17.19**	**360.93**	**1.29**	**359.64**

ANNEXURE – XIII

(Reference – Paragraph 6.2.12.2)

Non/short levy of stamp duty, surcharge and additional surcharge

(Rupees in lakh)

Sl. No.	Name of DMOs	Auctioned Amount	Stamp duty at the rate of 3 *per cent*	Surcharge	Additional Surcharge at the rate of 10 *per cent*	Total (4+5+6)	Amount paid	Balance (7-8)	Calendar year
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
1.	Aurangabad	303.25	9.10	9.10	0.91	19.11	9.10	10.01	2006
2.	Kaimur	167.07	5.01	5.01	0.50	10.52	1.38	9.14	2004,2005,2006
3.	Gaya	345.18	10.36	10.36	1.04	21.76	5.74	16.02	2005 &2006
4.	Nawadah	674.06	20.22	20.22	2.02	42.46	-	42.46	2004,2005, 2006
5.	Rohtas	656.25	19.69	19.69	1.97	41.35	16.67	24.68	2004,2005,2006
Total		**2,145.81**	**64.38**	**64.38**	**6.44**	**135.20**	**32.89**	**102.31**	--

ANNEXURE- XIV

(Reference – Paragraph 6.2.13)

Loss of revenue due to non-settlement of sand *ghats*

(Rupees in lakh)

Sl. No.	Name of DMOs	No. of *ghats*	Reserve price	Departmental collection		Loss	Calendar Year
				No. of *ghat*	Amount		
1.	Aurangabad	13	148.74	--	--	148.74	2002,2004 to 2005
2.	Kaimur	69	119.52	--	--	119.52	2002, 2003, 2004 and 2005
3.	Bhojpur	4	22.50	--	--	22.50	2005 to 2006
4.	Patna	5	70.87	--	--	70.87	2003
5.	Rohtas	27	602.06	15	68.30	533.76	2002,2004, 2005
Total		**118**	**963.69**	**15**	**68.30**	**895.39**	

ANNEXURE –XV

(Reference – Paragraph 6.2.14)

Loss of revenue due to injudicious settlement of stone quarries

(Rupees in lakh)

Name of the district	Sl. No.	Mauza	Area (in acre)	Name of settlee	Reserve price	Auctioned/ Bid Amount	Quantity extracted (In cft)	Royalty of extracted quantity at the rate of Rs. 2.83 Per cft	Loss of royalty (9-7)	Percentage	Period of auction
1	2	3	4	5	6	7	8	9	10	11	12
Rohtas	1.	Amra 924 (p)	2.00	S/ Sri Ajay Kumar Singh	35.00	245.00	1,90,69,460	539.67	294.67	120	14.11.03 to 13.11.08
	2.	"	2.00	M/s Devi Construction	35.00	35.01	39,56,200	111.96	76.95	119	24.11.03 to 23.11.08
	3.	"	2.00	S/ Sri Ram Enterprises	35.00	35.01	33,55,030	94.95	59.94	171	24.11.03 to 23.11.08
	4.	"	1.80	S/ Sri Brindera Kumar Singh	31.50	31.51	26,63,840	75.39	43.88	139	10.2.04 to 9.2.09
	5.	"	1.50	S/ Sri Paras Nath Gupta	15.00	16.04	14,75,970	41.77	25.73	160	24.3.04 to 23.3.09
	6.	Basa 723 (p)	1.15	M/s A.K. Builders	6.61	12.66	16,91,310	47.86	35.20	278	24.1.03 to 23.1.08
	7.	"	1.50	S/ Sri Vijay Singh	8.62	8.75	19,91,970	56.37	47.62	544	24.1.03 to 23.1.08
		Total	**11.95**	**---**	**166.73**	**383.98**	**3,42,03,780**	**967.97**	**583.99**		
Munger	1.	Shankarpur (A) 542 (P)	2.00	M/s Alam & Co.	11.50	11.53	15,88,077	44.94	33.41	290	18.10.2002 to 17.10.2007
	2.	Shankarpur 542 (P)	2.00	M/s Ram charitar Mandal	11.50	11.52	16,18,832	45.81	34.29	298	18.10.2002 to 17.10.2007
	3.	Shankarpur	2.00	M/s Alam & Co.	11.50	11.51	15,89,996	45.00	33.49	291	18.10.2002 to 17.10.2007
	4.	Salempur Plot No. 211 (P)	1.85	M/s Md. Samshad	11.50	11.54	14,55,951	41.20	29.66	257	28.01.2003 to 27.01.2008
	5.	Shankarpur	2.00	M/s Shri Surender Singh	11.50	11.55	16,39,575	46.40	34.85	301	11.2.2002 to 10.02.2002
		Total	**9.85**		**57.50**	**57.65**	**78,92,401**	**223.35**	**165.70**		
Grand Total			**21.80**		**224.23**	**441.63**	**4,20,96,181**	**1,191.32**	**749.69**		