This Manual has been prepared for the guidance of the field Audit parties entrusted with the Audit of Land Revenues. The present edition has been revised incorporating the amendments and changes upto June 2007.

The revenue laws of Andhra Pradesh comprise of numerous legislation dealing with levy of taxes and cesses and also land tenures by way of land reforms which contribute to land revenue in view of the introduction of the ryotwari system in the place of Zamindari and Inam Systems. There are three sets of laws, one applicable to the entire Andhra Pradesh and the other two applicable exclusively to the Andhra area and Telangana area respectively.

In view of the multifarious laws enacted and the multiplicity of records maintained for the levy and collection of land revenue a very wide field has to be covered in the audit of land revenues. In order, therefore, to facilitate the exercise of various checks in audit, the relevant checks to be exercised with reference to a particular law or record have been detailed while dealing with the concerned law
or record. This will obviate the need for frequent cross references if all the audit checks were consolidated and given separately in a single Chapter.

Wherever different laws and procedures are prevalent in the Andhra and Telangana Areas, those laws and procedures have been given side by side to facilitate reference and ready understanding. In the absence of any indication to the contrary, it may be taken that the laws and procedures stated are applicable to the Andhra Pradesh State as a whole.

It should be note that besides the provisions relating to the levy, assessment and collection of land revenue, fees, penalties, etc., contained in the various Acts and Rules made hereunder, there are the standing Orders of the erstwhile Board of Revenue which deal with some matters not dealt with in the Acts, such as assignment of lands, bought-in-lands, baling remissions, etc. Therefore, a knowledge of these orders also is essential for purpose of conducting effective audit of land revenues. If, in the course of audit any reference has be made to a particular provision of the Act or the Rules made thereunder or to the Board’s Standing Orders, such a reference should be made to the relevant Act or Rule or the Board’s Standing Orders and not to the paragraphs of this Manual.

Any error in the Manual or suggestion to improve it may be brought to the notice of the Group Officer (Deputy Accountant General) State Receipt Audit.

The State Receipt Audit (Headquarters) Section is responsible for updation this Manual from time to time.

Hyderabad, 

Accountant General

Date: 2007 ( Commercial and Receipt Audit), Andhra Pradesh

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CHAPTER 1

INTRODUCTION

1.1 Constitutional Responsibility of the Comptroller and Auditor General of India for Audit of Receipts.- The audit of revenues is inherent in the powers vested in the Comptroller and Auditor General of India by Article 151 of the Constitution. Article 151 lays down the reports of the Comptroller and Auditor General of India relating to the accounts of the Union and the States shall be submitted to the President or the Governor of a State as the case may be, who shall cause them to be laid before each House of Parliament or Legislature. Union or a State and this totality would include all receipts embracing the revenues of the Union and or the States.

Section 16 of the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971, specifically enjoins upon the Comptroller and Auditor General to audit all receipts of the Union and of the States and to satisfy himself that the rules and procedures in that behalf are designed to secure and effective check on the assessment, collection and proper allocation of revenue and are duly observed. For that purpose, the Comptroller and Auditor General is authorized to undertake such examination of the accounts as he thinks fit and to report thereon.

1.2. Principles of Receipt Audit. – Audit of receipts is broadly governed by the general principles laid down in chapter 3 of section II of Manual of Standing order (Audit). The
instructions contained in this manual are supplementary thereto and describe specifically the procedure to be followed in the audit of land revenue.

1.3. Audit Vis-à-vis Executive functions.- It is the primary responsibility of departmental authorities to see that all revenues of Government which have to be brought to account are correctly and properly assessed, realised and credited to Government account. The Audit Department does not, however, in any way, substitute itself for the Revenue Authorities in the performance of its statutory duties.

The most important function of audit is to see (1) that adequate regulations and procedures have been framed by the department to secure an effective check on the assessment, collection and proper allocation of taxes, (2) that the departmental machinery is sufficiently safeguarded against error and fraud and that, so far as can be judged the procedure is calculated to give effect to the requirements of law and (3) to satisfy itself, by adequate test check, that such regulations and procedures are actually being carried out. It should also be borne in mind that the basic purpose of audit is not only to see that all demands raised are promptly collected and credited to Government but also to ensure that these demands are correctly raised and they satisfy the requirements of law and that the Executive does not grant unjustified or unauthorized remissions to tax payers.

In taxation laws, lacunae may occur as result of oversight or omission at the time of framing or enacting the laws. If the provisions of the law are such that the tax payer takes unfair advantage of such lacunae or provision by way of legal avoidance, Audit may bring to the notice of the Executive such legal evasions, the idea being not to criticize the Legislature but to enable the Government/ Legislature to review the position and initiate remedial action wherever necessary to plug leakages of revenue.

Audit does not review the judgement exercised or the decision taken in individual cases by officers entrusted with those duties but an examination of such cases may be an important factor in judging the effectiveness of assessment procedure. Where, for example, the information received in any individual case is insufficient to enable Audit to see how the requirement of law has been complied with, Audit may ask for further information to enable it to form the judgement required of it as to the effectiveness of the system. It is however, towards forming a general judgement rather than to the detection of individual errors that the audit enquiries should be directed. This does not bar, as a matter of principle, irregularities being pointed out by Audit in individual cases, where substantial amounts are involved or where there have been serious violations of the law or the rules having the force of law. In the discharge of these functions, members of the Audit Department will have access to the relevant records and papers of the Revenue Department but they should observe secrecy in the same way as the officers of the Revenue Department.

1.4. Audit Vis-à-vis judicial pronouncements.- The Audit Department does not, normally, question the decision of a High Court which is binding on the Officers functioning within the jurisdiction of that High Court till it is any way modified or overruled by the
Supreme Court. It is only in those cases where no authoritative interpretation of law by High Court or the Supreme Court is available that the Comptroller and Auditor General states what in his judgement is the correct requirement of law on the basis of the plain meaning of the statute and puts forward that view to the Revenue Department for its examination and amendment of the relevant provisions of law if deemed necessary.

1.5. In the subsequent chapters, the basic provisions of the Act and the rules governing the assessment and collection of land revenue and its allied taxes are set out. Being only a summary, this can in no sense be regarded as a substitute for the Act itself and therefore, it should be treated merely as a preliminary step to enable the staff to grasp the essentials of land revenue administration.
LAND REVENUE – HISTORICAL BACKGROUND

2.1. Land Revenue the first charge. – Land is an important source of livelihood for the people in India and also a source of income for the State. In theory, all lands belong to the State and the patta given to a ryot is only in recognition of occupancy right on the land granted to him. Thus the justification for the State to impose a tax on land is that, the State is entitled to share of the income derived from the land by the ryot. Hence land revenue is the first charge on the produce of the land which as per law, is treated as a security for revenue.

2.2. Land Revenue is derived chiefly by imposition of tax on land but, in essence, it is a tax levied on the product obtained from the land, it is perhaps the oldest of all the taxes in vogue.

2.3. Constitutional Provision.- As per Article 265 of the Constitution of India, no tax shall be levied or collected except by authority of law. The power to levy taxes is divided between the Union and the State in accordance with the provisions of Article 246.

The matters to which the legislative powers of the States extend are specified in list-II in the Seventh Schedule to the Constitution. As per entries 18 and 45 of this list, land tenure and land revenue (including the assessment and collection of revenues) falls within the legislative competence of the States and the various enactments on land tenures and land revenue made by the State legislature are in exercise of the powers conferred by these entries.

2.4. Legislative Background.- The revenue laws of Andhra Pradesh comprise legislation, some dealing with the assessment of taxes and their collection and some dealing with land reforms. There are three sets of laws, one applicable to the entire Andhra Pradesh another applicable exclusively to the Andhra area and the other applicable to the Telangana Area. After the formation of Andhra Pradesh, several extension acts were passed from time to time extending several enactments that were in force in Andhra area to Telangana area.

Levy and collection of land revenues is governed by the provisions of Land Revenue Act and the Rules made thereunder by the State Government Board’s Standing Orders and executive instruction issued from time to time till 1967. The levy of land revenue is subsequently governed by the Andhra Pradesh Land Revenue (Enhancement) Act 1967. All land to whatever purpose applied and wherever situate is liable to payment of revenues or rents to State Government except such land as have been wholly exempted from such liability by special grant by or contract with the State Government, or by the provisions of any law for the time being in force. The Andhra Pradesh Water Tax Act 1988 was introduced from 01.07.1986. in the Act the Government rationalized the levy and collection of Water rates in the State by introducing uniform Water Tax rates depending on the category of source of water and the nature of crop grown and also for acqua culture.
2.5. **Mode of Assessment and Collections.** – The mode of assessment and collection mainly depended on land tenure. It has undergone many changes from time to time and there were many intermediaries between Government and the land holders. In the pre-independence days, there were Jagirdars, Zamindars, Deshmukhs, etc., who had the privilege of assessing land, collecting land revenue and after appropriating a share out of it, passes on the balance to Government. The above system was done away with by introducing legislations such as Jagir Abolition Regulations Tenancy Act, 1950 and the Andhra Pradesh (Telangana Area) Abolition of Inams Act, 1955, the Land Ceiling Act, 1961 etc.

2.6 **Ryotwari Tenure.** – To achieve uniformity or ryotwari tenure throughout the state, three Regulations mentioned below were issued introducing ryotwari settlement in the scheduled areas and also the abolition of the Muttas and Mahals in the Andhra and Telangana areas, respectively. The splitting of Joint Parras Act of 1965, enabling every person who had acquired ownership of agricultural land to obtain patta in his name by transfer by prescribing a simple procedure and the Andhra Pradesh Record of Rights in Land Act (1971) providing a consolidated law in the entire state are additions to the law of land tenure. The Andhra Pradesh (Telangana Area) Ijara and Kowli Lands cancellation of irregular pattas and abolition of concessional assessment (Act 36 of 1961) have put an end to the irregular revenue proceedings of granting pattas and land revenue concessions.

With the enactment of the foregoing laws, all the lands in the State have been brought under ryotwari tenure with the exception of some inam lands held by charitable and religious institutions. Consequently there is no intermediary between the cultivator and Government at present.

**CHAPTER 3**

**ORGANISATIONAL SET-UP OF THE DEPARTMENT**

3.1. The Chief Commissioner of Land Administration is in charge of implementation of revenue laws for the entire State of Andhra Pradesh. He is empowered to exercise supervision and control all persons employed in the administration of public revenue all Zamindars or proprietors of land, paying revenue and all farmers or other persons concerned in or responsible for any part of the revenues of Government. All the Revenue Officers function under his direct supervision of and are subject to his disciplinary control.

3.2. **Collector.**- In the district the Land Revenue Act is administered by the Collector of the District who is the Head of the District administration. Under him, there are many officers to assist him in the discharge of his functions. The collectors furnish such papers and accounts relating to the revenues under their charge as may be required by Chief Commissioner of Land Administration, by the Accountant General or any other public officer authorized to make such requisition. He is assisted by a District Revenue Officer who is exclusively meant for the revenue administration of the district vested with the powers of Collectors.
3.3. The District Collectors have been empowered to authorise any Officer of Revenue Department not below the rank of a Deputy Collector to exercise all or any of the powers vested in him by or under any law vide Andhra Pradesh (District Collector’s Powers (Delegation) Act, 1961). In G.O.M.S. No. 77 (Revenue Department) dated 22-1-68, Government have reorganized the work done by the Collector which apart from certain important items of work to be done by himself has been distributed between the Joint Collector and the District Revenue Officer. The District Subordinate Officers, Joint Collectors, Special Collectors, District Revenue Officers, Assistant Collectors, Revenue Divisional Officers, Deputy Collectors, Tahsildar’s and Revenue Inspectors have their own territorial jurisdiction and look after all the revenue matters arising in the areas of their Jurisdiction.

The unit for revenue administration at the base is a village, the administrative function being entrusted to the Village Revenue Officer.

3.4. Duties of Village Revenue Officer.- The Village Revenue Officer is required to maintain proper and upto date accounts and registers contained in the Manual of Village accounts or any other corresponding Manual or any other accounts as may be ordered from time to time. They are also required when called upon to do so, to produce the accounts registers and other records maintained by them or which are in their custody for inspection. All the registers, records, etc., are to be kept under their personal custody except when they are placed under suspension, removal or dismissal.

3.5. Revenue Inspector.- Villages are grouped into Circle and are in charge of a Revenue Inspector. He provides the link between the Village Revenue Officer and Mandal Office. His duties are multifarious and include field inspection twice a year, check of accounts and records maintained by the Village Revenue Officer (vide B.S.O. 141(4)) for collection of all kinds of revenues. His inspection reports form the basis for assessing the revenues during Jamabandi.

3.6. Tahsildar. – The chief officer in charge of assessment and collection of Land Revenue, however, is the Tahsildar who is incharge of a Mandal office consisting of a few revenue circles. He is responsible for assessment and collection of Land Revenue for his Mandal. He is assisted by his staff in revenue administration assignments, collections etc. For the purpose of collections of Land Revenue etc, from the Land holders and tenants, he is assisted by the Village Revenue Officers each of whom is in charge of a village or group of villages and or hamlets.

The primary duty of a Tahsildar is to have a check on the accounts and registers maintained by the Village Revenue Officers and check the collection and remittance of Government Revenue to Government Account. On completion of the Jamabandi he notes the demand fixed for the villages and arrives at the total amount due for each village.
The functions of the Tahsildar and the Jamabandi officer are different regard to the fixation of demand. The Tahsildar is primarily responsible for the initial fixing of demand which is finalized only under the orders of the Jamabandi officer. Each year Jamabandi is conducted in every Mandal from March in Telangana and in May/June in Andhra area by a Revenue Divisional Officer or Sub-Collector appointed for the purpose by the Collector. The Tahsildar should initially verify and check Adangal/Pahani entries of the concerned village and also make local enquires as to whether the crops raised according to the Adangal/Pahani were really raised and whether the yield noted the rein is correct. On the strength of those entries he should compare the Mafi Eksala or Kami Eksala prepared by his subordinates and find out that such statements have been prepared correctly. He should also inspect all cases of authorized encroachment and irregular use of Government water. He should find out from the people of the village whether printed receipts were issued for all payments made towards land revenue. He should also find out whether collectable arrears are being properly collected. The final report of the Jamabandi by these officers should be submitted within a fortnight of the completion of Jamabandi to the Jamabandi Officer who in turn will submit it to Chief Commissioner of Land and administration indicating the details in respect of each Mandal comparative results of Jamabandhi in District etc.

3.7. Three or four Mandals form a division headed by a Revenue Divisional Officer. A few of the divisions in each district are headed, on account of their importance or otherwise, by an Indian Administrative Service Officer who is designated as Sub-Collector. The divisional Officer supervises the work of Tahsildar’s under his control, conducts Jamabandhi and determines the annual demand of revenue for each Village Mandal. He is also and appellate authority in certain matters e.g. mutation, encroachment cases and confirm the sale of immovable property in default of Government revenues.
CHAPTER 4

SURVEY AND SETTLEMENT

4.1. In order to fix the rates of Land Revenue payable on lands the lands have to be surveyed with a view to assessing their extent, their classification in regard to soils, their fertility and yield.

Collection of data relating to lands such as their boundaries dimensions area, soil classification, names of the enjoyers etc., is undertaken under the provisions of Andhra Pradesh Survey and Boundaries Act, 1923.

4.2. The Director of Survey, settlement and Land Records controls the entire Survey and Settlement work of the State. He is assisted by Regional Deputy Directors who are placed incharge of a zone comprising 3 or 4 districts, each district being under the charge of one Asst.Director of Survey and Settlement.

Under Section 5 of the Andhra Pradesh Survey and Boundaries Act, 1923 the State Government or any officer or authority empowered by the Government can order a survey of any Government land or any boundary of such land or of the boundary forming the common limit of Government land and land that is not Government land.

Cadastral (pertaining to a cadastre or public register of lands of a country for fiscal purposes; applied also to survey on a large scale) survey is a survey in which boundaries area, reputed ownership and positions of each holding of a revenue unit are determined. A survey of this kind made for the first time is called the ‘Initial Survey’.

‘Revision Survey’ is also conducted after the period fixed by Government to bring the survey records upto date and in conformity with the actual conditions obtaining in the field, after the changes that have taken place since the last survey.

4.3. The lands are surveyed with the help of chain and cross staff. The cadastral chain is made of iron and is of 11 yards in length for calculation. It is divided into 16 parts and each part is called an Anna. This is used to measure the land to find out its area after fixing the boundaries of the field. The cross staff is used to draw perpendicular lines from any point outside.

The land in occupation of each individual is demarcated, surveyed and mapped separately with the above simple instruments and chain and cross staff. The area is calculated
in guntas and acres. The field under occupation of an individual is taken as unit to classify each field. After completion of survey and classification in a Mandal the Director will propose the rates arranging the villages into groups paying particular attention, towards the climatic conditions communication proximity to the markets, fertility of lands, agricultural skill etc. After the rates are sanctioned by Government the assessment will be fixed survey number-wise and announced.

4.4. Section 8 of the Andhra Pradesh Survey and Boundaries Act, 1923, empowers Government to determine, apportion in the prescribed manner and recover the cost of labour employed and survey marks used in survey notified under Section 5 ibid, from the persons who have interest in the land or in the boundaries of which survey has been ordered. The charges can be recovered as an arrear of land revenue under this section. Rules framed thereunder vide Section 26 of the Act require that the cost rates are to be worked out as soon as the survey of substantial area is completed. These cost rates, known as progressive rates are to applied to the areas surveyed subsequently. On completion of survey of a taluk, a supplemental acreage rate is worked out taking into account all the expenditure to the date of completion. The above rates should be communicated to the Revenue Department for collection. The Tahsildar should work out the demand for each holding and forward it to the Village Revenue Officer for collection.

The demand is raised in two stages. In the first stage, the cost per acre of each type of land and holding is worked out as shown in Annexure No.1. In the second stage, the demand as in the first stage is worked out a fresh by completing the survey in all respects and by conducting the final check operations. This demand may vary slightly due to the adoption of taluk area as the unit for working out the cost rates besides including the cost of chairman and correction work utilized for the final check operations. A final demand based on the final check operations issued for the difference between the first and second stage operations. In the event of the final demand being less than the first demand, no refund is authorized but the cost rates of the progressive heads is adopted for collection.

The subsequent charges incurred for mapping etc., are not demanded but met from the regular budget of the department.

4.5. Fees for attending to field work.- Fees are also charges for field work attended to by survey staff in the Telangana Area on applications made by private parties. Rates have been fixed from time to time for each type of work done like demarcation and for each category of staff like Surveyor Inspector etc.

4.6. Suspension of Collection of Survey charges. – Government in their Memo No. 1655/RI/74-4 dt.21-2-75 have issued instructions that the collection of ryots share of demarcation charge in all the 9 districts of Telangana region be suspended till Diagonal offset system of survey records are implemented.
4.7. Exemptions. – The members of the Scheduled Tribes living in the scheduled areas are exempted from payment of value of stones and sub-division fees in view of the economic backwardness of the tribals.

(G.O. Ms.No. 223 Rev. dt. 12-2-1964 & Note under B.S.O.15-9)

4.8. Section 52 of the Andhra Pradesh (Telangana Area) Land Revenue Act lays down that assessment of land for which settlement has not been shall not be increased or decreased until settlement is made. The revised rate is to be brought into force only if a supplemental sethwar is issued by the Land Record Assistant specifying the assessment chargeable on the land.

Field parties are instructed to look into instances of delayed issue of supplemental sethwars and comment suitably highlighting loss of revenue, if any to Government.

(SRA HQrs. Circular No.28 dated 10-3-1975).

4.9. As per orders of Government, the Tahsildar should implement the supplemental sethwars issued, in the Jamabandhi immediately following the issue of the supplemental sethwars and send a certificate of such implementation to the Assistant Director of Survey and Settlement.

4.10. Settlement.- In the ryotwari system a ryot pays his fixed assessment in money direct to Government and the assessment is not liable to fluctuation from year to year. Remissions are granted in unfavourable seasons. He can also relinquish his land if cultivation thereof is unprofitable without being liable for assessment. The ryot cannot be evicted from his land so long as he continues to pay the assessment and thus he enjoys all the advantages of a perpetual lease. The commuted value of a share of the produce of the land which does not exceed half the net produce is called ‘assessment’ which is made on the land and does not depend on the description of the produce or the circumstances of the person who holds the land. The produce by which the assessment is determined is known as settlement of the land revenue.

4.11. Sources of irrigation.- The source of irrigation in a given tract are generally divided into the following classes:-

First Class: All irrigation under perennial rivers such as the Krishna, Godavari, Tungabhadra and the like and the tanks fed by such rivers, channels or the net work of canals from these sources fully possessing the advantage of perennial water flow should be placed in the first class, the other channels being grouped in the lower classes.

Second Class: Rainfed tanks containing supply for not less than eight months.

Third Class: Minor river channels, spring channels and rain fed tanks containing from five to eight months supply.

Fourth Class: Spring head and other channels, yielding a good supply of water but requiring much labour in clearing and rain fed tanks of three to five months capacity.
Fifth Class: All irrigation under small jungle streams with a precarious water-supply as well as under rain fed tanks of less than three months, capacity.

4.12. Taram (Andhra Area).– Soils of similar grain values irrespective of their soil classification are bracketed together in order called ‘tarams’. Taking the Government share as one half of the ascertained net money value of grain outturn arrived at above, the various rates of assessments are fixed for various tarams, adjusting the rates in the case of dry lands with reference to the position of the villages in relation to their proximity to roads and market and in case of wet lands with reference to the capacity and condition of irrigation sources in each village. The difference of gradations as between tarams may be a rupee in the higher and half a rupee in the lower tarams.

4.13. Bhagana (Telangana Area).- To find out the average value of the land the revenue field is divided into parts as per the area of the field and each part is classified soilwise and at the end its average calculated, which is called as “Bhagana” and the parts which are taken as per area of the field is called ‘Khasla’.

The assessment of land under “the ryotwari survey and settlement” is done in three phases in continuity. The first phase is survey of land which starts from the preparation of “Wasul Baqui” register.

“Wasul Baqui” register indicates all the landholders with the particulars of lands held by them, the extent held by them as it exists in the village records and also the sources of irrigation, if any, by which the land is irrigated. The register duly authenticated by the Tahsildar is sent to the Director of Survey and Settlement work of the State. The work is distributed to various survey parties which have specific jurisdiction over different districts and taluks. On receipt of the Account No.16/Wasul Baqui registers from the Tahsildar the surveyors determine the boundaries of the villages concerned before the holders of lands situated on the border and prominent persons and village officers of the adjoining villages. After fixing the stones as the boundary marks of the village, the survey of lands situated within the village is done and classified into the following types:-

(i) Agricultural Lands.
(ii) Unoccupied and non-cultivable lands (Porombokes).
(iii) Unoccupied cultivable lands (Khairz Khata).
(iv) Grazing lands (Andhra area) / Gairan (Telangana area).
(v) Village site (Andhra area) / Gautham (Telangana area).
(vi) Rivers and streams.
(vii) Tracks for carts, pedestrians roads, rail.
(viii) Forest.
All the above types of lands except those mentioned at serial Nos. (v) to (viii) are serially numbered and are called “Survey numbers” which are used for identifying the lands for all practical purposes.

4.14. Records. – In settlement office, the basic record is the Survey Land Register which contains survey numbers of old and new areas, new classification, classification as per old accounts, patta number, name of the pattadar or enjoyer. The register is completed after the settlement staff completes classification of soil of each land and checks up the names of the enjoyers and pattadars. The office will check the work and prepare the register showing the blocks of soils of the same variety and classify the irrigation sources.

The settlement officer will finally check the entries and pass final orders on the classification of soils, irrigation sources and ayacuts. Corrections of the basic record with reference to the orders passed by the settlement officer are carried out. The objection, if any, made by the pattadars are heard. Then the fair accounts i.e., Adangal, Chittas, Settlement ‘A’ register etc., with reference to the final orders, are prepared and handed over to the Revenue Department after notification regarding introduction of new settlement rates from 1st July is issued by the Government.

4.15. Accounts Records.- The following records registers are maintained in the office of the Assistant Director of Settlement, Telangana area:-

(i) Register of Supplemental Sethwar.
(ii) Register of fees collected.
(iii) Register of Demarcation.
(iv) Copy application Register.
(v) Progress Register of preparation of conversion of metric measurements.
(vi) Watamhwar.
(vii) Challans.
(viii) Depa.

Besides the above records the following items of survey and settlement also require scrutiny during local audit.

(i) Recovery of cost of demarcation and survey charges.
(ii) Recovery of cast of Town and Panchayat survey charges.
(iii) Implementation of original and supplemental sethwars in land revenue records by Revenue Department (Telangana Area).
(iv) Finalisation of resettlement operations in Telangana area under Diagonal offset system and in agency areas in Andhra area.

4.16. Splitting up of Joint Pattas. – Andhra Pradesh Splitting up of Joint Pattas Act, 1965(A.P. Act II of 1965) effective from 19-1-1965 was enacted with the object of issuing a separate patta for the share of an individual in his name in a joint Patta (except those of Hindus Joint family).
4.17. **Exemptions.** – Government have exempted under Sn.8 of the Act the categories of lands mentioned therein such as lands the sub-division of which will result in uneconomic bits of land (G.O.Ms.No.629 Rev.(R) dt. 9-6-1972) settled in favour of more than the one person with the condition prohibiting alienation, lands involved in litigation, lands where difficulty arises in apportioning good and bad bits thereof in case of sub-division etc.

4.18. **Rates of fee recoverable.**– The fees for each sub-division under Section 9 of the Act is payable on the issue of a demand notice by the Tahsildar at the rates fixed from time to time.

4.19. **Audit checks.** – Audit may call for the progress reports on the work done in regard to disposal of the joint pattas applications, check that the required fees have been collected, that the target fixed for the issue of fresh Pattas in respect of 1000 Joint Pattas has been achieved. Shortfalls in the target may be commented, if necessary in the light of reasons adduced therefore.

**CHAPTER 5**

**LAND REVENUE / WATER TAX**

5.1. Land Revenue is collected every Fasli from every person who owns land for agricultural purpose and is determined after survey and settlement operations are completed by the Settlement Officer of the Revenue Department. The land revenue payable by each landholder is notified as such to the holders, as explained, in the preceding chapter.

The main sources of revenue are as follows:
(1) Water Tax
(2) Non-agricultural land assessment.


In view of development of agriculture due to adoption of scientific methods, Government felt that the quality of the land (on the strength of which survey and settlement operations were done) no more remains a factor for determining the land tax. There fore the Govt found it necessary to bring a legislation for uniform and scientific system of levying water tax on the lands irrigated from assured Govt sources. Accordingly the Govt. enacted A.P. Water Tax Act (11/88) 1988 retrospectively with effect from 1.71986, levying Water Tax at the rates specified in the schedule to the said Act, on the lands which are receiving water for Irrigation purposes.

5.3. **Powers of the Government to levy and collection of water tax:**–
As per section 3 of the Act, The Government entitled to levy and collect water tax in respect of every land receiving water for irrigation purposes from any Government source of irrigation notified under section 4, for each fasli year are as follows:
1. For the purpose of levy of water tax, all Government sources of irrigation classified as major and medium irrigation projects shall be regarded as category – I and all other Government sources of irrigation which supply water for a period of not less then four months in a year shall be regarded as category – II

2. All lands whether classified as wet or dry or otherwise classified as irrigated wet or irrigated dry shall be regarded as dry.

5.4. Notification of Government sources of Irrigation:

The District Collector shall specify from time to time by notification for the purpose of this Act, the Government sources or irrigation and the lands under the commendable ayacut there in lying with in his jurisdiction, and where any of the said Government sources of irrigation and the lands under the commendable ayacut therein lie in more than one district such notification shall be issued by the Chief Commissioner of Land Administration A.P.

5.5. Determination of Water tax:

The water tax payable under this Act, for each owner in respect of his lands under the Commendable ayacut of the Government source of irrigation in every village shall ordinarily be determined for the fasli year for which water tax shall be leviable and assessed by the Tahsildar in accordance with the provisions of section 3. After the publication of the notification under section 4 the Tahsildar shall, subject to such general or special orders as may be issued by the Government in this behalf, cause a list to be prepared and published in such manner as may be prescribed, containing the names of the owners, extent of lands held by him under the commendable ayacut of the source of irrigation and water tax payable thereon.

<table>
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<th>Schedule</th>
<th>Name of the crop</th>
<th>Category I (per Acre)</th>
<th>Category II (per Acre)</th>
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<tbody>
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<td>1</td>
<td>First or Single wet crop</td>
<td>200</td>
<td>100</td>
</tr>
<tr>
<td>2</td>
<td>Second and third wet crop</td>
<td>150</td>
<td>100</td>
</tr>
<tr>
<td>3</td>
<td>First crop irrigated dry</td>
<td>100</td>
<td>60</td>
</tr>
<tr>
<td>4</td>
<td>Second and third crop irrigated dry</td>
<td>100</td>
<td>60</td>
</tr>
<tr>
<td>5</td>
<td>Duffasal crop</td>
<td>350</td>
<td>350</td>
</tr>
<tr>
<td>6</td>
<td>Acqua –culture</td>
<td>500</td>
<td>500</td>
</tr>
</tbody>
</table>

5.6. If in the opinion of the Government the enforcement of all or any of the provision of this Act, will cause hardship in any case the Government may by notification setting out the ground therefore, exempt either permanently or for a specified period, such case or cases from all or any of the provisions of this Act, subject to such conditions, if any as the Government may deem fit to impose.(section 3 of the Act)
5.7. Water tax payable under this Act to be treated as public revenue due upon the land:-

The water tax payable under this Act, by an owner in respect of any land shall be deemed to be public revenue due upon the land and the provisions of the A.P. Revenue Recovery Act, 1864 shall apply.

5.8. Clarifications on levy of land revenue. – Land revenue should be levied and collected on the seed farm of Agriculture Department and the paddy-cum/pisciculture of Fisheries Department and the charge exhibited in accounts irrespective of beneficiary from the point of view of correct accounting.

(Govt, Memo No. 2663-N/64-7 Revenue dt.29-6-65 circulated in SRA Circular Hqrs. LR/I/52 dt.10-3-76).

5.9. Land revenue in respect of bought in lands. – Board’s standing order 45(1) empowers the Government to purchases lands belonging to defaulters of Government revenue when there are no bidders at the auction. The lands should be leased out from year to year pending resale of lands at a rate which is not less than two times the land revenue assessment vide Board’s standing Order No.45(3).

5.10. Exemption of land revenue. – (a) Government have exempted under Sn.15 of the Andhra Pradesh Land Revenue (Enhancement) Act, 1967, the Andhra Pradesh Agricultural University from payments of land revenue for the lands held by them at Rajendranagar, Hyderabad District, subject to the condition that the exemption is valid only as long as the lands are held by the University for the purposes of the University.

(G.O. Ms. No. 310 Revenue (N) Department, dt.12-3-1976.)

(b) Under proviso to Sn.3 of the Andhra Pradesh Non- Agricultural Land Assessment Act, 1963, where assessment is levied and collected in respect of lands under the Act, no land revenue shall be payable in respect of these lands. The Land Revenue in such cases are required to be remitted at the time of Jamabandhi.

5.11. Allocation of water tax:-

The A.P. Farmers management and irrigation system Act 1997 was enacted to form the Farmers organization with a view to involve farmers in irrigation management. The Farmers organization is to promote and secure equitable distribution of water among the users, adequate maintenance of irrigation system and efficient / economical utilization of water the Govt have announced that the farmers organization shall be associated with the collection of water tax with in the areas of their operation and the water tax shall appropriately by apportioned to such organization as decided by the Govt from time to time.

The adjustment of current water tax collection are to be made in the following ratios

| Ratios of allocation (in Rs.) |

|   |   |   |
Considering the variation between actual area irrigated as indicated by irrigation and revenue department a joint Azamoish should be done and the actual figures of area irrigated arrived.

2. Distribution Committee.
3. Project Committee.

5.12. Reconciliation of irrigation figures Joint azmoish :-

Role of water users association:-
In order to reconcile the figures of irrigation department and Revenue department in respect of extents of land irrigated collectors were instructed in the year 1997 to conduct joint Azmaoish of the lands irrigated under various irrigation sources so as to reconcile the figures.

5.13. Remission and Suspension of Land Revenue

The remission and suspension of land revenue shall be governed by the A.P. Land Revenue Remission and suspension rules 1968.

I. Seasonal Remissions:
Conditions: Remission of land revenue shall ordinarily be granted when the land is left waste or the crop is lost for one or more of the following reasons:
1) Lack of water from Government source of irrigation
2) Extensive damage to crop due to pests or pestilence
3) Submersion / inundation rendering cultivation of land impossible and
4) For any reason beyond the control of the ryot.

II Ineligible cases: No seasonal remission of land revenue shall be granted in the following cases:
1) If leaving the land as waste and failure of crop area due to ryot’s neglect.
2) If inspite of adequate supply of water second crop is not raised in single crop wet land, due to ryot’s neglect. (In these cases, the remission granted if any for first crop may be revoked)
3) Waste lands
4) Dry lands

III Procedure for claiming remission:-
1) The ryot who desires to claim remission shall submit a written application to the Tahsildar / M.R.I. specifying in it the fields for which remission of land revenue is sought.
2) With in 30 days of the application the M.R.I. should inspect crop and submit report to the Tahsildar. The Tahsildar shall inspect a fair percentage of fields (not less than 10% of the fields) in each village. The R.D.O. shall also inspect some fields in the village and random cutting

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Source of irrigation</th>
<th>Water charges per Acre Rs.</th>
<th>W.U.A.’s</th>
<th>D. C’s</th>
<th>P.C.’s</th>
<th>G.P.</th>
<th>Irrigation Dept</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Major</td>
<td>200</td>
<td>50</td>
<td>20</td>
<td>20</td>
<td>10</td>
<td>100</td>
</tr>
<tr>
<td>2</td>
<td>Medium</td>
<td>200</td>
<td>60</td>
<td>--</td>
<td>30</td>
<td>10</td>
<td>100</td>
</tr>
<tr>
<td>3</td>
<td>Minor</td>
<td>100</td>
<td>90</td>
<td>--</td>
<td>--</td>
<td>10</td>
<td>--</td>
</tr>
</tbody>
</table>
experiments be arranged in any village where the area covered by remission application exceeds 50 acres

5.14. Grant of remission of water tax:-

There is no provision in A.P. water tax Act 1988 as amended by A.P. water tax 1997, for grant of seasonal remission. As per the land revenue Act provisions the Jamabandi officers are having the powers of remissions and exemptions of land revenue but in the water tax Act the powers to remit water tax are vested in the government. It was also laid down in AP Integrated village accounts only government is competent to remit water tax and the district collectors are required to obtain orders from government where ever such cases of remissions arise.

5.15. Levy of penalty.- Penalties for irregular irrigation involving diminution in the supply of water source and damage to the irrigation system, are levied through enhanced water cess (Andhra Area) and penal water rates (Telangana Area) bases on separate rules framed by the Government what constitutes irregular irrigation is given below:

(1) When the water is taken or used for any ryotwari or minor inam land registered as wet in the Revenue registers, or for any land in proprietary tracts recognized by the government as mamul wet, otherwise than in accordance with the conditions on which it is so registered or recognized; or

(2) When the water is taken or used for any other land otherwise than under and in accordance with the terms of a general or specific permit in force issued by a competent authority; or

(3) When the water is taken or used for any land in a manner involving any unauthorized interference with an irrigation or drainage work such as crossbunding a channel, making a cut or hole in the bund, opening or breaking a sluice, changing a pipe, or altering the position of a pipe; or

(4) When the water is taken or used for any land contrary to the orders of any authority competent to give such orders; or

(5) When the water is taken or used for any land in breach of any rule or regulation directing from what source or on what condition water may be taken to or used for such land.

Rates of penalties.- The Collector, Divisional Officer, MRO may impose enhanced rates of water cess in accordance with the rules contained in the Appendix-I (H) of Board’s Standing Order 4 issued under Section I of Andhra Pradesh (Andhra Area) Irrigation Cess Act of 1855 as amended in G.O.M.S.No. 1131 Revenue Department dt. 20-11-67. The rates of enhanced water cess leviable for irregular irrigation in Andhra Area are given below:

(a) Dry lands – Ten times the normal water cess.

(b) Wet lands – Nine times the normal water cess in addition to the wet assessment.

Section 31 of the Andhra Pradesh (Telangana Area) Irrigation Act, 1357 authorises levy of penal water tax in cases of irregular irrigation. According to Notification – II issued in G.O.Ms. No.1131 Revenue Department, dt.20-11-67 the penal water tax leviable in (Telangana Area) is given below:

(a) Dry lands – the tax which would ordinarily have been charges and in addition nine times of such tax.
(b) Wet lands – the tax which would ordinarily have been charged and in addition nine times of such tax.

(c) In the case of an irrigation work in respect of which water rates have not been prescribed under Section 30 of the Act.

(i) Dry lands – Ten times the difference between the highest wet assessment under the irrigation work and the lowest dry assessment in the village.

(ii) Wet lands – The assessment which would ordinarily have been charged and in addition at nine times the difference between the highest wet assessment under the irrigation work and the lowest dry assessment in the village.

5.16. Remission of penalties. – The officer levying the enhanced water cess/penal water rate may in case of first occasion of irregular irrigation under class – I source and in the case of first or any subsequent occasion of irregular irrigation under any source other than class-I source, remit such portion of the penalties as he deems proper having regard to the gravity of the irregular irrigation involved. The authority exercising control over the officer levying the penalties may, in case of second occasion of irregular irrigation under a Class-I source, remit at his discretion upto five times such enhanced water cess (Andhra Area) and penal water rates (Telangana Area).

5.17. Penalty for Encroachments.- Penalties are levied for unauthorized cultivation of Government lands under the provisions of Andhra Pradesh Land Encroachment Act, 1905 vide Section 3 of the Land Encroachment (Extension and Amendment) Act, 1958. Any person who unauthorisedly occupies any Government land is liable to pay full assessment if the land so occupied forms and assessed survey number or part thereof. If the land so occupied be unassessed, an assessment on the area occupied, calculated for the same period at the rates imposed on lands of similar quality in the neighborhood or at the highest dry or wet rate of the village, is to be levied and collected. Any person liable to pay assessment under Section 3 is also liable at the discretion of the collector, to pay in addition by way of penalty, a sum not exceeding rupees five or a sum not exceeding ten times such assessment, as the case may be for any period not exceeding one year in the case of assessed land. In the case of unassessed land, the penalty should not exceed ten rupees or 20 times of such assessment payable for one year vide Section 5 of the said Act.s

5.18. Waiver of Penalty. – (i) The penalty should be waived in full in all cases where the irregular irrigation has not resulted in diminution of the supply of water so as to adversely affect the regular ayacut.

(ii) The penalty should be reduced in all cases to 3 times the normal water rate (in addition to normal rate) if the penalty already levied is higher.

These concessions were extended upto 30-6-79 (G.O.Ms.No.170 Revenue (NP) Department dt.25-1-1979).

As the above concession is generally given every year by issue of specific orders of Government, in audit it should be seen whether the concessions have been extended for the year of audit.
5.19. Collection of Land Revenue- Land Revenue is collected in 3 instalments, each known as Khist. The dates fixed for collection of Land Revenue for each of the crop grown during the agricultural season are as under:

(i) Kharif : January
(ii) Abi : 1st to 21 January
(iii) Rabi : 1st April to 21 April
(iv) Tabi : 1st June to 30th June

5.20. Arrears of revenue bear interest.- When the whole or portion of a ‘Khist’ is not paid, the amount of khist or its unpaid portion is deemed to be an arrear of revenue. The arrears of land revenue bear interest at the rate of six per cent per annum (vide Section 4 & 7 of Andhra Pradesh Revenue Recovery Act, 1964).

The Government have waived the recovery of interest of land revenues in all cases where they are paid in full upto 30-6-76. As such waiver is extended from time to time it should be seen in audit whether for the year of audit the waiver is covered by Govt.orders.

5.21. Write off.- As per Board’s Standing Order No. 39(1) the Revenue Divisional Officers are empowered to write-off arrears of land revenue, if they fall under any of the seven categories mentioned below:

1. Amounts erroneously included in the demand.
2. Amounts wrongly charged on lands taken up for public works.
3. Amounts remitted after Jamabandhi.
4. Prohibitory assessment of water rate and enhanced water tax that have been remitted;
5. Demands remaining undischarged after sale of the defaulter’s property.

5.22. Lift Irrigation . – Flow irrigation is not possible in respect of lands situated at higher altitudes. To provide water to such lands lift irrigation is resorted to up to the year 1974, such lift irrigation schemes were under the control of the minor Irrigation Department of the Public Works Department. With the formation of the Andhra Pradesh Irrigation Development Corporation the lift irrigation works (both maintenance of the existing works and new ones) were handed over to the corporation.

Government have fixed uniform water rates for the water supplied by the Andhra Pradesh State Irrigation Development Corporation to the beneficiaries under the Lift Irrigation/Tube well schemes with effect from 82-83 as follows:-

As per water tax Act 1988, covers all lands whether irrigated by gravitational flow or by lift the rate to be adopted for wet crop in the land served by category I source is Rs.200/- per acre and Rs.100/- per acre depending on the nature of the crop in view of the repeal provisions contained in Section 15 of the Act.

The water charge from the beneficiaries will be collected by the Revenue Department.

Audit Checks.- It should be seen in audit whether the demands are properly raised, periodically and collected by the Tahsildar from the beneficiaries and that the amounts are collected in full in accordance with the prescribed rates and credited to Government.
5.23. Audit Checks:-

It should be seen

i. Whether notification of all water sources relating to category I and category II was issued. Non issue of notification and consequential loss of revenue to government towards water tax may be commented in the local audit report giving full information indicating the source of water, whether it is to be classified as category I or category II, the actual extent irrigated in each season, nature of crop raised etc.

ii. Whether lands for which water was supplied with reference to Adangal / Pahani levied with water tax

iii. Whether any remission of water tax was granted without the specific order of Government as the authority for remission is not Jamabandi Officer / Tahasildar.

iv. Whether appropriate / correct rates were adopted based on the crops raised i.e. single wet crop, 1st crop Acqua – culture, duffasal crops etc.

v. It is to be seen that even through water is released during second crop season for the first time water tax has to be levied at single wet crop rate but not at second crop rate.

vi. The demands raised in DCB of respective villages for each fasli year have been brought out in the DCB of the Mandal.

vii. Water tax on the extent of land decided by the joint azmoish has been levied.

viii. The seasonal remission has been granted by government not by Jamabani Officer / Tahasildar.

ix. Whether the lands cultivated under the Govt sources of irrigation as per revenue records are a tallied with those of lands notified by the PWD authorities.
LEVIES ON LAND OTHER THAN LAND REVENUE

6.1. Cesses. – Taxes on which payable:-

One of the important sources of revenue to the local bodies is the land cess collectable under the provisions of the Andhra Pradesh (Andhra Area) District Boards Act, 1920, and Andhra Pradesh (Telangana Area) District Boards Act, 1955, on land revenues excluding penalties, payable by every land holder. However cesses on water tax was abolished with effect from 1406 fasli onwards and cesses on dry lands were also abolished from 1408 fasli onwards.

6.2. Remission of Cesses (Andhra Area). - If land revenue is remitted or suspended the land cess shall ordinarily be remitted or suspended in the same proportion. When land cess is suspended or remitted education cess is also correspondingly suspended or remitted. (G.O.Ms.No. 202 PR Dept.dt.18-2-78 read with Govt.Memo 118 N2/19/1 Rev. Dept.dt.5-281.)

Telangana Area.- Suspension and remission of land revenue will entail suspension and remission of cesses, also (Govt.Memo Rev. 3036-N/70-4 dt. 24-12-71).

6.3. Cess collectable even in cases of exemption from Land Revenue. – Under Sn.6 of the Andhra Pradesh Land Revenue Enhancement Act, 1967, every pattadar as also a small landholder covering under the definition who is liable to pay on all lands held by him an aggregate amount not exceeding rupees ten towards the land revenue and additional land revenue is exempt from land revenue and additional land revenue payable in respect of dry lands held by him. But cesses are collectable on such land revenue even though exempted. They levy and collection of local cess in respect of exempted lands is at the reduced rate of 5 paise on such lands and should be taken for allocation to the local bodies in the prescribed ratio. As regards land revenue waived cesses are to be levied at the normal and not at the reduced rates from 1393 Fasli. (G.O.Ms. No. 33 (Revenue) dt .10-1-1984.)

According to the rules of assignment of lands in Board’s standing orders No.15 and allied orders issued by Government no land tax is to be collected for the periods mentioned therein. But cesses have to be collected on the land tax payable.

The Non- agricultural Assessments Act, 1963, does not provide for the levy of cess on Non-agricultural assessment but the Government of Andhra Pradesh have clarified in their memorandum No. 2880/N 70-3 dt. 19-2-71 that the cesses on the Non-agricultural assessments have to be levied and collected in respect of non-municipal areas.

6.4. Exemption. – No, local cess or education cess is to be levied on the special land tax payable under the Andhra Pradesh Irrigation projects (Special Land Tax) Act, 1976, vide Sn.10 thereof.

6.5. Rates of cess and its adjustment to local bodies.- On every rupee of land revenue, local cess at 18 paise and 25 paise is levied and collected in respect of Andhra Area and Telengana Area, respectively. In Andhra Area education cess at 19 paise is also being collected while there is no collection of such cess in the Telangana Area (Sn.78 of the Andhra Pradesh (Andhra Area) Dist. Board Act, 1920 Sn. 135 of the Andhra Pradesh (Telangana Area) Dist. Board Act, 1955, and Sn. 34 of the Andhra Pradesh (Andhra Area) Elementary Education Act, 1920).
The local cess collected has to be adjusted in full to the Village Panchayat Samithi and Zilla Parishad in the ratio of 7:6:5 (Andhra Area).

6.6. Exhibition in Village Accounts. – Thought the land cess is collected along with the land revenue, the Village Revenue Officer should show the land revenue and cessess separately in different columns in the Chitta as well as in the Irsalnama. The land revenue clerk in the Mandal Office should check the correctness of land revenue and the cess amount collected and enter it separately in the land revenue chitta. At the end of the month, he should post the figure village-wise, total it and apportion the local cess among the several local bodies. The Tahsildar should then issue proceedings sanctioning the amount to the various local bodies at the Mandal level itself.

(G.O.Ms. No. 805 Plg & Local Administration dt.14-6-62 read with Boards L.D. is/T3/2741/74 dt.26-8-1974.)

The adjustment of the above cess among the local bodies should be carried out every month.

(G.O.Ms No.629/P5/III/65 dt.15-5-65.)

6.7. Audit Checks.- It may be seen during the local audit whether-

(i) Cesses are being levied and collected at the prescribed rates.

(ii) The Village Revenue Officers are exhibiting the land revenue and cesses separately in the columns provided for the purpose in the chitta as well as in the Irsalnama.

(iii) The apportionment of the local cess to the local bodies is made every month in the prescribed ratio, with the sanction of the Tahsildar, as per instructions contained in Board Circular No.D.Dis. T.3/2741 ct.26-8-74.

(iv) The cess is being allocated on the actual amount of cess collected and not on ad-hoc basis.

6.8. Andhra Pradesh Non-agricultural Land Assessments Lands to be assessed. – Under the Andhra Pradesh Non-agricultural lands assessment Act, 1963, which came into effect from 1st July 1963, all lands put to non-agricultural use in local area are subject to assessments at the rates specified in the Schedule to the Act. The rates are based upon the population of the local areas as per the latest census figures and also on the purpose i.e., industrial, commercial or any other non-agricultural purpose including residential purpose for which lands are used. The Act was amended from 1st July 1974 (Act, 28 of 1974) enhancing the rates of assessments, enlarging the definition of the word “Industrial Purpose” so as to include mining operations and enabling Government lands leased out to a lessee or local authority assessable under the Act.

From 1st July 1974, industrial purpose includes a purpose connected with an excavation, underground or otherwise where any operation for the purpose of searching for or obtaining mineral has been or is being carried out non-agricultural assessment is payable on the land actually used for mining operation (SRA Cir.No.2 dt.11-4-84).

6.9. Government have clarified that “Cotton Ginning Factories” should be deemed to be industries for the purposes of Section 2(d) of the said Act and hence any lands on which such factories are situated are lands used for industrial purpose.

(G.O.Ms.No.427/N/66-7 dt.6-1-1967.)
6.10. If a big plot of land is divided into small bits and those bits are used for different purposes, they have to be assessed in accordance with the purpose for which the bits are used and not under explanation to Section 3. Recourse can be had to this explanation, if only the same land is used for more than one purpose such as industrial and commercial or industrial and residential and that too there it is not possible to demarcate the exact area utilized for each purpose.

All lands owned by the State Government or the Central Government but leased out and lands vested with the local authorities and leased for any commercial, industrial or any non-agricultural purpose deriving income therefrom are liable for assessment with effect from 1st July, 1974 under this Act.

In a case 2005, scc 550 of Federation of Andhra Pradesh Chamber of Commerce and Industries vs State of Andhra Pradesh and others Supreme Court of India held that it is only land which is actually in use for an industrial purpose as defined in the Act that can be assessed to NALA at the rates specified for land used for industrial purpose.

6.11. Exemptions. According to Sn. 12(d) of Andhra Pradesh Non-agricultural Assessment Act, 1963 lands owned by any educational charitable or religious institutions are exempt from the provisions of the Act.

Note:- The Andhra Pradesh Agricultural University lands are exempted from non-agricultural assessment in view of the specific exemption referred to above.

Lands in which orchards are raised are not to be treated as non-agricultural lands for the purpose of Assessment under this Act.

Lands exclusively used for residential purposes where its extent does not exceed one hundred square meters are exempt from assessment under this Act with effect from 1st July 1974.

According to G.O.Ms.No.877 Revenue dt. 16-6-1965 lands on which industries are established should be assessed at half of the assessment under Sn.3 of the Andhra Pradesh Non-agricultural Assessment Act, 1963, for a period of 5 years from the date of establishment of an industry or upto the date of production of rated capacity of the industry whichever is earlier, and thereafter at full assessment under the Act.

The usual land revenue or the ground rent, as the case may be, should be levied and collected in respect of lands located in the local area, coming under the purview of this Act, which however, are not put to industrial purpose.

Under Sn. 7 of the Act, Government have granted exemption from the payment of non-agricultural assessment on the land used for establishment of an industry licenced or set up on or after 1st January 1969 whose capital value (excluding working capital) does not exceed rupees five crores, subject to the condition that the amount of land revenue payable immediately before such land is so used and that the concession shall be allowed for a period of five years from the date of commencement of productions.
Non-agricultural lands used for the establishment of milk chilling centers and dairy units by Andhra Pradesh Development Cooperative Federation Ltd. Is exempt from levy for a period of 10 years from 1975.

(G.O.Ms.No. 730 Rev. (M) Dept. dt. 30-4-1984.)

The Government while announcing new industrial policy for 2000 to 2005 years exempted all the industrial units in the state from the levy of NALA for the period from (1.4.2001 to 31.3.2005) which is leviable under section 3 of said act.

The lands which are not liable for the special assessment under the above Act, shall continue to pay assessment as before.

6.12. Rates of assessments:  According to Section 3 of this Act, Non Agricultural lands in a local area with the population specified in the schedule there in should be assessed at the rates indicated there in. The rates of special assessments in vogue at the time of Audit should be referred to.

6.13. Where the Andhra Pradesh Non-agricultural Assessment Act does not apply, the provision of Rule 71 of Telangana Area Land Revenue Rules will apply in the areas in Telangana Area. The rates of special assessment to be made in respect of diversion of agricultural land for non-agricultural purposes are as follows:-

(1) (a) Rs.5 per cent acre in the case of lands situated in villages other than Taluk or District Headquarters.

(b) Rs.8 per acre in the case of lands situated in Taluk Head Quarters.

(c) Rs.12 per acre in the case of lands situated in the District Head Quarters.

(2) In the event of wet land being diverted for non-agricultural purpose, the rate of special assessment shall be 1 ¼ times of wet assessment if the land is situated in a village other than the Tahsil of District H.Q. and 1 ½ times, if the land is situated at Tahsil of Dist. H.Q.

Lands situated within 6 miles of the Municipal limits of Hyderabad and Secunderabad are deemed to be land situated in the District Headquarter for the purpose of levy of special assessment.

(3) In the case of Government lands leased out to private parties for non-agricultural purposes, the erstwhile Board of Revenue have prescribed the rates at which the lease amounts have to be fixed by the collectors. B.S.O. 24-A(9) should be referred to by the audit parties for the rates.

6.14. Concessional rates of assessment. – According to Sn. 3(2) of the Act, where the assessment leviable on any non-agricultural land under this act is less than the land revenue payable on such lands, the land revenue alone should be levied and collected.

6.15. Interest for Non-agricultural land assessment. – According to section 9 of A.P. NALA 1963 the assessment payable in respect of any non-agricultural land under this Act shall be deemed to be public revenue due upon such land and the provisions of the A.P. Revenue recovery Act 1864 shall apply in relation thereto.
In view of the above provisions in the AP NALA Act the interest can be recorded and levied on the arrears of NALA amounts as clarified by the Government Memo No.397/LR1/87-34 Rev (LR) Dept dt.16.7.94

6.16. Mode of Assessments.- The Unit for the purpose of assessment is a revenue village which has got a separate demarcation or a Municipality or a Corporation, viz., Bellampally township is situated within the boundaries of Budakalan, Burjva and Aknepalli villages which have separated village demarcations Bellampalli itself is not a revenue village as per revenue records. Hence Non-agricultural assessment levy is not enforceable in respect of Belampalli town itself at present for residential purposes.

The Government in the Revenue Department Memo. No. 5887/N/64-4 dt.18-12-1964 had clarified that as the Kothagudem town is declared as a Municipality, each of the revenue village forming part of it should also be taken as a unit and special assessment levied with reference to the population in the respective units.

Under Sn.4 of the Act, the Revenue Inspector after due enquiries from the owner or occupier of the land should determine the assessment payable and issue a demand notice requiring payment within thirty days from the receipt of the demand notice. The Tahsildar is the appellate authority in respect of the appeals against the assessment. The Revenue Divisional Officer is also competent to revise the assessment suo motto or on application made to him. The Government is also empowered by general or special order to remit the whole or part of the assessment under this Act.

6.17. The assessment which is confined only to the period during which the land was used for one of the purposes specified should be a self contained one so that the assessee, if he should be aggrieved, can exercise the right to carry the matter in appeal or revision as the case may be.

6.18. Records to be maintained. – The Board of Revenue have prescribed two registers ‘A’ and ‘B’ wherein village-wise demands and Demand, collection and balance have to be recorded.

Register ‘A’ which is to be preserved permanently, records all particulars of non-agricultural activity for each village viz., Name of the industry area used vacant site, classification of trade viz., commercial or industrial changes that arise from time to time in the name of the owners, extent of lands used, the details of demand and the land revenue foregone so that it may deleted from land revenue demand in 10(2) Account (Andhra) and Faisal Patti (Telangana). The Registers of individual Non-agricultural Assessment was declared as permanent Annexure to 10(1) Account (Andhra Area) and Chowfasli (Telangana Area).

Register ‘B’ is a village-wise demand, collection and Balance ledger, recording asamiwise. Demand collection and Balance have to be maintained by the Village Revenue Officers to have effective control over balances and these balances are to be reconciled with the Mandal figures for each village and certificates recorded.

The Board of Revenue have prescribed a monthly progress report due in its office on the 10th of the succeeding month, duly indication the details of arrears and current balances, details and particulars of collectable and non-collectable balances and the period for which the balances relate. (B.P.R. No. 3775/75 dt. 10-1-1975).

6.19. Audit Checks. – It should be seen –
(i) Whether the population figure as per the latest census have been adopted for determining the rate of Non-Agricultural Assessment.

(ii) Whether the rates are in accordance with the schedule to the Act.

(iii) Whether the registers are maintained in the proper form.

(iv) Whether the non-agricultural assessment is being brought to the Taluk Account no. 12 (Andhra Area) and Goshwara in (Telangana Area) and passed by the Jamabandhi Officers.

(v) Whether exemptions granted are covered by the Act.

(vi) Whether the demand shown in the Demand, Collection and Balance statement for the particular Fasli agrees with the total demand as shown in the Register-A maintained in the Taluk Office (Village wise).


By repealing earlier acts the new act called “Andhra Pradesh Agricultural land (conversion for Non Agricultural purposes) Act, 2006” came in to force applicable whole of the State of Andhra Pradesh. Subsequently rules called AP Agricultural land (conversion for Non Agricultural purposes) rules 2006 were made.

According to the above act and rules
1. No agricultural land in the State shall be put to non-agricultural purpose, without the prior permission of the Competent authority
2. An. application for such conversion of the agricultural land for non-agricultural purposes shall be made before the competent authority in the form prescribed along with conversion fee.
3. If the conversion fee so paid is found to be less than the fee prescribed a notice shall be issued by the competent authority to the applicant within 30 days of the receipt of application intimating him the deficit amount.
4. The applicant shall pay the deficit amount indicated in the notice issued within fifteen days of the receipt of such notice.
5. In case no intimation is received by the applicant within 30 days about the deficit payment of conversion fees, it shall be deemed that the amount paid is sufficient for the purpose.
6. The conversion permission requested for shall either be issued, rejected in full or part by the competent authority within sixty days after such request is received in the office of the competent authority or within 30 days after the receipt of the deficit amount as the case may be provided that, if no order is passed on such request within the time prescribed the required permission shall be deemed to have been given.

With effect on and from the date of commencement of the act, every owner or occupier of agriculture land shall have to pay a conversion fee for non-agricultural purposes, at the rate of 10% of the basic value of the land in areas as may be notified by the Government form time to time.

Basic value means the land value entered in the Basic value Register notified by Government form time to time and maintained by the Sub-Registrar.
The Revenue Divisional officer or any officer to be notified by the Government in this behalf shall be competent to order, in respect of the lands situated within his territorial jurisdiction, conversion of land use from agricultural purpose to non-agricultural purpose.

Penalty
1) If any agricultural land has been put to non-agricultural purpose without obtaining the permission as required the land shall be deemed to have been converted into non-agricultural purpose.

2) Upon such deemed conversion, the competent authority shall impose a fine of 50% over and above the conversion fee for the said land specified.

3) The owner or occupier of the land shall pay the fine so imposed in such manner as may be prescribed.

4) Any fee or penalty which remains unpaid after the date specified for payment, shall be recoverable as per the provisions of the Andhra Pradesh revenue Recovery Act, 1864.

Act not to apply to certain lands

Nothing in this Act shall apply to —

a) Lands owned by the State Government.

b) Lands owned by a local authority and used for any communal purposes so long as the land is not used for commercial purposes.

c) Lands used for religious or charitable purposes.

d) Lands used by owner for household industries involving traditional occupation, not exceeding one acre.

e) Lands used for such other purposes as may be notified by the Government from time to time.

Arrears:
All the outstanding arrears from individuals / institutions under the Andhra Pradesh Non-Agricultural Lands Assessment Act, 1963 as on the date of commencement of this Act shall be recovered under the provisions of the Andhra Pradesh Revenue Recovery Act, 1864.

6.21. Road Cess:-

As per section 27 of A.P irrigation utilization and command Area development Act, 1984 read with notification issued by the Govt, under G.O.Ms.No.48 irrigation and CAD VI Department dt.25.06.1986 and G.O.Ms.No.299 irrigation and CAD VI department dt.07.09.1988, Road cess at Rs.12.35 ps per Hectare per annum shall be levied and collected by the revenue officials from fasli year 1398 along with land revenue / water tax from the land holders in the command areas of the Nagarjuna Sagar Right Canal, Left canal, Sri Ram Sagar Project and Tungabhadra Project who are benefited or capable of being benefited under any scheme under taken under the Act. According to clarification issued in August 1989 (1486/88 dt.28.08.89) by commissioner of land revenue road cess is leviable on all ayacutdars irrespective of formation of roads and supply of water in their command areas relating to the above projects. The amount so collected shall form a separate road cess found under the irrigation utilisation and CAD department to be utilised for the purpose of laying out the roads with in the command Area and for their proper up keep and maintenance.
The road cess is creditable to the following heads under various command areas.

0702 – Major Irrigation
03 – command area development
Minor Head – 101 N.S Right canal / 102 N.S. Left canal / 103 Sri Ram Sagar Project / 104 - Tungabadra Project

Sub – head – 01: Road cess collected under AP irrigation utilisation and CAD Act, 1984.

Audit Checks:
1) Whether the extent of land localized under the command area for the purpose of determining the demand is correctly taken.
2) Whether the rate of road cess is in accordance with the Act.
3) Whether the demand shown in the D.C.B. statement for the particular fasli year agrees with the total demand shown in Taluk 12 account

6.22. Drainage Cess in Delta Areas. – The Andhra Pradesh (Krishna, Godavari and Pennar Delta area) Drainage Cess Act, 1985, (Act No.26 of 1985) was passed by the Government to take effect from 15-11-85 for a period of 5 years under Sn.3 of the Act, cess is payable for lands in the deltas of the Krishna, Godavari and Pennar rivers irrigated whether by flow or lift under the network of canals taking off from the barrage near Vijayawada on the Krishna river, the barrage near Dowlaishwaram on the Godavari river and the anicut near Sangam and Nellore on the Pennar river.

It was decided by the Govt that drainage cess and drainage maintenance fee shall not be levied for the fasli year 1409 onwards. However, the arrears under the Act are liable to be collected (vide Government Memo.No.956/LR-3/27-3 dt.29.1.1997).

CHAPTER 7
INTEGRATED VILLAGE ACCOUNTS

7.1 Prior to formation of Andhra Pradesh there were (39) Village accounts in Telangana Area and (38) village accounts in Andhra Area. The Govt have reduced village accounts from 39 to 22 in Telangana Area and from 38to 23 in Andhra area. In order to integrate the village accounts of both the regions, the Govt of A.P have introduced common (11) village accounts i.e. integrated village accounts in G.O.Ms.No.265 Rev (LR-II) dt.10.03.92.

The Integrated village accounts:

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Village accounts No.</th>
<th>Description of the village accounts and purpose of its maintenance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>Register of Govt lands, Assigned lands alienations, encroachments etc.,</td>
</tr>
<tr>
<td>2</td>
<td>2</td>
<td>Transfer registry (Mutation Register) for change of Pattadars / owners of the lands</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
<td>Adangal / Pahani</td>
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<tr>
<td>4</td>
<td>3-A</td>
<td>Monthly cultivation accounts and yield</td>
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<td>5</td>
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<td>Land holding and Ryothwise demand</td>
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<tr>
<td>6</td>
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<td>Water rate, Misc. revenue and charges levied</td>
</tr>
<tr>
<td>7</td>
<td>4-B</td>
<td>Statement of remissions</td>
</tr>
</tbody>
</table>
8  4-C  Encroachments in Govt lands
9   5    Demand, collection and balance Register.
10  6    Register of daily collections (Chitta)
11  7    Remittances (Irsalnama)
12  8    Irrigation sources register
13  8-A  Irrigation Abstract / water utility details
14  Register-A  Sethwar / permanent register
15  9    Land revenue receipt book
16  10   Register of Births
17  11   Register of Deaths

7.2 Permanent / Sethwar – A Register:

In Telangana area, this permanent –A register is named as sethwar. This is the basic register for raising the demand of land revenue / water tax as it contains village wise information regarding all types of land with survey number, extant, classification, source of water supply (it wet) rate of land revenue / water tax per acre, name of the pattadar etc. as such the entire land available in the village and the assessment payable by each pattadar can be known from the details incorporated in (14) columns prescribed for this permanent register.

Audit Checks:

Prescribed percentage (10%) of items i.e survey numbers including subdivisions should be traced in the permanent register of register of the selected village with reference to the original settlement register / sethwar to ensure the correctness of land revenue /water tax fixed taking into account the enhancement covered by the A.P. land revenue (Enhancement) Act of 1967, A.P. water tax Act 1988 and the Act 13 of 1997.
It should be seen by checking (a few items) that there are no differences in assessment rates between permanent register and account No.3.
It should also be seen by scrutinising a few items that there are no differences in nothings between permanent register and columns 2,3,4, of account No.3

7.3. Account No.I

This register is maintained for recording Govt lands, Govt lands given on lease, land assigned, land encroached and balance of land available and out of which fit for agriculture. There are 20 columns in the register.

Audit checks:-

It should be seen that details of land alienated, assigned, given on lease in favour of departments, private institutions are tallied with Adangal/Pahani of village concerned.

Account No.2:

In every village there would be changes in survey numbers due to sub division of patta lands registration, relinquishment acquisition and conversion of wet land into dry vice – versa. The changes caused have to be recorded in this account by the VRO in the first instance and authenticated by MRI and Tahasildar. Later supplementary sethwar has to be prepared duly causing changes in Tippans by Mandal Surveyor and implement with orders of Tahasildar. The account consists of 12 columns
7.4 Accounts No.3:-

It is called Adangal in Andhra area and Pahani patrak in Telangana area. This is the annual statement of occupation and cultivation, field by field. The entries in this account are made with reference to the entries in the permanent register. This account in having 31 columns which contains complete information regarding survey number, extent, assessment, names of the Pattadar / Occupant, Patta number, classification of soil, source of irrigation in respect of wet lands, single or double crop known as settlement particulars of filed, second crop cultivation including cultivation of dry lands under wells, whether charged or not of crop sown, month of cutting the crop, extent of yield in kilograms and inspection reports of VROs / MRI/ Tahaslidar. Thus the Adangal / Pahani will indicate the basic land revenue / water tax survey number –wise.

The VRO completes the accounts No.3 and submits it to the Tahasildar on or before 15 September and from Mandal, it is sent to the revenue inspector who returns it to the VRO on completion of his inspection.

Audit Checks:-

1) Audit should ensure that all the enhancement of rates in assessments with reference to the A.P.Land Revenue (Enhancement) Act, 1967, Act 11 of 1988 Act 13 of 1997, and total of assessment after enhancement have been correctly worked out and noted in the enhancement register with reference to the entries in permanent ‘A’ register, the same rates have been correctly noted in this account as this is the starting point for fixation of the demand of the village, patta wise.
2) Prescribed percentage (10%) of the survey numbers should be traced in the permanent register and checked with the Adongal to ensure the correctness of the acreage of land cultivated and the rate and amount of land revenue /water tax.
3) It should be seen whether the accounts is properly maintained and the relevant columns of the account contain the remarks of the revenue officials as a result of their inspection of the fields.
4) It may be ensured that water chargers are levied at correct rates as applicable crops indicated in the Adangal / pahani
5) In respect of survey numbers and sub-divisions of the village marked for detailed check, it may be seen that water tax collectable are actually included in account No.4.
6) It should be seen whether cases of remissions wee also brought to account No.4-B

7.5. Account No.3-A:

Is consists of 14 columns. During fasli year, the details of crops raised with extents and estimated yields are recorded in this register with a view to know that the produce derived in various crops consumable to human beings is sufficient. Based on the information available in this register, the state Govt and the Central Govt., will cause preparation of estimates and to take necessary measures to maintain self sufficiency in food grains.

Through account 3-A is mainainted for statistical purpose, audit can verify certain aspects like area sown, source of irrigation nature of crops harvested etc. The account should be checked with season report in order to verify whether there was cultivation after the rainfall. It may also be verified whether the MRI and the MRO have recorded their remarks whenever they visited that village.

7.6. Account No.4
Inherent with 32 columns this register gives the details of lands and Asamivari / occupant – wise land revenue of the fasli year. The MRI has to conduct cent per cent check of the account No.4 and the MRO., after Account No.4

Inherent with 32 columns this register gives the details of lands and Asamivari / occupant – wise land revenue of the fasli year. The MRI has to conduct cent per cent check of the account No.4 and the MRO., after exercising prescribed checks, has to sign this account and put up the same to the Jamabandhi officer in the month of may for approval.

Col No.1 to 11
Meant for recording name of the pattadar and lands held by him, extent and classification of each holding, names of the irrigation sources and water tax, penalty for unauthorized utilization of water from Govt. sources

Account No.4-A
The register denotes imposition of water tax on the lands irrigated from the notified sources of irrigation on the basis, of the irrigation potential. The sources have been categorised in to I&II and he rates of water tax are fixed by the Govt. accordingly.

7.7. Account No.4-B
This register is more less related to account No.4. In case of crop diseases, natural calamites etc., occurred in the village and when concerned ryots have submitted applications for seasonal remissions, the Tahasildar has to direct his staff to conduct inspections crop wise, survey number wise and get the remarks recorded in the Adangal / Pahani. According to the magnitude of the damage, the Tahasildar obtain the approval of the Jamabandhi officer for written off the water tax or refer to the Govt through he district collector if it is large scale damage. This register consists of 13 columns.

In audit the correctness of all the remissions allowed on account of failure of crops, lack of water from Govt source, breach of Govt source etc., is checked with reference to the remarks of the Tahasildar staff made in the Adongal and provisions of A.P land revenue, remissions and suspending rules 1968.

7.8. Account No.4-C
This register has 22 columns meant for recording the details of Encroachments on Govt lands. It shows the extent of land occupied entitlement of the encroacher, the penalties levied and the normal land revenue / water tax payable along with the remarks recorded by the MRI /Tahasildar, etc.,

The correctness of the entries in this register is to be verified with reference to the comments of the revenue inspector made in Adangal.

7.9. Accounts -5 :
This register is more or less an abstract of account -4 which consist of 25 columns. The demand of water tax, cesses, penalties as has been shown in col 29 of account 4 is to be recorded in col.4 of this register including the old arrears, if any and the total of col.4 and 5 is to be shown in col.6 thus account .5 indicates Assamwari total demand of the village in a fasli. Col.14 to 19 are meant for recording data-wise collections of current demand and arrears. Excess collections, if any are entered in col.20 &21.
It should be seen in audit that;
1). The demand is posted against each pattadar correctly from account .4
2). All collections in year are posted correctly against the pattadar; and
3). The balances of each pattadar are correctly worked out.

7.10. Account -6:

This register is called “chitta” of daily collection made in the village. It is having 11 columns prepared in duplicate by the VRO. The duplicate copy of this register is to be enclosed to the ‘Irsalnama’ i.e. account -7 along with amount and hand over in Tahasildars office. There is every need for numbering the pages of this register along with round seal of the Tahasildars office. The revenue authorities visiting the villages should invariably check the chittas to see whether all the amounts collected on receipts issued are brought to Chitta and promptly remitted in to Govt account.

Audit checks:
It may be verified in the Mandal Office whether;
1) Duplicate of the chitta is invariably enclosed to the challanas relating to the months selected for treasury verification of remittances.
2) The chitta is serially machine numbered and all pages are accounted for correctly
3) The totaling in the chitta (selected month) and totals carried forward from one page to another are correct;
4) The reconciliation of the departmental figures with those of the treasury is being done every month and a certificate of reconciliation is obtained in the Mandal Chitta from treasury.
5) There are any omissions to include any amount received in the Chitta.
6) All the receipts worked out in the Village accounts have been correctly accounted for in the Chitta and the totals are correct.

7.11. Account-7

This is remittance list (6 columns) showing the particulars of the collections under the several items noted in account -6. This register is prepared in triplicate by the VRO and sent to the Mandal office along with the account No.6. On receipt of same, the Tahasildar should see whether then has been any delay or irregularity in the remittances.

Audit checks:-
Audit may ensure that all the items of the Chitta since the last remittance have been accounted for in the current remittances list.

7.12. Account – 8:

This register is called irrigation source register, for every village as per permanent –A register / Sethwar, details of irrigation source with capacities are recorded. The ayacut under various irrigation sources is also settled based on the capacities of these sources.
There are 25 columns in this register meant for recording information like name of the irrigation source and its category, notified ayacut, nature of crop and its duration, water tax per acre etc.

7.13. Account-8A

This register consists of 5 columns and shows the extent irrigated, source-wise, during a fasli year.

7.14 Account -9

This is the form of receipt to be granted to the ryot in acknowledgement of the sum paid by him, during the year, towards the liquidation of the amount due by him. The VRO will be supplied with books of blank forms of these receipts (7 columns) numbered and sealed by the MRO for issue to the ryots from time to time.

7.15. Account – 10

This is the register of Births registered between 1st January to 31st December in a year of a particular Village, Account 10 contains 19 columns which stores information useful for issue of birth certificates for personal identification, place of birth etc.

7.16. Account -11

This account is called death register which is having 20 columns and indicates the number of deaths in a village during a year (1st Jan to 31st Dec).

Vital statistics in general help to state the population dynamics i.e structure, size, composition at various levels. It also helps to fix plans targets and in formulating population and health policies.

Khata verification:

The entire revenue collected from 1st July to 30th June will be accounted for, towards the revenue demand for that particular fasli year unless the amount so collected pertains to arrears of past years. The accounts of the VROs are compared and verified with the Mandal records, with reference to the Jamabandhi demand and remittances made into the treasury by the VRO from time to time. The errors coming to notice as a result of this verification are rectified then and there and agreement effected between the Mandal and Village accounts. This process is called Khata verification. After the Khata verification is completed, all the VROs have to prepare ‘wasool Baki’ in other words demand, collection and the balance payable by each ryot in each fasli year, in duplicate and send one copy to the Mandal office for further action.

The various accounts, registers and files that are to be maintained in a Mandal office are listed in Annexure-IV

7.17 Mandal Abstract:-

It contains entire details of mandal like No. of villages, Extent of holdings Nature of land, Notified extent of lands under Notified sources of irrigation, wet assessment, Dry assessment, remission etc. In audit it has to be checked whether the remission was granted by the competent
authority, the extent of notified land adopted in same that of notified by the dist. collector. Whether
the water rate adopted in accordance with the rates prescribed in water tax act.

CHAPTER 8

LAND TENURES

8.1. Abolition of Estates and Inams. — While the State owns all the lands in the State, the land
is held by different persons on tenure. Those lands for which ryotwari patta has been issues are said to
be held on ryotwari tenure; those held by Zamindars and Inamdars were known as being held on
Zamindari Tenure and Inamdari Tenure. In the ryotwari system, the lands are under the control of a
ryot who holds a patta for the land. In the case of Zamindari and Inamdari systems the lands are under
the control of the concerned Estate owner or Inamdar and the cultivators are holding the lands as
tenants only.

8.2. Estates abolition. — The estates are usually of three categories namely Zamindari estates,
Inam estates and under tenure estates.

The Government of the Composite Madras State decided to abolish the estates and convert
them into ryotwari land with ryotwari assessment and accordingly brought in a legislation called
Madras Estates (Abolition and conversion into Ryotwari) Act, 1948 (Act XXVI of 1948). According to the provisions of this Act, a notification under Section 1(4) of the Act was to be issued for taking over the estates by Government and then the processes of settlement and grant of ryotwari pattas to the tenants and others were to be initiated. The Act provides for survey (Section 21) settlement (section 22) payment of compensation (Sections 24 to 39) of the landholders in respect of estates taken over by the Government and for the grant of ryotwari pattas to the ryots and landholders (Section 11, 15 and 17). From the notified date of taking over the estate to the date of effecting ryotwari settlement under Section 2 of the Act; the land revenue payable to the Government was to be calculated and collected with reference to Section 23 of the Act.

8.3. Inam Abolition. – Another important piece of legislation which sought to change the tenure of land from inam land to ryotwari land was the enactment of the Andhra Pradesh (Andhra Area) Inams (Abolition and Conversion into Ryotwari) Act, 1956. As a precursor to this Act, the Andhra Inams Assessment Act, 1955 was enacted. As the inamdar was paying to Government only a small amount by way of quit rent, Jodi or Kathubadi, Government by this Act sought to revise the assessment payable to Government by the inamdar on the lands held by him to the level of assessment prevailing in adjoining areas or adjoining villages. Under Sn. 3(1) of the Act, the State Government was empowered to levy, on every inam land, with effect from the Fasli year commencing on the 1st July, 1955 (i.e. from 1-7-55) and assessment determined with reference to Sn. 3(1) (a) and 3(1) (b) of the Act, this was known as inam assessment and this assessment can be collected from 1-7-65 retrospectively, irrespective of date of finalization of assessment.

8.4. Levy of Inam Assessment. – Before finalizing the assessment an enquiry has to be conducted under Sn. 9(1) of Estates Abolition Act of 19488 to decide whether it is an inam estate or not, as inam assessment will be leviable only in respect of lands declared to be as not and ‘Estate’. When the tenure of the land is decided as not and ‘Estate’ the Collector has to publish a preliminary notification in Form I (as per Sn. 3(2) (a) of the Act), in the District Gazette, specifying the inam lands in respect of which inam assessment is proposed to be levied, calculated with reference to Sn. 3(1) of the Act and calling for objection and suggestion, if any. After enquiry, a final notification in Form II is published in the District Gazette with reference to Section 3(3) of the Act, specifying the inam lands and the rates of assessment leviable thereon as finally decided, after enquiry.

As a corollary to this procedure, action has to be initiated for abolition of imams and their conversation into ryotwari tenure, under the provisions of the Andhra Inam (Abolition and Conversion into Ryotwari) Act, 1956. Before proceeding with the conversion of inam land into ryotwari land under Sn.3(1) of the Act, the Tahsildar may suo motto, and shall on an application enquire and determine.

(i) Whether a particular land in his jurisdiction is an inam land.

(ii) Whether such inam land is in ryotwri, Zamindari or Inam village.

(iii) Whether such inam land is held by an institution.
CHAPTER 9
ANDHRA PRADESH LAND REFORMS, LAND ASSIGNMENT, LAND ALIENATION AND LAND ENCROACHMENT LAWS


9.2. Every person whose holding is in excess of 4.05 hectares (10 acres) of wet land or 10.12 hectares (25 acres) of dry land was required to furnish to a tribunal a declaration of his holding within the time allowed (vide Sec.8).

9.3. The Revenue Divisional Officer may take possession or authorize any officer to take possession of such land that is surrendered or is deemed to have been surrendered under the Act, on payment of compensation at the prescribed rates (Sn. 15) which shall thereupon vest in the Govt. free from all encumbrances from the date of such order (Section 11). These lands are to be allotted as house-sites to agricultural labourers, village artisans, or other poor persons owning no houses or house sites or transferred to the weaker section of the people for purposes of agriculture or for purposes ancillary thereto. Every person to whom land has been allotted or transferred has to pay the value of the land at a sum calculated at 50 times the land revenue payable on such land subject to a maximum fixed by Government the recovery being effected in fifteen equal annual instalments from the date of allotment or transfer. The land is so allotted shall not be transferred or alienated except by way of mortgage in favour of Government Bank or cooperative society including a Land Mortgage Bank. In case of failure to pay the sum or any instalment or violation of any conditions of allotment, the Revenue Divisional Officer is authorized to resume the land after giving reasonable opportunity to the person and the amount already paid by him shall be liable to be forfeited to Government.

9.4. It may be seen in audit of Mandal Offices whether –

(1) After taking possession of the lands, the lands were handed over to the allottees without any undue delay.
The cost of the land allotted was fixed in terms of Sn. 14(2) and it was collected. In case the allottee opted to pay in instalments it may be seen that the annual instalments are correctly fixed and proper accounts are maintained in the ledger opened for the purpose. Arrears of instalments, if any, may be commented upon suitably in the inspection report.

There was any violation of conditions by the allottee. If so it may be seen that the follow up action was taken in terms of the provisions of Act and Rules.

The lands taken possession of and not allotted to any person are leased out on eksala basis. Any lapse in this regard may be commented upon suitably.

9.5. Land Assignment.- The assignment of unoccupied lands at the disposal of Government is governed by Board’s Standing Order No.15 et-seq and by G.O.Ms. No. 1407 (Revenue) dated 25-7-58 and also subsequent Government orders in the Andhra Area. In the Telangana Area, it is governed by Sn. 54, 54-A, 58-A and 58-B in Chapter V of the Andhra Pradesh (Telangana Area) Land Revenue Act, 1317, Fasli and the rules laid down in G.O.Ms. No. 1406 Revenue dt. 25-7-1958 and also subsequent Government orders issued in this regard.

9.6. Assigning authorities and to whom lands can be assigned. - Tahsildar. is the competent authority to assign lands to the following categories of persons free of cost and subject to the conditions stipulated in this regard:

(i) Landless poor persons who directly engage themselves in cultivation including Harijans, ex-toddy Tappers, backward Communities and Weavers (G.O.Ms. No.1142 (Rev). dt. 18-6-54).

(ii) Ex-servicemen or serving soldiers (Jawans) (G.O.Ms. No. 1090, Rev. dated 13-7-64).


(iv) Cooperative societies. (G.O.Ms. No. 1407, Revenue dt. 25-7-78). Board’s Standing Orders No. 15(11).

9.7. Category of lands not be assigned. – According to Para 1(d)(i) of G.O.Ms.No.1142, Rev. dt. 18-6-1954, tank bed lands should not be assigned and pattas should not be therefore granted.

9.8. Extent of Assignment. – The extent of wet and dry lands that can be assigned by Tahsildar. to the various categories of eligible persons is as under. (10% variation may be allowed).
This is subject to the condition that the total extent of land in the possession of the assignee, including the lands already owned by him, does not exceed the limits prescribed above.

9.9. Lands to be brought under cultivation. – The lands assigned to the landless poor and ex-servicemen category (i) and (ii) above are to be brought into cultivation within 3 years from the date of assignment and those to political sufferers Category (iii) above within 2 years.

The lands assigned to Ex-servicemen should not be sold or otherwise alienated by them within ten years from the date of assignment.

9.10. Audit Checks. – The village accounts should be scrutinized to see that the demand for land revenue is raised in accordance with the conditions of the assignment and in the case of assessed waste land, the land revenue demand is in accordance with the previous assessment and in case of unassessed waste, it is the dry rate of the neighboring lands.

9.11. It should be seen that:

(i) The lands were assigned by the competent authority.

(ii) The extent of lands assigned do not exceed the maximum limits prescribed.

(iii) The assigned lands are brought under cultivation within the prescribed period from the date of assignment; by referring to the Adandgal etc.

(vi) Land revenue is levied and collected from the date of cultivation and from the expiry of 3 years in respect of lands not brought under cultivation. This aspect may be checked with reference to the Assignment Register and 10(1) Account in the Andhra Area and Faisal Patti in Telangana Area (SRA Hqrs. L.R.I.)
Circular No. 56 dt. 17-4-76).
(v) Water rate is charged if the lands are irrigated with water from Government source of irrigation.
(vi) Fulfillment of the conditions of assignment of lands are duly recorded in the Register of Assignments; if the conditions are not fulfilled, the assigned lands are duly resumed by Government and re-assigned to other eligible persons.
(vii) There is no pendency in respect of applications received for assignment of lands, as there will be loss of revenue otherwise.

9.12. Projects affected land. – Project affected land means all land covered by projects of the following categories: -

(i) Completed after 15th August 1947.
(ii) Under execution.
(iii) The execution of which has already been sanctioned.
(iv) Under investigation.

9.13. Assignment of the above land is subject to the payment of market value by the assignee at the rates to be fixed by the R.D.O. subject to a minimum of Rs.300/- per acre and maximum of Rs.500/- per acre vide G.O.Ms. No. 185 rev. dt:25-2-69.
(G.O.Ms. No. 3696 Rev. (V) Dept. dt. 9-12-75).

(SRA HQrs. LR II/ Circular No. 41 dt.29-12-76).

9.14. The market value so fixed is to be collected in fifteen annual instalments together with interest thereon @ 6% per annum.
(G.O.Ms. No. 185 Rev. dt. 25-2-69).

Government have directed that the first instalment of land value to be collected in the first year of grant where the cultivated land at the time of assignment exceeds half the extent of assignment. If it is half or less, the recovery is to be started after the expiry of a period of 3 years from the date of assignment.
(G.O.Ms. No. 44698-A/56-2 Revenue (A) dt.5-6-1956).

9.15. The assignees are liable to pay special land tax in addition to market value. The assignment of lands to political sufferers is subject to the condition of payment of the market value of land by the assignees. The market value fixed, is to be collected in 15 instalments with interest at 6%.

9.16. Government have directed that the Collectors, while fixing the value of the project affected lands, should ensure that the values of similar lands in the vicinity are taken into account so that the land value fixed is reasonable.
(G.O.Ms. No. 799 (Home-B) Dept. dt. 17-8-71).
9.17. The lands included in the ayacut of any project are to be treated as wet lands only for the purpose of assignment even though wet cultivation has not yet been done (vide Board’s Standing Order No. 15(7)(i)).

9.18. Audit Checks in regard to recovery of the market value of the lands assessed.
   (i) It should be seen that a special section is opened in the Mandal land village ‘D’ Register to note the assignment in question. (G.O.Ms.No. 88347-A/55-5, dt.23-1-56).
   (ii) That the market value is fixed as laid down under the rules by the competent authority.
   (iii) That special land tax is levied and collected along with the market value.
   (iv) That interest at 6% per annum is charges and collected on the instalments of the market value.
   (v) The ledgers are opened to watch the recovery.
   (vi) That market value is recovered in fifteen annual instalments.

9.19. Alienation of land means grant of state land for bonafide public purposes to a person, institution or local body either free of cost or on payment of full or concessional market value and exemption of land revenue (B.S.O. 24)

Applications have to be made in the form prescribed in Appendix XXIX to B.S.O. 24. The provisions contained in B.S.O.24 and the instructions issued by the Government from time to time have to be followed.

For alienation of land within the Municipal areas the resolution of the Municipal council / Corporation is necessary, and in villages Gram Panchayats resolution is necessary.

In cases where it is proposed to enter upon the land pending sanction of alienation, proposals should be accompanied by

i) The resolution of the local body by applying for alienation regarding the reason for urgency.
ii) Valuation proposals with reference to registration statistics.
iii) Proposals for alienation should be submitted with prescribed check memo communicated in C.L.Rs circular B1/950/85, dt.23.02.85 communicated in collector’s Roc A7 8994/87 dt.30.08.87.

The alienation proposals should not be initiated unless the clearance and approval of the screening committee is obtained through the concerned administration department in the secretariat (G.O.ms.No.524 Rev dt.27.05.87)

9.20. Powers of alienation

<table>
<thead>
<tr>
<th>Competent authority</th>
<th>To local bodies</th>
<th>Companies, private associations, and private individuals</th>
<th>Industrial use &amp; state corporations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collector</td>
<td>Market value Rs.5,00,000 or upto AC 5.00</td>
<td>Market value upto Rs.10,000/- and upto</td>
<td>Market value upto Rs.2 lakhs and upto Ac 10.00</td>
</tr>
</tbody>
</table>
cents which ever is less where no conversion of tank bed lands involved (G.O.Ms.No. 725 Rev dt.19.09.99).

<table>
<thead>
<tr>
<th>C.C. LA</th>
<th>Market value beyond Rs.5.00 lakhs or above Ac 50., which ever is less</th>
<th>Market value of Rs.5.00 lakhs and upto Ac 5.00 which ever is less</th>
<th>Market value upto Rs.10.00 lakhs and an extent of Ac10.00 (G.O.Ms.No.252 dt.9.04.98)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governm ent</td>
<td>All other cases</td>
<td>All other cases</td>
<td>All other cases</td>
</tr>
</tbody>
</table>

The collector and the C.C.L.A are empowered to permit to enter the land, pending sanction for formal alienation only in cases where they are competent to sanction the alienation.

No land shall be alienated to any alienee without the orders of the Government irrespective of its value. Proposals for grant of land to individuals for services rendered to the state, or to be performed to the community, shall be submitted to Government.

Patta lands can be acquired at the cost of private institutions under L.A Act for educational or other bonafide public purposes. After acquisition, such land shall be alienated to the requisitioning institution /Association concerned through an order under B.S.O. 24 para 6 (ii).

The Government have instructed that except lands for agricultural purposes all other cases should be referred for Government.

9.21. Resumption of lands alienated to local bodies (B.S.O.24 (6) (7)
1). If the alienatee violated the condition 2 of BSO 24(6), the land may be resumed with out payment of compensation and the collector is competent to sanction the resumption under B.S.O. 24(7)
2). The Government may resume the land wholly or partly with any building there on, if in the opinion of the Government, land is required for a public purpose or for conducting minimum operations on payment or compensation under B.S>O.24(6) condition 3. In such cases the C.C.L.A may sanction resumption in certain cases under B.S.O.24(7).

9.22. Tank Poramboke

It the proposals relate to tank poramboke, it should be clearly specified whether they are connected with any irrigation works or not. Govt policy is that such tank porambokes or tank bed lands shall not be assigned, alienated or leased. Such proposals require the revoke orders of Government

9.23. Alienation to APSRTC
The Government issued instructions in G.O.Ms.No.371 Rev (Asn-I) Dept dt.3.5.99 in regard to alienation of government land to an extent of 25 cents or 10 guntas in favour of APSRTC fee of cost for constructions of bus shelters, bus stations, but bays and bus depots in various parts of state, in the following terms.

1). Collectors are authorised to alienate upto 25 cents or 10 guntas of government lands (as the case may be) without reference to the land value fee of cost to the APSRTC for constructions of bus shelters, bus stations, but bays and bus depots in modification of the orders issued in G.O.Ms.nO.633, Rev Dept Dt.5.5.82 and G.O.Ms.No.634 Rev (assn.111) dept., dt.2.7.99.

2). Collectors are also authorised to handover advance possession of such government lands to the APSRTC pending finalisation of alienation.

9.24. Transfer of state Govt lands

A). Under B.S.O.22 para 8, the collectors are empowered to transfer Govt lands from one Dept, to another.

B). Under B.S.O.23 para 1, the collectors are empowered to transfer State Govt lands to railways and other central Govt. Depts for bonafide purpose upto value of rs.25,000/- or upto AC 0.50 cts whichever is less (G.O.Ms.No.635 rev Asn Dept., Dt.2.7.92 on permanent basis on payment of market value.

9.25. Sale of Govt. land in public auction

In G.O.Ms.No.633 Revenue Department, dt.5.5.82 and G.O.Ms.No.234 Rev (Assn-1) Dept, dt.4.5.95, it was ordered that Government lands not required by Government whether the extent is less than one acre or more shall be put to sale in public auction in convenient lots. The proceeds realised will be utilized for construction of various types of Government buildings. The sale proceeds shall be deposited in the head of account 0075 – misc. general services – M.H.105 – sale of land and property.

9.26. Leases

Land and building at the disposal of the Government can be granted for temporary occupation for specified periods for non agricultural purposes to individuals, registered company / association/ society or a local body for the purposes such as

i). Recreation purposes

ii). Trade Purposes

iii).Timber and fire wood depots

iv).Performances by a touring cinema, circus or drama company etc.,

Land within the compound of a government office can be granted for recreational purposes. If other Departmental officers are in charge of such compounds, they should address the collector when a grant under BSO 24-A(I) is applied for. This grant is revokable at 24 hours notice. Temporary rents are exempted from registration and stamp duty. For trade purposes the full competitive rent should be levied as in charge for occupation. By competitive rent is meant , the rent which the site would fetch in the open market if offered subject to the conditions stipulated by the Government.

The lease of Government waste lands can be granted on temporary lease under B.S.O. 15 A for agricultural purpose.

The lands can be leased out for any of the following purposes.
a) Growing Grass or fodder
b) Raising flower gardens
c) Planting casuarinas
d) Cultivation of plantation products
e) Cultivation of paddy pulses or other food grains or commercial crops like Tobacco, Cashew, Ground net etc.,

9.27. Period of occupation

The period of lease will be determined in each case with reference to the nature of the proposed occupation and the lease may be given in Appendix – XA of BSO.15A and it need not be registered under Indian registration Act BSO.15A(4).

According to GO.Ms.No.1510 revenue dept dt.06.07.1955 the following officers are competent to grant leases for agriculture purpose.

<table>
<thead>
<tr>
<th>Competent Authority</th>
<th>Valuable</th>
<th>Non-Valuable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tahasildar</td>
<td>--</td>
<td>Upto AC-5 in each case</td>
</tr>
<tr>
<td>Rev. Div. Officers</td>
<td></td>
<td>Above AC-5 and upto AC-20</td>
</tr>
<tr>
<td>Collectors</td>
<td>Above AC-20 upto AC-50 in each case</td>
<td>Above AC-20 and upto AC-100</td>
</tr>
<tr>
<td>CCLA</td>
<td>Above AC-50 in each case</td>
<td>Above AC-100 in each case</td>
</tr>
</tbody>
</table>

All irrigated lands will be treated as valuable lands for purpose of granting leases

9.28. Powers of sanction:

Government have enhanced the monetary powers in respect of grant of lease of Government lands in G.O.Ms.No.1024 Rev (Asn.111) Dept., dated 3.10.92 as follows.

<table>
<thead>
<tr>
<th>Commissio of land Acre Rs.</th>
<th>Collector officer Rs.</th>
<th>Revenue divisional Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Local bodies, state corporation, under takings and transfers to Govt of Indian and central under takings</td>
<td>10 lakhs</td>
<td>25,000/-</td>
</tr>
</tbody>
</table>
2). Companies, private associations and private corporations and private individuals

| 5 lakhs | 10,000/- | 2,500/- |

The powers of granting leases by the Tahasildar are discarded.

B.S.O. 24 (A)(9) deals with levy of charge for the occupation of the Government land. The general principles for determining the charge are enumerated there in but actual rates of charge of stipulated in B.P Misc 236/72 dt.06.05.72.

According to G.O.Ms.No.1069 Rev dt.25.06.83 the Government ordered that all sandy and unassigned lands which are not fit for raising ‘food crops’ may lease out for casuriney plantation for a period upto 10 years end for cashew plantation upto 200 acres subject to the conditions that the lands will be resumed by Government at any time if they require by them with out paying compensation tot he lessee.

Lease of irrigation department sites and canal Bunds for purpose of coconut plantation in favor of S.Cs/S.T.s and B.Cs
(G.O.Ms.No.570 I&P Department dt.5.12.81 and G.O.Ms.No.221 I&P dept dt.21.5.83)

Salt lands:
Salt lands that are suitable for brackish water fish farming should not be leased out for salt manufacture.

9.29. Audit checks
1) Whether the applications were made in the form prescribed.
2) Whether the alienation submitted with the prescribed check memo.
3) Whether the clearance and approval of the screening committee is obtained for initiating alienation proposals.
4) Whether Govt. Orders obtained for alienation
5) whether the alienate violated the conditions of B.S.O.24. (6), if so the resumption orders issued or not.
6) Whether the authority is competent to lease the agricultural lands or not.
7) Whether the Market value of the land permitted to be alienated is fixed.
8) Whether the land alienated utilised for the same purpose with in 3 years from the date of allotment.
9) Whether the lease amount has been collected & remitted to Govt account.
10) Whether the lease agreement has been registered and sufficient stamp duty has been paid.
9.30. Encroachment means unauthorised occupation of Govt land / Premises / Property etc., as defined in section 2 of the Land Encroachment Act 1905. Any person who unauthorisedly occupies the govt land shall be liable to pay by way of assessment as provided in section 3 of the Act.

9.31. Course of action:
The district collector or the R.D.O. or the Tahasildar may adopt one of the following courses on Encroachments

i) He may levy assessment according to the provision of the sub-sections (I) and (ii) of section 3 of the L.E.A Act.
ii) He may impose a penalty in addition to the assessment (sec.5)
iii) In addition to the imposition of assessment and penalty, he may summarily evict the person in occupation (sec.6)
iv) In cases where eviction is ordered, he may also direct forfeiture of any crop or other product raised on the land and of any building or other construction erected or anything deposited thereon, if such building or construction or thing is not removed within the time specified in the notice issued under sec.6(i) of the land Encroachment Act.

9.32. Recovery of the levy
The amount of assessment, rent, fee and penalty imposed under this Act shall be deemed to be land revenue and may be recovered from the person concerned as arrears of land revenue under the provisions of the revenue recovery Act (sec.9)

9.33. Appeal
There shall be no appeal against a decision / order passed by Tahasildar / R.D.O / District Collector. But the District collector may revise any order or decision passed by the Tahasildar / R.D.O and the C.C.L.A may revised any order or decision passed by any subordinate officer.

Under sec.12 A Govt may examine the records relating to any order or decision passed by any subordinate officer and pass such orders as they may deem fit.

Under sec.14, Civil courts are barred from entertaining any suit or pass any injunction for any acts under this Act.

9.34. Regularization of Encroachments:
Government in G.O.Ms.No.508 Rev (Assign) Dept dt.20.10.95 have issued orders for regularization of Encroachments by way of dwelling houses in Govt. lands situated in the areas notified as urban in 1991 census and in Industrial Town Ships. Extending the benefit to the areas covered by Nagarpanchayats / notified panchayats, the Govt in G.O.Ms.No.972 revenue (Assign) dept dt.4.12.98 have issued orders for regularization of Encroachments subject to the following conditions.

i) The encroachment should be from a period on or before 31.3.1990 (i.e., the encroachment should be over 5 years).
ii) There shall be a residential structure existing on the land
iii) The extent of land encroached upon by the encroacher should not be in violation of the provisions of the urban land ceiling Act.
iv) All the persons occupying Govt. land unauthorisedly shall file applications to the Tahasildar / Dist Collector concerned. Time limit for filing application was extended upto 31.7.99 in G.O.Ms.No.419 rev (Assign) Dept dt.25.5.99

v) The maximum extent to be regularized free of Market value in each case shall be as follows.

<table>
<thead>
<tr>
<th>Areas in Municipal Corporation</th>
<th>80 Sq.yads</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nagarpanchayats/ notified grampanchayats</td>
<td>120 Sq.Yads</td>
</tr>
</tbody>
</table>

In respect of encroachments by the persons below poverty line are eligible as per assignment rules, the excess area over and above free of Market value limits shall be regularized on payment of Market value

vi) For regularization of encroachments free of cost to the extent stipulated, the annual income of the encroacher shall not be more than Rs.10,000 as for G.O.Ms.No.94 Rev (Assn-1) Dept dt.24.01.96.

vii) Pattas in all cases of regularization of encroachments shall be issued in the name of the woman i.e. the spouse of the head of the family only or the name of woman who heads a family

viii) The committees headed by the District collectors shall scrutinize all cases of regularization and empowered to approve regularization of encroachments upto Rs.8 lakhs each case.

ix) In case of the regularization of encroachments on payment of Market value, the encroacher is required to pay the Market value in four installments. 25% of Market value shall be paid within one month from the late of issue of regularization orders. Remaining three installments shall be paid once in every six months within a total period of one and half years from the date of regularization.

x) There shall be a rebate of 25% in the Market value for the encroacher who pays the entire Market value within one month from the date of issue of regularization orders.

xi) In cases where regularization is done on payment of Market value, conveyance deed shall be executed after full payment. The registration fee and stamp duty shall be exempted in such cases. In cases of regularization of encroachment on free of Market value, Patta certificate shall be issued.

9.35. Audit checks:

i) Entries recorded in col.No.8 to 14 of village account 4.c may be verified with reference to the information provided in village Account 3 (Adangal) to ensure the nature of encroachments.

ii) The village accounts and Jamabandhi files should be scrutinised to see that all the inspection remarks made by the revenue officials with regard to encroachments and unauthorized occupations are taken into account in that particular fasli year

iii) It may be seen whether all the assessment, penalties, fee, rents imposed on encroachments are correctly brought to demand.

iv) Audit should ascertain whether the regularization of encroachments and unauthorized occupations is done in accordance with the conditions stipulated in G.O.Ms.No.972 revenue (Assign.I) department dt.4.12.98.
CHAPTER 10

ANDHRA PRADESH REVENUE RECOVERY ACT, 1864

10.1. The A.P. Revenue Recovery Act, 1864, aims at consolidation and simplification of the laws relating to the collection of public revenue. The Act, which was in force in the (Andhra Area) of the State of Andhra Pradesh was subsequently extended to the (Telangana Area) with effect from 19th January, 1959, by the Madras Rent and Revenue sales and the Madras Revenue Recovery (Andhra Pradesh Extension and Amendment) Act, 1958.

10.2. Procedure for Recovery.- The act prescribed the manner of dealing with persons, who fail to pay the land revenue etc., in an ascending order of the coercive processes first the movable property is to be attached next the immovable property; failing both the arrest of the person himself as detailed below. The object of such summary process is so avoid the complex and protracted proceedings involved in a civil suit.
(a) Distraint and Sale of Movable Property. — Sns. 9 to 11 of the above said Act deal with the procedure for distraining movable property. When the amount has not been paid by the defaulter pursuant to the terms of the demand issued by the Collector or other officer empowered by the Collector in this behalf, the distrainer should transmit an inventory of the movable property distrained to the nearest public officer empowered to sell distrained property in order that it may be publicly sold for the discharge of arrears due, with interest, batta and cost of distraint (Sn.9).

(b) Attachment and sale of immovable property.- Sns.26 to 36 of the Act deal with the procedure for attachment and sale of immovable property. When the defaulter fails to pay the arrears as per the terms of the demand issued by the Collector or other officer empowered in this behalf the arrears should be recovered by attachment and sale of the defaulter’s land in the manner prescribed in the Sections referred to above.

10.3. Public revenue due on land should, for the purpose of this Act, be taken to include cesses or other dues payable to the State Government on account of water supplied for irrigation vide Sn. 1 ibid. (upto 1.7.96).

10.4. Arrears of revenue shall bear interest at six per cent per annum vide Sn.7 ibid.

10.5. According to Sn. 3 of the Act, every landholder should pay to the Collector or other officers empowered by him to receive it, the revenue due upon is land on or before the day on which it falls due.

10.6. The Act authorize the Revenue Officers to buy land for Government in case the bid forthcoming is very low, on account of combination and collusion among the people of the village.

10.7. The movable properties can be distrained by the Village Revenue Officers besides the Revenue Inspector/Tahsildar. The Immovable properties can be distrained only by the Tahsildar. Auctions of movable or immovable properties can be conducted by the Tahsildar and got ratified by the Revenue Divisional Officer.

10.8. Forfeiture of Deposit Amount. — A sum of money equal to fifteen per cent of the price of the land should be deposited by the purchaser of the land with the competent authority and where the remainder of the amount is not paid within 30days, the money so deposited is liable for forfeiture vide Sn. 36.

10.9. The following items of revenues due to Government from the defaulters are deemed to be public revenues due upon the lands and accordingly the provisions of the Andhra Pradesh Revenue Recovery Act, 1864, shall apply for the recovery of arrears pertaining to these revenues: -

10.10. (i) The amount of assessment rent, fee and penalty imposed under A.P. Land Encroachment Act, 1902, vide Sn. 9 ibid.

(ii) The assessments payable under the provisions of the Non-agricultural Assessments Act, 1963 vide Sn.9 ibid.


(v) The arrears of sugarcane purchase tax (SRA Cir.LR. I/4, dt. 4-5-76).


(vii) Arrears of Sales Tax Sn. 10 of Madras General Sales Tax Act, vide Sn.52, of the Recoveries Act.

(viii) Duties, penalties and other sums due under India Stamp Act (Sn.48 of the Indian Stamp Act).

(ix) All amount due from a Foreman to the Registrar or any other officer (Sn.64 of the Indian Chit Fund Act).

(x) Any tax, penalty or fine due under the A.P. Motor Vehicles Taxation Act, 1963 vide Sn. 17, ibid.

(xi) All excise revenue, loss on account of default amounts due to Government under contract relating to excise revenue (Sn.65(1) of A.P. Excise Act, 1968).

10.11. Interest. –Excise Revenue arrears carry interest at 6% per annum under Sn. 65(3) of the S.O.Excise Act. The interest is to be calculated on the arrears of Excise revenue from the date of reference to the revenue department till the date of recovery and it should be recovered along with the principal amount.

10.12. All arrears of revenue other than land revenue due to the State Government, all advances made by the State Govt. for cultivation or other purposes connected with the revenue, all fees or other dues payable by any person or on behalf of village servants on revenue or police duties, all cesses lawfully imposed upon land and all sums due to the State Govt. including compensation for any loss or damage sustained by it in consequence of a breach of contract may be recovered in the same manner as arrears of land revenue under the provisions of Sn.52 of this Act.

Note: The High Court observed that once the Revenue Divisional Officer has determined the amount of arrears due and issued a notice to the defaulter the sum has become due to the Government and thereafter the property is attachable and sale can be conducted. Sn.52 of the Act does not in any way subscribe to the argument that the amount does not become due unless and until the highest Appellate Authority, finally disposes of the dispute raised by the defaulter, (Cir.No. SRA/HQrs./LR.I/Cir.No.50 dt. 15-3-76).

10.13. All loans granted and all advances made to any person. –

(i) By any bank to which the repayment of the said loan and advances is guaranteed by the State Government; or

(ii) By any corporation established by or under a central or provincial or State Act or Government company as defined in Sn.617 of the Companies Act, 1956 or any public body is may be notified in this behalf by the State Government in the Andhra Pradesh Gazette. (vide Sn.52-A inserted after Sn.52 of the Revenue Recovery Act, 1864 by Act No.18 of 1977 SRA (HQrs.) Cir. No. 44 dt. 31-8-77).

10.14 Brought in lands (vide B.S.O.45). - When all steps taken have failed in realizing land revenue from a ryot and recourse in had to attaching the ryot’s land as a last resort, it may become
necessary for Government itself to buy the land for want of bid for the land brought to auction due to combination of ryots or otherwise. In such an event, Govt. bid amount should not exceed 50% of the estimated value of the property or the amount of arrears plus expenses incurred, whichever is less. Till the land is disposed of by re-sale, assignment or otherwise, it should be brought on record as Govt. land and entered in Mandal Office register. The land may not be allowed to remain uncultivated till it is disposed of but given on lease on “Eksala” basis for an amount not less than two times the assessment.

When there is reason to suspect combination to prevent the realization of the full value of the land, an officer who is authorized by the Collector and who is nor the Auction Conducting Officer shall bid on behalf of Government upto an amount not exceeding 50% of the estimated value of the land or an amount equal to the arrears of revenue plus expenses whichever is less and purchase the property on behalf of Government as the highest bidder. But in case of any other bidder in the auction making a bid in excess of 50% of the estimated value of the land or an amount equal to the arrears of revenue plus expenses, the officer bidding on behalf of Government shall cease to take part in the auction.

10.15. Similar provisions apply in respect of buildings (G.O.Ms. No. 1041 Rev.dt.16-6-76).

10.16. There is no bar to reassign the land to the original owner or his heirs, who have not willfully defaulted in payment of a Land Revenue provided the entire assessment due uptodate with interest thereon is paid to the Government.

10.17. Audit should see that the purchase price does not exceed 50% of the estimated value of the property of the amount or arrears plus expenses whichever is less. Audit should also see whether all such lands are brought to auction every year regularly and in case of failure to bring them to auction, audit should comment on the loss of land revenue due to failure of leasing over the lands. The delay in sale or auction of the attached lands and non-realization of sale amounts, delay due to non-confirmation by Revenue Divisional Officer may be commented upon.

10.18. In Board’s B.P.R.T. 2814/75 dt.17-9-75 instruction were issued for the maintenance of a Register in the Mandal Offices in which individual cases referred to it by other departments for recovery (as if it is an arrear of land revenue) under Revenue Recover Act 1864, should be entered so that an effective watch over such items may be kept. (SRA/Hqrs./LR/II/C/ No/ 30 dt. 20-2-1976)

10.19 Audit Checks. – Audit should see that (i) the relevant register is properly maintained and that adequate action is being taken by the Revenue authorities in realizing the arrears of revenue referred to by the other departments.


(ii) 10 per cent collection charges recovered by revenue authorities in respect of recoveries referred in para 10.13 of this chapter.
CHAPTER 11

MISCELLANEOUS

11.1. Civil Supplies receipts. – The field parties conducting the local audit of the Collectors office and Mandal offices should also take up the audit of receipts on account of civil supplies department.

The receipts on account of licence fees for various purposes and also collection of dues consequent on revision of issue price of rice and wheat, from time to time should be checked in the above said offices.

11.2. Audit Checks.- Audit should ascertain whether the department has –

(i) a complete list of licenced dealers;

(ii) taken the stock position of the respective essential commodities, duly ascertaining it from the dealers on the crucial dates;

(iii) obtained the stock position on the crucial dates from each licensee in the Mandal and the differential amount of the demand was communicated promptly by the Mandal office to the collector, i.e., District Supply Officer;

(iv) got these stock balances verified by an official of the Revenue Department to ensure their correctness;

(v) correctly assessed and raised the differential demand against the licensees and collected it;

(vi) remitted the differential cost by challan to the credit of the Commissioner of Civil Supplies, Board of Revenue, Hyderabad under the relevant head of account;

(vii) maintained proper record of Demand, Collection and Balance to watch the progress of recovery (SRA (HQ)/NTR/261 dt.21-1-77).

11.3. Escheats.- ‘Escheats’ means all unclaimed properties left by Hindus, Mohammadans and others who have died intestate and without heirs. While the general superintendence of escheats of real property is vested with the Board of Revenue, it is not so in respect of personal property vide Board’s Standing Order 197(3).

11.4 All escheats should be disposed of by the Board of Revenue. In cases where the value of the property exceeds Rs.10,000 the concurrence of the Govt. should be obtained. Subject to certain conditions, Collectors are empowered to dispose of the escheats of values not exceeding Rs.1,000 vide Board’s Standing Order 197(3).
11.5. Real property which has been escheated to Government should not ordinarily be disposed of until it has been in the possession of Govt. for twelve years and thereafter it should be disposed of under the Darkhast rules contained in B.S.O.’s No.15 as modified in G.O.Ms. No.1523 Rev. 11-6-49 and subsequent orders, if any, vide B.S.O. 197(7).

11.6. Audit Checks. - As the escheats of real property (lands) will be under the possession of the Government for twelve years audit may ensure from the Register ‘G’ maintained in the Mandal Office that all cultivable lands are duly leased out without any delay so that there is no loss of revenue to the Government. It may also be verified whether all escheats which were in possession of the Govt. for more than 12 years has been disposed of as laid down in B.S.O.197(7).

11.7. Bought-in-buildings. –All building bought-in by Govt. at revenue sales for arrears of revenue are to be handed over to the P.W.D. for maintenance and repairs etc., vide B.SO. 45(7).

11.8. The officer confirming the sale should communicate a copy of his order to the Executive Engineer, Public Works Department (Roads and Buildings) concerned and hand over possession of the building for its further management (Board’s Lr.No. TT3/442/76 dt. 8-10-76).

11.9. Audit Checks. –Audit may ensure that the building are handed over to the concerned authorities without any delay.

11.10. Audit of Court Fee Stamps.- The Comptroller and Auditor General has ordered that is should be seen that applications or petitions which attract the court fee stamps under the provision of the Court Fee Act, 1870, bear the proper stamp duty and cases of non-levy of court fee it any, could be commented upon in the Local Audit Report.

11.11 Applications or petitions presented to officers of the Land Revenue Department of the Govt. of A.P. falling under items 10(a), (b), (c), (j) and (k) of Schedule-II of A.P. Court Fee and Suit Valuation Act, 1956, and attracting court fee stamps should be seen during the local audit of the Revenue Department with a view to include a comment in Local Audit Reports as desired above, in cases of omissions.

(C&AG Cir.No.39 of 1976 communicated through No. 750-RA-IV/31-76 dt.21-10-76 SRA Cir.No. LR.I/43 dt. 10-1-77.)

11.12. Computerization of Mandal Offices

I) Introduction :-

Government of A.P. has decided to make use the developments in the field of Information Technology in order to give efficient fast and reliable services to the citizens. In its I.T. policy it is envisaged to introduce computers for aiding administration throughout the state starting from its bottom most to the top most of unit of administration with the back ground of computerization of land records and Electoral photo Identity card projects, the state Government has taken up this project.

II) I.T. Vision:

The Government feel that large volumes of data generated in the field can be efficiently stored, accessed and processed to plan and monitor the developmental projects for the people effectively by
using information Technology. The data generated should be made available through networking throughout the state. According to I.T. Policy of the Government, all Departments would be computerized these computers would be net worked at the district level and the local area networks would be linked to the state capital through APSWAN.

III). Objectives :

The objectives of this project are;

i) To use information technology to provide fast, efficient and transparent services to people.
ii) To computerize administrative processes as a foundation for e-governance.
iii) To reduce administrative delays through necessary process re-engineering and thereby eliminate scope for corruption.
iv) To compile an accurate database of people and natural resources.
v) To generate a unique SSId number for all citizens in the state basing on the data.
vi) To create and maintenance of land records database at Mandal, District and state levels.
vii) To collect and analyse statistics relating to crops, rain fall and agricultural output etc.
viii) To share data base created with other departments.
ix) To computerize all revenue offices in the state.
x) To upgrade skills of in-service staff by imparting training in computer applications.

IV) Strategy :

Identify Applications at Tahasildar level.

i) Category 1 – Work process computerized
ii) Category 2 – work process manual, but monitoring on computers.
iii) Category 3 – Back –office functions.

V). Project Implementation :

The Government has taken up computerization of Tahasil offices in 3 phases.
a) Phase 1. It was decided to issue integrated caste certificates using computers based on the MPHS data collected during 1995. Application packages MPHS, petition Monitoring, payroll package, Land Acquisition and land records have been installed.
b) Phase 2. In addition to above data other application packages for issue of Birth and Death certificate, civil Supplies Monitoring package and pensions are under development stage.
c) Phase 3. Under phase III in addition to the above data, MPHS data conversion from polling station wise to Mandal wise as been completed. Tender notification has been finalised for selecting agencies for taking up MPHS data correction, training and land holding.

After completing the 3 phase program Caste certificates should not be issued manually in computerized Mandal. Tahasildars should use the petition monitoring package for entering and monitoring petitions received by them or referred to them by other departments. This will it self serve as a petition register. The pay roll package taken care of Treasury Bills as well as pay slips to employees. As regard land Acquisition package it is possible now to monitor all stages of land acquisition with the help of this package, and also generate all statutory notifications like DN & DD.

Features of the citizen data base:

The integrated MPHS/HDS database is among the biggest data bases with 7.6 crore individual records, 1.71 crore house holds consisting data of 28, 191 villages of 1126 Mandal of the state. It contains socio – economic details of individuals and house holds. Social security Identification number assigned for entire population in the state.
Infrastructure :-

Citizen Interface counters, Hardware of Soft ware provided to all 1126 Mandal Offices 81 Revenue Divisional Offices 23 Collectorates and Chief commissioner of Land Administration office at state Head quarters. Multipurpose House hold survey and land records application software and databases have been built up and in use at all Mandal offices.

Computerization of land records:-

Following certificate presently identified for delivery across the counter free of cost in pilot Mandal.

1). Adangal / Pahani extracts
2). Land ownership certificates
3). Mutation record
4). R.O.R 1B extracts
5). Income certificates
6). Residential certificates
7). Cast certificates

The database has been linked with multi purpose House hold survey data by incorporating the unique social security Identification Number (SSID) against the names of pattadars. This facilitates for the retrieval of land particulars of the House hold including socio economic details.

Scope for further utilization:-

It is contemplated to put the database for various uses directly and in integration with land records database for the following purposes:-
1). BPL families:- by rural development and urban development departments.
2). Child Labour:- by labour department
3). Tank wise ayacut:- by water user association, irrigation department
4). Multipurpose identity cards can be issued for all individuals based on this data
5). Data base would be web enabled for transference.
6). Data to be used for geographical information system by the planning department for macro and micro level planning.

11.13. Deduction in case of refunding of unused stamp duty paid through challans.

In G.O.Ms.No. 222, revenue (Regn.II) dated 19-2-2005, Government prescribed the procedure to be followed for refund of stamp duty paid through challans. The parties have to apply to the concerned District Collector/Deputy Collector/R.D.O./Tahsildar through Sub-Registrar concerned mentioning the reasons for claiming the refund along with challans and receipt in original issued by the designated bank branch. Sub-Register concerned should scrutinize the application and submit a certificate to that effect to Collector/R.D.O./Tahsildar for refund with a specific note that the challan in question is still in pending in challans register. The D.R.O/Dy.Collector/R.D.O/Tahsildar concerned after due scrutiny issue proceedings of refund of the amount

(i) The refund shall be permitted for a period of three months from the date of issue of these orders in respect of existing provisions as per note below SR 27 under TR 16 after deducting 10% of the stamp duty paid through challan.

(ii) The refund shall be permitted for one more month (4th month) as grace period with a deduction of 20% of total stamp duty paid through the challan.
(iii) Validity period of Challan may be restricted to 4 months only from the date of payment to avoid public hardship, litigation and Administrative problems in reconciliation and verification of old challans etc.,

(iv) In respect of registration fee and user charges for the services not rendered, the total amount is refundable by the District Registrar concerned as per TR 185.

(v) In respect of Transfer Duty in Municipal Corporation areas if the transfer duty amount is remitted in to Municipal Corporation Account, refund shall be ordered following the same procedure relating to Stamp Duty as mentioned above.

CHAPTER 12

VERIFICATION OF CREDIT AND RECONCILIATION OF FIGURES

12.1. General. – Primarily the figures of the remittances made as per treasury accounts should be reconciled month after month, by the Department concerned with its own figures ad per books of account kept by it. Such reconciliation will not only facilitate rectification of errors in accounting such as misclassifications but will also serve to detect serious errors due to fraud, defalcations and the like. Due to omission in this respect misappropriation of the tax collections, presentation of bogus challans and drafts fraudulent tampering with the records, etc., have occurred. It should be seen in audit that reconciliation is effected promptly by the subordinate offices.

12.2. The responsibilities of Audit extended to the verification of the fact of remittance of the sums realized as taxes, duties, fees, penalties, etc., into the treasury and the reconciliation of the treasury figures relating to such remittances with the departmental figures. This is the logical culmination of the duties connected with Receipt Audit. Audit should, therefore verify for marked months, that the proceeds of taxes, duties, etc., have actually been remitted into the treasury and entered in the treasury accounts by verification of the relevant records and that the remittances have correctly been classified under the proper heads of accounts. With the introduction of the triennial audit of Mandal offices the accounts of one selected village only has to be checked for all the three fasaki years as regards verification of remittances, in addition to verification of two selected months listed from the Mandal (Taluk) chitta, remittances made on behalf of the selected village for all the three fasaki years also have to be listed and verified from the treasury records.

12.3. The Government have issued the following instructions under Article 9 of A.P.F.C. Vol. I. -

Both in respect of direct remittances made into the treasury to the credit of the department and the remittance made by the Department after having initially collected them, the offices to which the transaction relate become aware of them through the challan received by them in support of the credits. They should collect all such cases and reconcile them with the treasury records and rectify wrong classification, if any, before the monthly accounts are compiled so that the accounts, in so far as they relate to the receipts rendered to the Accountant General will represent the correct position. The transaction to the end of every month should be reconciled as soon after the close of the month and certificate of reconciliation got recorded by the Treasury Officer/Sub-Treasury Officer and sent to the
Controlling Officer by each unit office. The consolidated figures prepared by the controlling officer will in that case represent reconciled figures.

(Govt.Cir.Memo. 76009/2299/Act.68-1 dt. 29-4-1969).

12.4. The controlling officers should send the reconciliation certificates to the Accountant General as in the case of reconciliation of figures under expenditure.

(Govt.Memo No.48937/632/Acts-71-1 dt.26-10-71).

One of the few important checks in Audit is to review, with a view to seeing whether the reconciliation is actually done regularly and in addition credits for the marked months as appearing in the departmental books should also be checked with the original records of the treasury wherever possible so as to ensure that the money received has actually been credited into treasury. (C&AG’s Cir No.13 of 1974 Circulated in SRA Cir.No. Genl./ I-28-A/74-75/23 dt. 16-10-74).

12.5. In Mandal Office. – The Village revenue officer issues a printed receipt bearing the seal of the Mandal Office whenever a ryot pays the land Revenue etc., The amount so collected and brought to the Cash Book (Chitta) is remitted into the treasury.

The challans in respect of these collection of land revenue, cesses and non-agricultural assessment, etc., remittances are presented by the Village revenue officer at the Mandal Office (along with the duplicated copy of extract of cash book) showing collection details and irsalanama before they are accepted at the Sub-Treasury Office/Bank and these challans are recorded in the Mandal Office, chitta (Account No.7) by the land revenue clerks with Fasli-wise break up of collections under land revenue, cesses, non-agricultural assessment, etc., after proper check in Mandal Office. When duplicate copies of challans are received subsequently after remittances, they are correlated with entries already made in the chitta so as to ensure that all amounts shown in the challans presented at the Mandal Office have in fact been remitted without exception. At the end of the month the remittances are totaled and this constitutes the departmental figures of land revenue receipts as reported by the Village revenue officer and it is reconciled with the figures booked by the Treasury Officer and the differences, if any are settled. A certificate of reconciliation is got recorded by the Treasury Officer/Sub-Treasury Officer.

Audit may check the Land Revenue Chitta and ensure that necessary certificated regarding completion of reconciliation between treasury and departmental figures is recorded therein and failure to effect reconciliation between treasury and departmental figures commented upon in the local audit report.
AUDIT CHECKS AND AUDIT PROCEDURE IN GENERAL

13.1. The main object of audit of receipts from land revenue of State Govt. is to see that all land holdings are correctly assessed, noted in the relevant registers and that amounts due from the holders are collected and remitted into the treasuries promptly. For this purpose, it is necessary to audit the record maintained in the following offices of the Revenue Department:

(i) Board of Revenue (Chief Commissioner of Land Administration with effect from ).
(ii) Commissioner of Survey and Settlement and Land Records.
(iii) Mandal Office.
(iv) Assistant Director of Survey and Settlement (Incharge of survey parties in the Districts).

13.2. Audit may also generally examine the basis on which land is classified under different categories and see that due regard has been paid to the several factors mentioned in the Act and other criteria laid down by Government in fixing the standard rates.

13.3. The following important items of revenue other than land revenue are also scrutinized during the local audit of land offices:

(i) Non-agricultural assessment.
(ii) Water Tax.
(iii) Project affected lands and their Assignments.
(iv) Bought-in-lands and their administration.
(v) Escheated property, if any and its administration.
(vi) Remission of land revenue.
(vii) Integrated Village Accounts.
(viii) Cost of Land to be collected in case of regularization of encroachments, alienation, etc.,

Checks to be conducted. —The nature of checks would depend on the procedure of levy, mode of collection etc. Audit checks would be confined to a review of the registers records and Accounts maintained at the Mandal office and village levels. Test check of individual cases and of the arrangements for reconciliation of departmental figures of receipts with those of the Treasury is also to be conducted. The checks to be conducted consist in seeing that land revenue etc., has been collected at the appropriate rates and in accordance with the procedures, formalities prescribed in the Acts/Rules/Boards Standing Orders. Non-fulfilment of statutory requirements, non-assessments, short
assessments detected by the department and cases of evasions of payment of land revenue should be pursued to finality. A test check of the challans of land revenue remitted into the treasury is also to carried out. Audit is to see that all orders in respect of waivers, remissions, refunds, suspensions and exemptions of land revenue are covered by proper authority and to the scales prescribed.

13.4. Composition of local audit party. —The State Receipts Audit Party normally consists of two Assistant Audit Officers/ Section Officers and one Auditor who are generally trained personnel, acquainted with the Land Revenue Laws of the State and various accounts maintained at the Village Mandal levels. The supervision, to the extent of 50% of the party days, by a Gazetted Officer should be so arranged that he may join the audit party towards the closing days of audit and discuss the local audit report with the head of the office inspected.

13.5. Conduct of Audit. —On the first day of Audit, the Senior Officer of the audit party should make out a statement showing the allocation of work among the party members and get this approved by the Inspecting Officer on his taking up the supervisions of the party. Important items of work would be undertaken by the officers who should also review the previous local audit reports. The result of such review should be brought out by giving a gist of objection from previous inspecting reports indicating the reasons for the pendency of each para and the action taken thereon. The points for verification, if any communicated by the Headquarters Section should be looked into and the result reported to that section. The supervisions exercised by the receipt Audit Officer should be particularly directed to seeing that the objection raised are fully supported by facts and rules, etc., and that no incorrect objection is allowed to creep in.

AUDITING STANDARDS

Auditing Standards prescribe the norms of principles and practices, which the Auditors are expected to follow in the conduct of Audit. They provide minimum guidance to the Auditor (It means the Auditing Institutions represented by the field audit party) that helps determine the extent of auditing steps and procedures that should be applied in the audit and constitute the criteria or yardstick against which the qualify of audit results are evaluated.

The norms of Principles and Procedures to be followed by Audit are prescribed in “Auditing Standards” (2nd Editions, 2002) which, inter-alia, include the following:

A) Basic postulates: The basic postulates for auditing standards are basic assumptions, consistent premises, logical principles and requirements which help in developing auditing standards and serve the auditors in forming their opinions and reports, particularly in cases where no specific standards apply.

The Basic Postulates are:

1) The Supreme Audit Institution of India (SAI) should comply with the International Orgainsation of Supreme Audit Institutions (INTOSAI) auditing standards in all matters that are deemed material.

2) The SAI should apply its own judgement to the diverse situations that arise in the course of Government auditing.

3) With increased public consciousness, the demand for public accountability of persons or entities managing public resources has become increasingly evident so that there is a need for the accountability process to be in place and operating effectively.
4) Development of adequate information, control, evaluation and reporting systems within the
Government will facilitate the accountability process. Management is responsible for correctness and
sufficiency of the form and content of the financial reports and other information.

5) Appropriate authorities should ensure the promulgation of acceptable accounting standards for
financial reporting and disclosure relevant to the needs of the Government, and audited entities should
develop specific and measurable objectives and performance targets.

6) Consistent application of acceptable accounting standards should result in the fair presentation of
the financial position and the results of operations.

7) The existence of an adequate system of internal control minimizes the risk of errors and
irregularities.

8) Legislative enactments would facilitate the co-operation of audited entities in maintaining and
providing access to all relevant data necessary for a comprehensive assessment of the activities under
audit.

9) All audit activities should be within the SAIs audit mandate.

10) SAIs should work towards improving techniques for auditing the validity of performance
measures.

11) SAIs should avoid conflict of interest between the auditor and entity under audit.

B) General Standards: 1) The general auditing standards describe the qualifications of the auditor
and the auditing institution so that they may carry out the tasks of field and reporting standards in a
competent and effective manner. These standards apply to all types of audit for both auditor and audit
institutions. While auditing, the auditor should be independent, competent and due care should be taken
in planning, specifying, gathering and evaluating evidence and in reporting finding, conclusions and
recommendations.

2) The legal mandate provided in the Comptroller and Auditor General’s (Duties, Powers and
Conditions of Service) Act, 1971 provides for full and free access for the CAG and his auditors to all
premises and records relevant to audited entities and their operations and provides adequate powers to
the CAG to obtain relevant information from persons or entities possessing it.

3) The audit department seek to create among audited entities an understanding of its role and function,
with a view to maintaining amicable relations with them. Good relationships can help the SAI to obtain
information freely and frankly and to conduct discussions in an atmosphere of mutual respect and
understanding.

C) Field Standards (1) The purpose of field standards is to establish the criteria or overall framework
for the purposeful, systematic and balanced steps or actions that the auditor has to follow. These steps
and actions represent the rules of investigation that the auditor, as a seeker of audit evidence,
implements to achieve a specific result.

(2) The field standards establish the framework for conducting and managing audit work. They are
related to the general auditing standards, which set out the basic requirements for undertaking the tasks
covered by the field standards. They are also related to reporting standards, which cover the
communication aspect of auditing, as the results from carrying out the field standards constitute the main source for the contents of the opinion or report.

(3) The field standards applicable to all types of audit are:

a) The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.

b) The work of the audit staff at each level and audit phase should be properly supervised during the audit and a senior member of the audit staff should review documented work.

c) The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control.

i) **Planning:** The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out without wastage of resources in an economic, efficient and effective way in a timely manner.

1) The following planning steps are normally included in an audit:

a) Collect information about the audited entity and its organization in order to assess risk and to determine materiality.

b) Define the objective and scope of the audit.

c) Undertake preliminary analysis to determine the approach to be adopted and the nature and extent of enquiries to be made later.

d) Highlight special problems foreseen when planning the audit.

e) Prepare a budget and a schedule for the audit.

f) Identify staff requirements and a team for the audit and

g) Familiarize the audited entity about the scope, objectives and the assessment criteria of the audit and discuss with them as necessary.

ii) **Supervision:** - The work of audit staff at each level and audit phase should be properly supervised during audit, and a senior member should review documented work.

1) The following paragraphs explain supervision and review as an auditing standard.

A) Supervision is essential to ensure the fulfillment of audit objectives and the maintenance of the quality of the audit work. Proper supervision and control is therefore necessary in all cases, regardless of the competence of individual auditors.

B) Supervision should be directed both to the substance and to the method of auditing. It involves ensuring that:

a. The member of the audit team have a clear and consistent understanding of the audit plan.

b. The audit is carried out in accordance with the auditing standards and practices of the SAI.
c. The audit plan and action steps specified in that plan are followed unless a variation is authorized.

d. Working papers contain evidence adequately supporting all conclusions, recommendations and opinions.

e. The auditor achieves the stated audit objectives and

f. The audit report includes the audit conclusions, recommendations and opinions, as appropriate.

2) All audit work should be reviewed by a senior member of the audit staff before the audit opinions or reports are finalized. It should be carried out as each part of the audit progresses. Review bring more than one level of expenditure and judgement to the audit task and should ensure that:

a. All evaluation and conclusions are soundly based and are supported by competent, relevant and reasonable audit evidence as the foundation for the final audit opinion or report.

b. All errors, deficiencies and unusual matters have been properly identified, documented and either satisfactorily resolved or brought to the attention of a more senior SAI officer, and

c. Changes and improvements necessary to the conduct of future audits are identified, recorded and taken into account in later audit plans and in staff development activities.

3) This standard emphasis the importance of involvement of each higher level of supervision and does not in any way absolve the lower levels of audit staff carrying out field investigations from any negligence in carrying out assigned duties.

iii) **Study & Evaluation of Internal Control**: The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control and depend on the objectives of the audit and on the degree of reliance intended. Where accounting or other information systems are computerized, the auditor should determine whether internal controls are functioning properly to ensure the integrity, reliability and completeness of the data.

iv) **Compliance with Applicable laws and regulations**: It performance audit an assessment should be made of compliance with applicable laws and regulations when necessary to satisfy the audit objectives. The auditor should provide reasonable assurance to detecting illegal acts that could significantly affect audit objectives and should be alert to situation or transaction that could be indicative of illegal acts that may have an indirect effect on the audit reports.

The following paragraphs explain compliance as an auditing standard.

1) Reviewing compliance with laws and regulations is especially important when auditing government programs because decision makes need to know if the laws and regulations are being followed, whether they are having the desired results, and, if not, what revisions are necessary. Additionally government organizations, programs, services, activities, and functions are created by laws and are subject to more specific rules and regulations.

2) Those panning the audit need to be knowledgeable of the compliance requirements that apply to the entity being audited. Because the laws and regulations that may apply to a specific audit are often numerous, the auditors need to exercise professional judgement in determining those laws and regulations that might have a significant impact on the audit objectives.
3) The auditor also should be alert to situations or transactions that could be indicative of illegal acts that may indirectly impact the results of the audit. When audit steps and procedures indicate that illegal acts have or may have occurred, the auditor needs to determine the extent to which these acts affect the audit results.

4) In conducting audits in accordance with this standard, the auditors should choose and perform audit steps and procedures that, in their professional judgement, are appropriate in the circumstance. These audit steps and procedures should be designed to obtain sufficient, competent, and relevant evidence that will provide a reasonable basis for their judgement and conclusions.

5) Generally, management is responsible for establishing an effective system of internal controls to ensure compliance with laws and regulations. In designing steps and procedures to rest or assess compliance, auditors should evaluate the entity’s internal controls and assess the risk that the control structure might not prevent or detect non-compliance.

6) Without affecting the SAI’s independence, the auditors should exercise due professional care and caution in extending audit steps and procedures relative to illegal acts so as not to interfere with potential future investigations or legal proceedings. Due care would include considering the concerned laws and relevant legal implications through appropriate forum to determine the audit steps and procedures to be followed.

V) Audit Evidence: Competent, relevant and reasonable evidence should be obtained to support the auditors judgment and conclusions regarding organization, programme, activity or function under audit.

The following paragraphs explain audit evidence as an auditing standard.

1) The audit findings, conclusions and recommendations must be based on evidence. Since auditors seldom have the opportunity of considering all information about the audited entity, it is crucial that the data collection and sampling techniques are carefully chosen. When computer based system data are an important part of the audit and the data reliability is crucial to accomplishing the audit objective, auditors need to satisfy themselves that the data are reliable and relevant.

2) Auditor should adequately document the audit evidence in working papers, including the basis and extent of the planning, work performed and the findings of the audit. Working papers should contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditor’s significant findings and conclusions.

3) Adequate documentation is important for several reasons, It will:

a. Confirm and support the auditor’s opinions and reports

b. Increase the efficiency and effectiveness of the audit.

c. Serve as a source of information for preparing reports or answering any enquiries from the audited entity or from any other party.

d. Serve as evidence of the auditor’s compliance with Auditing Standards.

e. Facilitate planning and supervision.

f. Help the auditor’s professional development.
g. Help to ensure that delegated work has been satisfactorily performed, and 

h. Provide evidence of work done for future reference.

4) The auditor should bear in mind that the content and arrangement of the working papers reflect the degree of the auditor’s proficiency, experience and knowledge.

vi) **Analysis of Financial Statements:** In all types of audit when applicable auditor should analyze the financial statement to establish whether applicable accounting standards for financial reporting and disclosure are complied with and should perform to such degree that a rational basis is obtained to express an opinion on financial statements.

The auditor should thoroughly analyze the financial statements and ascertain whether:

a) Financial statements are prepared in accordance with acceptable accounting standards;

b) Financial statements are presented with due consideration to the circumstances of the audited entity;

c) Sufficient disclosures are presented about various elements of financial statements; and

d) The various elements of financial are properly evaluated, measured and presented.

The methods and techniques of financial analysis depend to a large degree on the nature, scope and objective of the audit, and on the knowledge and judgement of the auditor.

2) Where the SAI is required to report on the execution of budgetary law, the audit should include;

a) For revenue accounts, ascertaining whether forecast are those of the initial budget, and whether the audits of taxes, rates and duties recorded, and imputed receipts, can be carried out by comparison with the annual financial statements of the audited activity;

b) For expenditure accounts, verifying credits to assist budgets, adjustment laws and, for carryovers, the previous year’s financial statements.

3) Where the SAI is required to report on systems of tax administration or systems for realizing non-tax receipts, along with a systems study and analysis of realization of revenues/receipts, detection of individual errors in both assessments and collection is essential to highlight audit assertions regarding the system defects and comment on their efficiency to ensure compliance.

**D) Reporting Standards:** 1) On the completion of each audit assignment, the Auditor should prepare a written report setting out the audit observations and conclusions in an appropriate form; its content should be easy to understand, free from ambiguity and supported by sufficient, competent and relevant audit evidence and be independent, objective, fair, complete, accurate, constructive and concise.

2) With regard to fraudulent practice or serious financial irregularities detected during audit or examined by audit, a written report should be prepared. This report should indicate the scope of audit, main findings, total amount involved, modus operandi of the fraud or the irregularity, accountability for the same and recommendation for improvement of internal control system, fraud prevention and detection measures to safeguard against recurrence of fraud-serious financial irregularity.
3) The audit report should be complete. This requires that the report contains all pertinent information needed to satisfy the audit objectives, and to promote and adequate and correct understanding of the matter reported. It also means including appropriate background information.

4) In most cases, a single example of a deficiency is not sufficient to support a broad conclusion or a related recommendation, all that it supports is that a deviation, an error or a weakness existed. However, except as necessary, detailed supporting data need not be included in the report.

5) Accuracy requires that the evidence presented is true and the conclusions be correctly portrayed. The conclusions should flow from the evidence. The need for accuracy is based on the need to assure the users that what is reported is credible and reliable.

6) The report should include only information findings and conclusions that are supported by competent and relevant evidence in the auditor’s workings papers. Reported evidence should demonstrate the correctness and reasonableness of the matter reported.

7) Correct portrayal means describing accurately the audit scope and methodology and presenting findings and conclusions in a manner consistent with the scope of audit work.

8) Objectivity requires that the presentation throughout the report be balanced in content and tone. The audit report should be fair and not be misleading and should place the audit results in proper perspective. This means presenting the audit results impartially and guarding against the tendency to exaggerate or over emphasize deficient performance. In describing shortcomings in performance, the Auditor should present the explanation of the audited entity and stray instances of deviation should not be used to reach broad conclusions.

9) The tone of reports should encourage decision-makers to act on the auditor’s findings and recommendations. Although findings should be presented clearly and forthrightly, the auditor should keep in mind that one of the objectives is to persuade and this can best be done by avoiding language that generate defensiveness and opposition.

10) Being convincing requires that the audit results be presented persuasively and the conclusions and recommendation followed logically from the facts presented. The information presented should be sufficient to convince the readers to recognize the validity of the findings and reasonableness of audit conclusions. A convincing report can help focus the attention of management on matters that need attention and help stimulate correction.

11) Clarity requires that the report be easy to read and understand. Use of non-technical language is essential. Wherever technical terms and unfamiliar abbreviations are use, they should be clearly defined. Both logical organizations of the material and precision in stating the facts an in drawing conclusions significantly contribute to clarity and understanding. Appropriate visual aids (such as photographs, charts, graphs and maps etc.,) should be use to clarify and summarize complex material.

12) Being concise requires that the report is not longer than necessary to convey the audit opinion and conclusions. Too much of details detracts from the report and conceals the audit opinion and conclusions and confuses the readers. Complete and concise reports are likely to receive greater attention.

13) Being constructive requires that the report also includes well thought out suggestions, in broad terms, for improvements, rather than how to achieve them. In presenting the suggestions due regard should be paid to the requirements of rules and orders, operational constraints and the prevailing
milicu. The suggestions should be discussed with sufficiently high level functionaries of the entities and as far as possible, their acceptances obtained before these are incorporated in the report.

14) Timeliness requires that the audit report should be made available promptly to be of utmost use to all users, particularly to the auditee organizations and/or Government who have to take requisite action.

13.6. Audit memoranda of the Local Audit Report should be courteously worked in temperate language without issuing any directives to the departmental officers. The audit Memorandum should bring out the omissions that appear to have occurred at the time of levy of taxes and request should be made to verify the correctness of the audit observations and to take such action as deemed necessary under intimation to Audit. The tax involved, should be specifically mentioned wherever possible.

The departmental officers should be requested to offer their remarks with reference to the Audit Memoranda issued and return the same in original within 3 days. It should be ensured by the field parties that the departmental officers do not give vague and evasive replies to the Audit Memoranda.

13.7. Diaries indicating details or work done on each day should be maintained by AAOs/Section Officers and auditors of the Inspecting parties in form SY-324 (Specimen is given below). Weekly extracts there from should be sent by the Inspection parties to HQrs. Section through the Inspecting Officer where the duration of the audit exceeds seven working days.

Dairy SY-324 of Sri………………………..Asst.Audit Officer/Section Officer/Auditor for the week ending Saturday the ……………………………

<table>
<thead>
<tr>
<th>Date &amp; hour of attendance</th>
<th>Name of the Dept./Office inspected</th>
<th>Details of work done</th>
</tr>
</thead>
<tbody>
<tr>
<td>The………………………………………</td>
<td>AAO / S.O</td>
<td>Details of work done</td>
</tr>
</tbody>
</table>

Inspector

Countersigned

Inspecting Officer

(RAST VI 8-3-4/75-76 dt. 30-7-1976).

13.8. The audit of contingent expenditure of Land Revenue offices etc., has been entrusted to State Receipt Audit branch with effect from 1-10-73 along with the receipt audit of Mandal Office.

(C&AG Lr.No. 101/Rec. A/111/145-72/111 dt.18-4-73.)

13.9. The contingent audit of Mandal Office should be conducted since last audit till the month previous to the month in which audit takes place and should not be confined to the years of receipt audit only which will be for specified faslis as per the intimation sent to the Tahsildar. (SRA (HQ) Cr.No. LR-1/IA Misc. 75-76/10 dt. 1-6-1975).
13.10. **Documents involved in suspected cases of frauds.** —The field parties need not bring the documents relating to the cases of suspected frauds to Headquarters for taking Photostat copies. It is enough that a note of the document in question is taken and the matter is brought to the notice of the departments wherever necessary.

(CAG Decision Communicated in SRA 9HQ) Cir.No. 2-8-/76-77, dt. 3-9-1976).

13.11. **Omissions and mistakes in framing laws.** —The C&AG has opined that, as a matter of principle, comments focusing Parliament’s /Legislature’s omissions or mistakes in framing the laws need not be incorporated in the Audit Report. If, however, the provisions of law have led to consequences not intended at all by the policy underlying the law or lacunae is being exploited by unscrupulous tax payers by way of legal avoidance, a draft para may be featured under “other topics of interest” subject to the condition that no remedial action is under contemplation.

(No. 375 Rec. A/IV/50-73, dt. 24-5-74, Circulated in C&AG Cir.No. 8 of 1974 circulated in SRA Cir.No. 10 dt. 3-7-74).

13.12. **Preparation and submission of local audit reports.** —The following instruction have been issued for guidance in respect of preparation and submission of Local Audit Report:-

(i) The instructions contained in Manual of Standing Orders (Audit) should be followed.

(ii) The objection should be classified as follows:-

(a) Objection valued at Rs.30,000 and more should be registered in Part-II-A

(b) Objections valued at Rs.5000 and more but less than Rs.30000 should be registered in Part-II-B.

(c) All other objection should be included in the Test Audit Note.

(iii) The local audit report should be written up by the Receipt Audit Officer himself in all cases where he supervises the party on the closing days of the local audit. In all other cases, the AAO/SO may draft the report.

(iv) There should be proper marshalling of the facts contained in the half-margin and the facts should be arranged in logical sequence. Cogent arguments should be advanced in making a point and the conclusion arrived at should be convincing.

(v) Field parties should as far as possible as possible enclose copies of Government orders of Judgement extracts of rules etc., in the departmental manual etc., which may not be expected to be available in HQrs.Sn. (vide Cir.No.7-A dt.8/73 of SRA/HQrs.)

(vi) Annexures to the local audit report should be serially numbered as I,II,III etc, giving reference to the relevant paragraph. The page number of the Annexure should be indicated against the concerned para.
(vii) The rough notes including the Audit Memoranda and the report should be tagged separately and page numbered from bottom to top and not vice versa, these should be arranged in the following manner:

(a) Forwarding note.

(b) Special note to the HQrs. Sections, if any.

(c) Local Audit Report.

(d) Annexures referred to in Local Audit Report.

(e) Test Audit Note (Copy)

(f) Allocation of work Half Margins and relies.

(g) List of Files etc., seen.

(h) Duplicated Half Margins and other rough sheets.

(viii) Short recoveries of revenue due to Government made good on the spot at the instance of audit should nevertheless be included in a separate paragraph of Local Audit Report in cases where the individual amount is in excess of Rs.100 so that they may be included in the Register of Audit Activity.

(ix) Only real and sustainable objections supported by cogent arguments and proper authority should be raised by the Parties who should exhibit fair-play and impartially in examining and appreciating the replies of the Department.

(x) The parties should not draw conclusions without considering the reply given by the department. Differences, if any, should be settled before the paras are drafted which should contain accepted facts only.

(xi) The field parties should as far as possible go through their Local Audit Reports as edited by State Receipt Audit HQrs. Whenever time permits, when they go over to Headquarters.

(SRA/ Hqrs/Circular No. 5 dt. 6-4-74).

(xii) The Local Audit Report should be despatched in covers addressed by name to the Asst.Audit Officer or Audit Officer State Receipt Audit Headquarters Sn. and not to the Senior Deputy Accountant General (SRA). The report should be despatched so as to reach the Headquarters Section within a week of the completion of the audit in order to ensure their state receipt at the Headquarters Sn.

(SRA HQrs./Reg/Hq/73-74 Cir. No. 27, dt.January, 1974.)

(xiii) (a) The local audit report should be for the (Fasli) years in respect of which the receipts accounts were generally examined and test audit was conducted.

(b) The local audit report should be in three parts as indicated below:

Part – I Introductory para and outstanding objection.
Part –II Major irregularities and important paras.
Part –III Minor objection and points.

Note: A gist of outstanding objection from previous inspection report is to given in brief in para 1(b) vide SRA Cir.38 dt.1-1-1979.

(xiv) A para, as to the records requisitioned but not made available to audit, if any, should invariably be incorporated in the Local Audit Report.
(C&AG Cr. No.306/REC-A/IV/30-73 dt. 15-10-73 SRA Hqrs. Cir.No. 17 dt. 8-11-73).

(xv) The provisions of Inspection (Civil) Manual for local audit of contingent expenditure of Mandal Office should be followed and a separate local audit report relating to expenditure should be sent along with the Local Audit Report for revenue receipts.

(xvi) The certificate of verification of credits for two months selected and name of village marked should be specifically recorded in the memorandum forwarding the Local Audit Report.
(SRA/Hqrs./Cir.No. 28-A/74-75/23 dt.16-10-74).

(xvii) The departmental authorities are not required to give a list of remittances for which verification of credits with the Treasury accounts is to be done. It is the duty of the field party to collect the required particulars for verification with the Treasury records with reference to Chitta and Challans available with the department.
(SRA(HQ.) L.R.I./IA/607 dt.24-6-75.)

(xviii) The draft report should be discussed with the departmental officer and certificate as indicated below recorded on Part-I of the report before it is sent to the Headquarters Sn.No reply to Part-III is required as its disposal is watched during the next audit.
“Certified that the report has been discussed and that facts mentioned therein have been verified and found correct.”

13.13. The Comptroller and Auditor General has ordered that objections, irregularities pertaining to the recovery of those taxes and duties or any remission thereof by the respective departmental authorities which come to light during the course of audit of Mandal Office should be reflected in the Local Audit Report, on the respective Taxes/Duty, e.g. objections relating to sales tax recoveries may be shown in the Local Audit Report on Sales tax, those pertaining to Abkari dues in the Local Audit Report on State excise duties etc. To this end, the Local Audit parties should send a special notes regarding irregularities and recoveries pertaining to sales tax excise duties, etc., which will be passed on to the respective sections for processing further and issue of supplementary reports, wherever necessary. It has accordingly been decided that special points or lapses on the part of the departments should be brought out by the field parties through a special note for further action in the State Receipt Audit (HQ) Sn.

13.14. Duties of Headquarters Section. –The Headquarters Sn. should arrange to obtain Govt. orders notifications, departmental circular instruction; clarifications and judgements of courts etc., affecting land revenue receipts and examine them. References to Govt. or Commissioner of Land Revenue should be made promptly whenever found necessary. Copies of important orders or circulars
should be communicated to the Audit parties for their guidance. A review of the Audit Reports of the other states should also be undertaken and cases of important irregularities commented upon in those reports should also be communicated to the audit parties for their guidance.

13.15. The C&AG has prescribed the maintenance of the following registers:-

(i) A list of Mandal offices, survey and Land Revenue offices etc., to be audited triennially.

(ii) A programme register showing the selected offices etc., for the purpose of audit in a quarter.

(iii) A register to watch receipt of the Local Audit Reports from the audit parties and issue of the same to the department.

(iv) An objection book with a register of adjustment in the prescribed form.

(v) A register to show the progress of objection.

13.16. A statement of inspection reports pending over six months and another statement showing the objects outstanding for over six months in the prescribed form should be sent to the C&AG every quarter, duly indicating the money value of the Audit objections. A quarterly report showing the offices from which even the first replies to the Local Audit reports have not been received should also be communicated to the Head of the Dept/Govt.

13.17. The Hqrs. Sn. will be responsible for processing the draft paras on land revenue receipts to be included in Receipts Audit Report. For this purpose, a separate register to watch the progress of the paragraphs to be proposed for inclusion in the Audit Report should be maintained. Paras with money value of more than Rs.30,000 only are to be proposed for audit report vide C&AG’s :r.No. 441-RA IV/63-76 dt.9-6-76.

13.18. In order to facilitate the exercise of various checks is required to be done during the audit of accounts of Mandal offices, a comprehensive questionnaire has been framed and attached to this Manual for the guidance of inspection parties vide Annexure v.


(B) Land Revenue

I. Audit Officer:

1. Reviews of items marked with asterisk and discussion of outstanding Local Audit Report para.

2. Review of system of exemption from land revenue.
3. Review of periodicity of settlement of revenue and inquiries arising from failure to effect resettlement of types of lands whose yields have increased or decreased disproportionately in comparison to general class of lands.

4. Review of system for reconciliation of recoveries posted in departmental records with recoveries as per treasury records.

5. System for raising and enforcement of demand.

6. System for enforcing recovery of demands and pursuing arrear demands.

II . Assistant Audit Officers/Section Officers/Auditor/ Junior Auditor (to be allotted by Audit Officer or Senior Assistant Audit Officer designated by Audit Officer).

*(1) Audit of demands raised, their correctness, computation and assessment classification of lands, demands for other dues charges, fees etc.

*(2) Check of other records and registers including grant of exemptions and refunds and connected files, cash books, receipt books, records recived from Irrigation and Works departments and other departments for effecting recoveries as arrears of land revenue.

(3) Any other item of work allotted by Audit Officer or Assist Audit Officer designated by Audit Officer.

ANNEXURE I

(vide para 4.4)

Formula for working out the cost rates

<table>
<thead>
<tr>
<th>Area Particulars</th>
<th>Extent in Hectares</th>
<th>Particulars</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

1. Infield of 50 acres and below

- Dry X Measurement Allowance of Surveyors, pay and allowances and Travelling allowance of chain-man proportionate share of pay and allowance of stone Accountant cost of survey utilized including Sales Tax.

- Wet Y

- Waste or poromboke Z

2. Unenfranchised Inams

- Dry, Wet and PRoromboke -

3. Fileds over 20 hectares Dry or Wet -
$X + Y + Z$

Area in terms of dry

**Dry**  
$X$

**Wet**  
$1 \frac{1}{2} Y$

**Poromboke**  
$Z$

---

$x + 1 \frac{1}{2} Y + Z$

---

**ANNEXURE I**

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate for dry per hectare</td>
<td>$\frac{a + a/3}{X + 1 \frac{1}{2} Y + Z}$</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rate for wet per hectare</td>
<td>$\frac{1 \frac{1}{2}(a + a/3)}{(X + 1 \frac{1}{2} Y + Z)}$</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rate for hectare of wet or dry in fields of over 50 acres</td>
<td>$\frac{1/4 (a + a/3)}{(X + 1 \frac{1}{2} Y + Z)}$</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Ryots Share**

Cost of $X$ Hectares of dry  
$= X \times (Xa + a/3)$

Cost of $Y$ hectares of wet  
$= Y \times 1 \frac{1}{2} (a + a/3)$

**Total**  
$= (a + a/3) \times X + 1 \frac{1}{2} Y$

$X + 1 \frac{1}{2} Y + Z$
Amounts of Ryots share adjustable (A) \[ \frac{3/4 \ (a+a/3)}{X+1 \ 1/2 \ Y+Z} \times (X + 1 \ 1/2 \ Y) \]

Ryots share adjustable to L.R. Land \[ \frac{1/4 \ (a+a/3)}{(X+1 \ 1/2 \ Y+Z)} \times X + 1 \ 1/2 \ Y) \]

ANNEXURE I

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
</table>

Government Share (B)
Total amount apportioned (minus) Ryot’s share i.e.,
\[ (a+a/3) - (X+1 \ 1/2 \ Y) + \frac{(a+a/3)}{X + 1 \ 1/2 \ Y+Z} \]

Total amount recoverable from Government’s Share and Ryot’s adjustable to Deposits =a+3/4 B.
### ANNEXURE IV
*(Para 7.27)*

**Accounts that are maintained in a Mandal Office**

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Register No.</th>
<th>Contents of the Register</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>A</td>
<td>Number, name and description of villages and hamlets.</td>
</tr>
<tr>
<td>2.</td>
<td>B</td>
<td>Details regarding permanently settled estates, Inam villages and minor inams included therein.</td>
</tr>
<tr>
<td>3.</td>
<td>C</td>
<td>Lands held on lease.</td>
</tr>
<tr>
<td>4.</td>
<td>D</td>
<td>Assignments to depressed classes, military grant etc.</td>
</tr>
<tr>
<td>5.</td>
<td>E</td>
<td>House sites acquired and assigned to depressed classes.</td>
</tr>
<tr>
<td>6.</td>
<td>F</td>
<td>Lands alienated or exempted from assessment.</td>
</tr>
<tr>
<td>7.</td>
<td>G</td>
<td>Lands escheated to Government.</td>
</tr>
<tr>
<td>8.</td>
<td>1</td>
<td>The extent of cultivation month by month for each Revenue Inspectors Range.</td>
</tr>
<tr>
<td>9.</td>
<td>2</td>
<td>The details of area cultivated with different crops and their estimated outturn.</td>
</tr>
<tr>
<td>10.</td>
<td>3</td>
<td>Daily record of retail prices of certain principal articles.</td>
</tr>
<tr>
<td>11.</td>
<td>4</td>
<td>Application of Land.</td>
</tr>
<tr>
<td>12.</td>
<td>5</td>
<td>Relinquishment of Right to land.</td>
</tr>
<tr>
<td>13.</td>
<td>6</td>
<td>Transfer of land.</td>
</tr>
<tr>
<td>14.</td>
<td>6.1</td>
<td>Transfer applications received by the Revenue Inspector</td>
</tr>
<tr>
<td>15.</td>
<td>7</td>
<td>Changes in the classification of Government and minor Inams.</td>
</tr>
<tr>
<td>S.No.</td>
<td>Register No.</td>
<td>Contents of the Register</td>
</tr>
<tr>
<td>-------</td>
<td>--------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>16.</td>
<td>8</td>
<td>Changes in Govt. and Inam ayacuts (occupies and unoccupied)</td>
</tr>
<tr>
<td>17.</td>
<td>8-A</td>
<td>Survey fields and sub-divisions.</td>
</tr>
<tr>
<td>18.</td>
<td>9</td>
<td>Remission and deduction in each village.</td>
</tr>
<tr>
<td>19.</td>
<td>10</td>
<td>Particulars of Beriz deduction.</td>
</tr>
<tr>
<td>20.</td>
<td>11</td>
<td>Particulars of miscellaneous revenues in ryotwari village.</td>
</tr>
<tr>
<td>21.</td>
<td>11-A</td>
<td>Particulars of miscellaneous revenues in proprietary villages.</td>
</tr>
<tr>
<td>22.</td>
<td>12</td>
<td>Abstract Register of settlement for ryotwari villages.</td>
</tr>
<tr>
<td>23.</td>
<td>13</td>
<td>Lands held on progressive cowles.</td>
</tr>
<tr>
<td>24.</td>
<td>14 –A</td>
<td>Abstract Register of collections from ryotwari villages.</td>
</tr>
<tr>
<td>25.</td>
<td>14 – B</td>
<td>Particulars of revenue reported to be irrecoverable.</td>
</tr>
<tr>
<td>26.</td>
<td>14 – C</td>
<td>Particulars of overpayment.</td>
</tr>
<tr>
<td>27.</td>
<td>14 – D</td>
<td>Irrecoverable arrears written off in ryotwari village.</td>
</tr>
<tr>
<td>28.</td>
<td>15</td>
<td>Abstract register of collection from permanently settled estates and whole Inam villages.</td>
</tr>
<tr>
<td>29.</td>
<td>16</td>
<td>Demand collection and Balance statement for each estate or village month by month.</td>
</tr>
<tr>
<td>30.</td>
<td>17</td>
<td>Interest Register for ryotwari.</td>
</tr>
<tr>
<td>31.</td>
<td>17 – A</td>
<td>Interest for permanently settled estates and whole Inam village.</td>
</tr>
<tr>
<td>32.</td>
<td>17 – B</td>
<td>Interest account of proprietary estates village service.</td>
</tr>
<tr>
<td>33.</td>
<td>18</td>
<td>Particulars of sales for arrears of revenue.</td>
</tr>
<tr>
<td>34.</td>
<td>18 – A</td>
<td>Lands purchased by Govt. at sales for arrears of revenue i.e., Bought-in-lands.</td>
</tr>
<tr>
<td>35.</td>
<td>19</td>
<td>Unoccupied lands sold under B.S.O. 15, 16, 20, 21, 22, 45, 90 and 91</td>
</tr>
<tr>
<td>36.</td>
<td>20 – I</td>
<td>Assessment on which the land cess is charged in permanently settled estates.</td>
</tr>
</tbody>
</table>
Assessment on which the land cess is charged in Inam villages.

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Register No.</th>
<th>Contents of the Register</th>
</tr>
</thead>
<tbody>
<tr>
<td>38.</td>
<td>21</td>
<td>Number of Agriculture stock.</td>
</tr>
<tr>
<td>39.</td>
<td>22</td>
<td>Total number of well, tanks, channels, and other works actually used for irrigation.</td>
</tr>
<tr>
<td>40.</td>
<td>23</td>
<td>Number of holding of various values.</td>
</tr>
<tr>
<td>41.</td>
<td>25</td>
<td>Particulars of irrigation.</td>
</tr>
<tr>
<td>42.</td>
<td>26</td>
<td>Exemption from land revenue.</td>
</tr>
<tr>
<td>43.</td>
<td>27</td>
<td>Firka register of forecast of crops section –I to VI.</td>
</tr>
<tr>
<td>44.</td>
<td>28</td>
<td>Taluk Register of forecast of crops section –I to VI.</td>
</tr>
</tbody>
</table>

**Mandal Office:**

Registers to be checked. -

1. Register of Sub-divisions.
2. Register of Remissions (Mandal Account No.9).
3. Register of Prices.
4. Register of Stay orders.
5. Register of Write Off cases.
6. Register of New Survey files and sub-division (Register No.8A)
7. Register of Assignments (Mandal Account No.4)
8. Register of Interest Account.
9. Register of Bought-in-lands (Mandal Account No. 18-A)
10. Register of Auctions.
11. Register of Receipts Books (Stock).
12. Register of Pattedar Passbooks.
13. Register of Local Cess adjustments.

15. Register of village-wise khata (Mandal Register No.6)

16. Register of Abstract of collection of Villages (Account No.14)

17. Register of miscellaneous Revenues (Mandal Account No.11).

**Demand Collection and Balance Statements :**

The demand Collection and Balance statements are maintained in the Mandal Office in respect of the following items of revenue.

1. Land Revenue.


4. Cost of Survey Marks, Demarcation charges recoverable from ryots.

5. Drainage Cess.

6. Cost of Town and Panchayat Survey charge.

7. Recoveries under Revenue Recover Act, 1864.


**Files :**

1. Relating to special Land tax.

2. Relating to write off cases of land revenue.


4. Relating to allocation of local cess.

5. Relating to Lands leases out.

6. Relating to Jamabandhi irrigation.

7. Relating to Non-agricultural Assessment.

8. Relating to District Irrigation Development Board.

9. Relating to Embezzlement cases.
10. Relating to Administrative reports.

11. Relating to Inspection reports by the Departmental offices.


ANNEXURE V
(Para 15.18)
Questionnaire for the conduct of Audit of Mandal Offices

General:

Have the following items of revenue or matters been scrutinized and comments incorporated in the Audit Report: -
(j) Land Revenue.

(ii) Non-Agricultural Assessment.

(iii) Project affected land and their assignment

(iv) Brought in lands and their disposal.

(v) Escheated property and its administration.

(vi) Estate abolition and ryotwari assessments.

(vii) Inam abolition and ryotwari assessments.

(viii) Village Accounts.

(ix) Disposal of lands acquired under the Land Ceiling Act.

2) Survey and settlement:

Have the progress of survey, collection of survey fees and D.C.B. been scrutinized in the light of the instruction contained in the relevant paragraph in Chapter IV of the manual.

3) Land Revenue

(i) Have one village accounts for each or fasli been called for from the selected villages and been subjected to audit scrutiny as instructed in the relevant paragraphs of Chapter V & VI of the manual.

(ii) Has the village demand been taken to the D.C.B of the Mandal.

(iii) Has the Khata been posted up-to-date.

(iv) Have the land revenue collection been checked with the relevant challans, irsalnama, Khata etc., for the selected village and selected months.

(v) Has the D.C.B of land revenue been critically scrutinized with view to seeing that the component items that go to make up the total balance that is outstanding collection.

(vi) 

(a) Have the outstandings been classified as collectable and non-collectable balances.

(b) If so the reasons given for non-collectable balance have been scrutinized in detail with a view to satisfying audit that the reasons are justified.

(c) Has adequate and effective action been taken for collecting the collectable balances and are the items that go to make up the balances covered by one or other process.
(vii) Have any embezzlements of revenue collection have been notice as a result of audit or as result of administrative inspections. If so, the action taken in either case may be indicated and a para included in the Audit Report.

Have the audit checks as contemplated in paragraphs been exercised.

Have the cesses levied on land revenue been scrutinizes in general as contemplated in Chapter VI of the manual and as instructed, in particular, in para 6.1 to 6.7.

(4) Abolition of estates and inams:

Have the abolition of estates and imams been generally scrutinized with reference to the instructions contained in Chapter VIII.

(5) Land Ceiling on Agricultural Holdings Act:

Have the lands acquired under Land reforms (Ceiling on Agricultural Holdings) Act, 1973 and their disposal been checked in accordance with the instructions contained in Chapter XIII of the manual.

(6) Land Assignment:

Have the assignments of land been checked in accordance with the instructions contained in Chapter IX in General and particularly in para 9.4. to 9.11.

(7) Andhra Pradesh Revenue Recovery Act:

Have the audit checks as instructed in para 10.9 been conducted in addition to the special checks required to be exercised in the circular issued from time to time from the Headquarters.

(8) Miscellaneous items like civil supplies Receipts, Pattadar Pass Books, Tree owners Rent etc.

Have the miscellaneous items like Civil supplies receipts, Pattadar Pass Books, Tree owners Rent etc., been scrutinized as instructed in Chapter XIII of the manual.

(9) Verification of credit and reconciliation of figures:

(a) Has the verification of the revenue remitted into the treasures been done with reference to the credits appearing at the treasury accounts as instructed in Chapter XIV.

(b) As reconciliation of departmental receipts been effected month by month. If not reconciled the month for which the reconciliation has been done should be mentioned indicating the reasons for non-reconciliation for rest of the period.
In case where objections have been raised with reference to orders issued by Government recently (a copy of which may not be available at SRA HQs.) a copy of this order been obtained from the departmental officer and enclosed to the Report in support of the objection featured in the local audit report.
Issued By

THE ACCOUNTANT GENERAL (COMMERCIAL AND RECEIPT AUDIT), ANDHRA PRADESH, HYDERABAD-500 004.
PREFACE

(1) This Manual has been prepared for the guidance of the members of the State Receipt Audit parties, auditing the receipts and refunds relating to the Mineral Revenues and the Headquarters section which processes the local audit reports. In this Manual, the relevant provisions of the law and the procedure for the levy, assessment and collection of Mineral Revenues have been set out in general. References to the provisions of the Mines And Minerals (Regulation and Development) Act, 1957 or the Rules made thereunder or of other relevant Acts and Rules have also been given in this book. In the course of audit, if any reference has to be made to a particular provision of the law, such a reference should be made to the sections of the relevant Act or the Rules framed thereunder and not to the paragraphs of this Manual.

(2) The Manual should be treated as a guide only and the audit checks indicated therein should not be taken as exhaustive.

(3) Errors or omissions in the Manual may be brought to the notice of the Accountant General (Commercial and Receipt Audit), Andhra Pradesh, Hyderabad to whom suggestions for improvement may also be sent.

(4) The state receipt audit parties may also equip themselves with a knowledge of the important provisions of the relevant Acts which are required for purposes of audit.

(5) The State Receipt Audit (Headquarters) Section is responsible for up-dating this Manual from time to time.

Hyderabad, Date: 28-11-2007
Accountant General (C & RA)
Andhra Pradesh, Hyderabad – 500 004.

CONTENTS
STATE RECEIPT AUDIT MANUAL – MINES AND GEOLOGY
AUDIT OF REVENUE

CHAPTER 1

INTRODUCTION

1.1 Constitutional / Statutory responsibility of the Comptroller and Auditor-General of India for Audit of Receipts. – The audit of revenues which is an important branch of audit of receipts is
inherent in the powers vested in the Comptroller and Auditor-General of India by Art.151 of the Constitution. Art.151 lays down that the reports of the Comptroller and Auditor-General of India relating to the accounts of the Union and the States shall be submitted to the President or the Governor of a state, as the case may be, who shall cause them to be laid before each House of Parliament or Legislature. Thus the audit reports must relate to the totality of the accounts of the Union or a State and this totality would include all receipts embracing the revenues of the Union and of the States.

Section 16 of the Comptroller and Auditor-Generals’ (Duties, powers and Conditions of Service) Act, 1971 specifically enjoins upon the Comptroller and Auditor-General to audit all receipts of the Union and of the States and to satisfy himself that the rules and procedures in that behalf are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are duly observed. For that purpose, the Comptroller and Auditor-General is authorised to undertake such examination of the accounts as he thinks fit and to report thereon.

1.2. Principles of Receipt Audit. – Audit of Receipts is broadly governed by the general principle laid down in Chapter 3 of section II of the Manual of Standing Orders (Audit). The instructions contained in this manual are supplementary thereto and describes specifically the procedure to be followed in the audit of receipts of mineral revenues taken up from 1974-75.

1.3. Audit vis-a-vis Executive functions.- It is the primary responsibility of departmental authorities to see that all revenues of Government which have to be brought to account are correctly and properly assessed, realised and credited to Government account. The Audit Department should not, however in any way, substitute itself for the authorities of Mines and Geology Department in the performance of its statutory duties.

The most important function of audit is to see (1) that adequate regulations and procedures have been framed by the department to secure an effective check on the assessment, collection and proper allocation of taxes, (2) that the departmental machinery is sufficiently safeguarded against errors and frauds and that, so far as can be judged, a procedure is calculated to give effect to the requirements of law and (3) to satisfy itself, by adequate test check, that such regulations and procedures are actually being carried out. It should also be borne in mind that the basic purpose of audit is not only to see that all demands raised are promptly collected and credited to Government but also to secure that these demands are correctly raised and they satisfy the requirements of law and that the Executive does not grant unjustified or unauthorised remissions to tax payers. In the Audit of Receipts, ordinarily the general is more important that the particular. The detection of individual errors is an incident rather than an object of Audit.

In taxation laws, lacunae may occur as a result of oversight or omission at the time of framing or enacting the laws. If the provisions of the law have led to consequences not intended at all in the policy or purpose underlying the law and the tax payer takes unfair advantage of such lacunae or provision by way of legal avoidance of tax Audit may bring to the notice of the Executive such legal evasions if no remedial action is under contemplation, the idea being not to criticise the Legislature but to enable the Government/Legislature to review the position and initiate remedial action, wherever necessary, to plug leakages of revenues.

Audit does not consider it the main part of its duties to review the judgement exercised or the decision taken in individual cases by Officers entrusted with those duties, but it must be recognised that an examination of such cases may be an important factor in judging the effectiveness of assessment procedure. Where, for example, the information received in any individual case is insufficient to enable Audit to see how the requirement of law has been complied with, Audit may consider it its duty to ask
for further information to enable it to form the judgement required of it as to the effectiveness of the system. It is, however, towards forming a general judgement rather than to the detection of individual errors that the audit enquiries should be directed. This does not bar, as a matter of principle, irregularities being pointed out by Audit in individual cases, where substantial amounts are involved or where there have been serious violations of the law or the rules having the force of law. In the discharge of these functions, members of the Audit Department will have access to the relevant records and papers of the Mines and Geology Department but they should observe secrecy in the same way as the Officers of the Mines and Geology Department. To discharge the above functions effectively, the Auditor must be thoroughly conversant with the processes and procedures relating to the levy and collection of taxes and the laws and rules governing such processes and procedures.

1.4. Audit vis-a-vis judicial pronouncements.—The Audit Department does not question the decision of a High Court which is binding on the Officers functioning within the jurisdiction of that High Court till it is, in any way, modified or overruled by the Supreme Court. It is only in those cases where no authoritative interpretation of a provision of law by High Court or the Supreme Court is available that the Comptroller and Auditor-General states what in his judgement is the correct requirement of law on the basis of the plain meaning of the statute and puts forward that view to the Mines and Geology Department for its examination and acceptance.
1.5. In the subsequent chapters the basic provisions of the Acts and the rules governing the assessment and collection of mineral revenues are set out. Being only a summary, this can in no sense be regarded as substitute for Acts and rules made there under. Therefore, it should be treated merely as a preliminary step to enable the auditor to grasp the essentials of the administration of the Mines and Minerals (Regulation and Development) Act, 1957, the Mineral Concession Rules, 1960, the Andhra Pradesh Minor Mineral Concession Rules, 1966, The Oil fields (Regulation and Development) Act 1948 The Petroleum and Natural Gas Rules, 1959 The Andhra Pradesh Mineral Bearing Lands (Infrastructure) Cess Act, 2005, The Andhra Pradesh Mineral Bearing lands (Infrastructure)Cess Rules, 2005 and The Andhra Pradesh Mineral Bearing Lands (Infrastructure)Revenue Recovery Act, 1864. For a further and exhaustive study he should refer to the provisions of the Acts and the case laws on the subject summarized in the leading commentaries.

The various fee and deposits collectable under the relevant Acts and Rules are given in Annexure I.

1.6. **AUDITING STANDARDS**

Auditing Standards prescribe the norms of principles and practices, which the Auditors are expected to follow in the conduct of Audit. They provide minimum guidance to the Auditor that helps determine the extent of auditing steps and procedures that should be applied in; the audit and constitute the criteria or yardstick against which the quality of audit results are evaluated.

The norms of Principles and Procedures to be followed by Audit are prescribed in "Auditing Standards" (2nd Edition, 2002) which, *inter-alia*, include the following:

**A) Basic Postulates**: The basic postulates for auditing standards are basic assumptions, consistent premises, logical principles and requirements which help in developing auditing standards and serve the auditors in forming their opinions and report on particularly in cases where no specific standards apply.

The Basic Postulates are:

1) The Supreme Audit Institution of India (SAI) should comply with the International Organisation of Supreme Audit Institutions (INTOSAI) auditing standards in all matters that are deemed material.
2) The SAI should apply its own judgement to the diverse situations that arise in the course of Government auditing.
3) With increased public consciousness, the demand for public accountability of persons or entities managing public resources has become increasingly evident so that there is a need for the accountability process to be in place and operating effectively.
4) Development of adequate information, control, evaluation and reporting systems within the Government will facilitate the accountability process, Management is responsible for correctness and sufficiency of the form and content of the financial reports and other information.
5) Appropriate authorities should ensure the promulgation of acceptable accounting standards for financial reporting and disclosure relevant to the needs of the Government, and audited entities should develop specific and measurable objectives and performance targets.
6) Consistent application of acceptable accounting standards should result in the fair presentation of the financial position and the results of operations.
7) The existence of an adequate system of internal control minimises the risk of errors and irregularities.
8) Legislative enactments would facilitate the co-operation of audited entities in maintaining and providing access to all relevant data necessary for a comprehensive assessment of the activities under audit.

9) All audit activities should be within the SAIs audit mandate.

10) SAIs should work towards improving techniques for auditing the validity of performance measures

11) SAIs should avoid conflict of interest between the auditor and entity under audit.

B) General Standards: 1) The general auditing standards describe the qualifications of the auditor and the auditing institution so that they may carry out the tasks of field and reporting standards in a competent and effective manner. These standards apply to all types of audit for both auditor and audit institutions. While auditing, the auditor should be independent, competent and due care should be taken in planning, specifying, gathering and evaluating evidence and in reporting on findings, conclusions and recommendations.

2) The legal mandate provided in the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971 provides for full and free access for the CAG and his auditors to all premises and records relevant to audited entities and their operations and provides adequate powers to the CAG to obtain relevant information from persons or entities possessing it.

3) The audit department seek to create among audited entities an understanding of its role and function, with a view to maintaining amicable relationships with them. Good relationships can help the SAI to obtain information freely and frankly and to conduct discussions in an atmosphere of mutual respect and understanding.

C) Field standards (1): The purpose of field standards is to establish the criteria or overall framework for the purposeful, systematic and balanced steps or actions that the auditor has to follow. These steps and actions represent the rules of investigation that the auditor, as a seeker of audit evidence, implements to achieve a specific result.

(2) The field standards establish the framework for conducting and managing audit work. They are related to the general auditing standards, which set out the basic requirements for undertaking the tasks covered by the field standards. They are also related to reporting standards, which cover the communication aspect of auditing, as the results from carrying out the field standards constitute the main source for the contents of the opinion or report (3). The field standards applicable to all types of audit are:

a). The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.

b). The work of the audit staff at each level and audit phase should be properly supervised during the audit; and a senior member of the audit staff should review documented work.

c). The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control.

i) Planning: The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out without wastage of resources in an economic, efficient and effective way in a timely manner.

1) the following planning steps are normally included in an audit:

a). Collect information about the audited entity and its organisation in order to assess risk and to determine materiality:

b). Define the objective and scope of the audit:

c). Undertake preliminary analysis to determine the approach to be adopted and the nature and extent of enquiries to be made later.

d). Highlight special problems foreseen when planning the audit:
e). Prepare a budget and a schedule for the audit:
f). Identify staff requirements and a team for the audit:
g). Familiarise the audited entity about the scope, objectives and the assessment criteria of the audit and discuss with them as necessary.

ii). **Supervision** - The work of audit staff at each level and audit phase should be properly supervised during audit, and a senior member should review documented work.

1) The following paragraphs explain supervision and review as an auditing standard.
   A) Supervision is essential to ensure the fulfillment of audit objectives and the maintenance of the quality of the audit work. Proper supervision and control is therefore necessary in all cases, regardless of the competence of individual auditors.
   B) Supervision should be directed both to the substance and to the method of auditing. It involves ensuring that:
      a. The members of the audit team have a clear and consistent understanding of the audit plan.
      b. The audit is carried out in accordance with the auditing standards and practices of the SAI.
      c. The audit plan and action steps specified in that plan are followed unless a variation is authorised.
      d. Working papers contain evidence adequately supporting all conclusions, recommendations and opinions.
      e. The auditor achieves the stated audit objectives and
      f. The audit report includes the audit conclusions, recommendations and opinions, as appropriate.

2) All audit work should be reviewed by a senior member of the audit staff before the audit opinions or reports are finalised. It should be carried out as each part of the audit progresses. Review brings more than one level of experience and judgement to the audit task and should ensure that:
   a. All evaluations and conclusions are soundly based and are supported by competent, relevant and reasonable audit evidence as the foundation for the final audit opinion or report.
   b. All errors, deficiencies and unusual matters have been properly identified, documented and either satisfactorily resolved or brought to the attention of a more senior SAI officer, and
   c. Changes and improvements necessary to the conduct of future audits are identified, recorded and taken into account in later audit plans and in staff development activities.

3) This standard emphasis's the importance of involvement of each higher level of supervision and does not in any way absolve the lower levels of audit staff carrying out field investigations from any negligence in carrying out assigned duties.

iii) **Study & Evaluation of Internal Control**: The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control and depend on the objectives of the audit and on the degree of reliance intended. Where accounting or other information systems are computerized, the auditor should determine whether internal controls are functioning properly to ensure the integrity, reliability and completeness of the data.

iv) **Compliance with Applicable laws and regulations**: In performance audit an assessment should be made of compliance with applicable laws and regulations when necessary to satisfy the audit objectives. The auditor should provide reasonable assurance to detecting illegal acts that could significantly affect audit objectives and should be alert to situation or transaction that could be indicative of illegal acts that may have an indirect effect on the audit reports.

The following paragraphs explain compliance as an auditing standard.

1) Reviewing compliance with laws and regulations is especially important when auditing government programs because decision-makers need to know if the laws and regulations are being
followed, whether they are having the desired results, and, if not, what revisions are necessary. Additionally government organisations, programs, services, activities, and functions are created by laws and are subject to more specific rules and regulations.

2) Those planning the audit need to be knowledgeable of the compliance requirements that apply to the entity being audited. Because the laws and regulations that may apply to a specific audit are often numerous, the auditors need to exercise professional judgement in determining those laws and regulations that might have a significant impact on the audit objectives.

3) The auditor also should be alert to situations or transactions that could be indicative of illegal acts that may indirectly impact the results of the audit. When audit steps and procedures indicate that illegal acts have or may have occurred, the auditor needs to determine the extent to which these acts affect the audit results.

4) In conducting audits in accordance with this standard, the auditors should choose and perform audit steps and procedures that, in their professional judgement, are appropriate in the circumstances. These audit steps and procedures should be designed to obtain sufficient, competent, and relevant evidence that will provide a reasonable basis for their judgement and conclusions.

5) Generally, management is responsible for establishing an effective system of internal controls to ensure compliance with laws and regulations. In designing steps and procedures to test or assess compliance, auditors should evaluate the entity’s internal controls and assess the risk that the control structure might not prevent or detect non-compliance.

6) Without affecting the SAI’s independence, the auditors should exercise due professional care and caution in extending audit steps and procedures relative to illegal acts so as not to interfere with potential future investigations or legal proceedings. Due care would include considering the concerned laws and relevant legal implications through appropriate forum to determine the audit steps and procedures to be followed.

v) Audit Evidence: Competent, relevant and reasonable evidence should be obtained to support the auditors judgment and conclusions regarding organization, programme, activity or function under audit.

The following paragraphs explain audit evidence as an auditing standard.

1) The audit findings, conclusions and recommendations must be based on evidence. Since auditors seldom have the opportunity of considering all information about the audited entity, it is crucial that the data collection and sampling techniques are carefully chosen. When computer-based system data are an important part of the audit and the data reliability is crucial to accomplishing the audit objective, auditors need to satisfy themselves that the data are reliable and relevant.

2.) Auditor should adequately document the audit evidence in working papers, including the basis and extent of the planning, work performed and the findings of the audit. Working papers should contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditor's significant findings and conclusions.

3.) Adequate documentation is important for several reasons, It will:
   a. Confirm and support the auditor's opinions and reports
   b. Increase the efficiency and effectiveness of the audit.
   c. Serve as a source of information for preparing reports or answering any enquiries from the audited entity or from any other party.
   d. Serve as evidence of the auditor’s compliance with Auditing Standards
   e. Facilitate planning and supervision.
   f. Help the auditor’s professional development.
   g. Help to ensure that delegated work has been satisfactorily performed, and
   h. Provide evidence of work done for future reference.
4.) The auditor should bear in mind that the content and arrangement of the working papers reflect the degree of the auditor’s proficiency, experience and knowledge.

vi). **Analysis of Financial Statements:** In all types of audit when applicable auditor should analyse the financial statements to establish whether applicable accounting standards for financial reporting and disclosure are complied with and should perform to such degree that a rational basis is obtained to express an opinion on financial statements.

The auditor should thoroughly analyse the financial statements and ascertain whether:

a). financial statements are prepared in accordance with acceptable accounting standards;

b). Financial statements are presented with due consideration to the circumstances of the audited entity;

c). Sufficient disclosures are presented about various elements of financial statements; and

d). The various elements of financial statements are properly evaluated, measured and presented.

The methods and techniques of financial analysis depend to a large degree on the nature, scope and objective of the audit, and on the knowledge and judgement of the auditor.

2). Where the SAI is required to report on the execution of budgetary laws, the audit should include:

a). For revenue accounts, ascertaining whether forecasts are those of the initial budget, and whether the audits of taxes, rates and duties recorded, and imputed receipts, can be carried out by comparison with the annual financial statements of the audited activity;

b). For expenditure accounts, verifying credits to assist budgets, adjustment laws and, for carryovers, the previous year’s financial statements.

3.) Where the SAI is required to report on systems of tax administration or systems for realising non-tax receipts, along with a systems study and analysis of realisation of revenues/receipts, detection of individual errors in both assessments and collection is essential to highlight audit assertions regarding the system defects and comment on their efficiency to ensure compliance.

D) **Reporting Standards:** 1). On the completion of each audit assignment, the Auditor should prepare a written report setting out the audit observations and conclusions in an appropriate form; its content should be easy to understand, free from ambiguity and supported by sufficient, competent and relevant audit evidence and be independent, objective, fair, complete, accurate, constructive and concise.

2). With regard to fraudulent practice or serious financial irregularities detected during audit or examined by audit, a written report should be prepared. This report should indicate the scope of audit, main findings, total amount involved, modus operandi of the fraud or the irregularity, accountability for the same and recommendations for improvement of internal control system, fraud prevention and detection measures to safeguard against recurrence of fraud/serious financial irregularity.

3). The audit report should be complete. This requires that the report contains all pertinent information needed to satisfy the audit objectives, and to promote an adequate and correct understanding of the matter reported. It also means including appropriate background information.

4). In most cases, a single example of a deficiency is not sufficient to support a broad conclusion or a related recommendation. All that it supports is that a deviation, an error or a weakness existed. However, except as necessary, detailed supporting data need not be included in the report.
5). Accuracy requires that the evidence presented is true and the conclusions be correctly portrayed. The conclusions should flow from the evidence. The need for accuracy is based on the need to assure the users that what is reported is credible and reliable.

6). The report should include only information, findings and conclusions that are supported by competent and relevant evidence in the auditor’s working papers. Reported evidence should demonstrate the correctness and reasonableness of the matters reported.

7). Correct portrayal means describing accurately the audit scope and methodology and presenting findings and conclusions in a manner consistent with the scope of audit work.

8). Objectivity requires that the presentation throughout the report be balanced in content and tone. The audit report should be fair and not be misleading and should place the audit results in proper perspective. This means presenting the audit results impartially and guarding against the tendency to exaggerate or over emphasise deficient performance. In describing shortcomings in performance, the Auditor should present the explanation of the audited entity and stray instances of deviation should not be used to reach broad conclusions.

9). The tone of reports should encourage decision-makers to act on the auditor’s findings and recommendations. Although findings should be presented clearly and forthrightly, the auditor should keep in mind that one of the objectives is to persuade and this can best be done by avoiding language that generate defensiveness and opposition.

10). Being convincing requires that the audit results be presented persuasively and the conclusions and recommendation followed logically from the facts presented. The information presented should be sufficient to convince the readers to recognise the validity of the findings and reasonableness of audit conclusions. A convincing report can help focus the attention of management on matters that need attention and help stimulate correction.

11). Clarity requires that the report be easy to read and understand. Use of non-technical language is essential. Wherever technical terms and unfamiliar abbreviations are used, they should be clearly defined. Both logical Organisation of the material and precision in stating the facts and in drawing conclusions significantly contribute to clarity and understanding. Appropriate visual aids (such as photographs, charts, graphs and maps etc.,) should be used to clarify and summarise complex material.

12). Being concise requires that the report is not longer than necessary to convey the audit opinion and conclusions. Too much of details detracts from the report and conceals the audit opinion and conclusions and confuses the readers. Complete and concise reports are likely to receive greater attention.

13). Being constructive requires that the report also includes well thought out suggestions, in broad terms, for improvements, rather than how to achieve them. In presenting the suggestions due regard should be paid to the requirements of rules and orders, operational constraints and the prevailing milieu. The suggestions should be discussed with sufficiently high level functionaries of the entities and as far as possible, their acceptances obtained before these are incorporated in the report.

14). Timeliness requires that the audit report should be made available promptly to be of utmost use to all users, particularly to the auditee organisations and/ or Government who have to take requisite action.

CHAPTER II

HISTORICAL AND LEGISLATIVE BACKGROUND
2.1. The levy and collection of Mineral Revenues in respect of major minerals in Andhra Pradesh were vested in the collectors of Districts and the Board of Revenue under the Madras Mining Rules, which were in force till 25th October 1949, when the Central Government enacted the Mines and Mineral (Regulation and Development) Act, 1948 (Act no. 53 of 1948) and promulgated the Mineral Concession Rules, 1949 on 18th October, 1949 under Section 5—of that Act. The Central Legislature has passed an Act, called “The Mines and Minerals (Regulation and Development) Act, 1957” (Act No.67 of 1957). By this enactment the Mines and Minerals (Regulation and Development) Act, 1948 (Act No.53 of 1948) was repealed.

2.2. After the enactment and adoption of the Constitution of India, the control of exploitation of minerals is mainly a central subject and is covered by entry 54 of List I of the Seventh Schedule to the Constitution of India. The State Government also can exercise certain rights in respect of minerals in accordance with entry 50 of List II of the Seventh Schedule to the Constitution.

2.3. The Central Government has further amended the Act of 1957, on the recommendation of the Mineral Advisory Body through an amending legislation in 1972 called “The Mines and Minerals ((Regulation and Development) (Amendment) Act, 1972,” which was assented to on 12th September, 1972. This legislation was undertaken to amend some of the existing provisions of Act No.67 of 1957 and to introduce new provisions covering certain areas not so far dealt with under Act NO.67 of 1957.

2.4. By virtue of powers vested in the Government of India under Section 13 of the Act of 1957, the Central Government framed certain rules for regulation and exploitation of minerals called “The Mineral Concession Rules, 1960” and brought them into force on 26th November, 1960 by notification No. G. S. R. 1398, dated 11th November, 1960. Till then, the Mineral Concession Rules, 1949, continued to be in force under Section 29 of Act No.67 of 1957 and these rules ceased to be in force with effect from 26th November, 1960 except as regards things done or omitted to be done before that date by virtue of rule 68 of the Mineral Concession Rules, 1960.

2.5. The provisions contained in Sections 5 to 13 (inclusive) of 1957 Act shall not apply to quarry leases, mining leases or other mineral concessions in respect of minor minerals. This exclusion is for the sole purpose of conferring all such powers as covered by those sections on the State Government in respect of minor minerals. (vide section 14 of 1957 Act.)

2.6. The levy and collection of mineral revenue in respect of minor minerals in Andhra area were regulated by the rules in the Madras Mining Manual and by the rules regulating the working of minor minerals made by the erstwhile Government of Hyderabad in 1954 in Hyderabad State. These rules were repealed by the Andhra Pradesh Minor Mineral Concession Rules, 1966 with effect from 7th February 1967 framed under Section 15 (1) of the Mines and Minerals (Regulation and Development) Act, 1957, except as regards things done or omitted to be done before that date.

2.7. To provide and improve infrastructure facilities for rapid exploitation of vast mineral resources of the State, the Andhra Pradesh Legislature enacted the Andhra Pradesh Mineral Bearing Lands (Infrastructure) Cess Act, 2005. The Act shall deemed to have come in to force with effect from 12th September 2005. The Act provides for levy and collection of cess on mineral produce from mineral bearing lands in respect of all minerals specified in second schedule under Mines and Minerals (Regulation and Development) Act, 1957, all minerals specified under schedule-I of Rule 10 of Andhra Pradesh Minor Mineral Concession Rules, 1966 and Mineral Oils including Natural Gas and
Petroleum. For carrying all or any purposes of the Act, The A.P. Mineral Bearing Lands (Infrastructure) Cess Rules, 2005 were made vide GO MS No. 250 Industries and Commerce (MI) dated 12th September 2005.

2.8. To ensure advance collection of Royalty and Cesses on minerals and to prevent evasion of payment of Royalty by illegal transportation of mineral, the Government of Andhra Pradesh in G. O. Ms. No.674, Industries and Commerce (M.I.) Department, dated 27-6-1975 brought into effect a system called “Permit System” which made it obligatory on the part of the lessee of a mining lease, (i) to obtain a permit from the authorized officer in Form-B after payment of Royalty and (ii) to produce the permit so obtained to the Inspecting Officer during the course of transport of ore on mineral, whenever required to do so. (See para 4.10 also).

2.9. The mineral regulatory work in respect of Major and Minor minerals was entrusted to the Revenue Department and the remaining items of work of technical nature (as indicated below), were entrusted to the Director of Mines and Geology.

1. Inspection of areas held under prospective license and Mining lease periodically to see the compliance of the rules regarding methods of mining and observance of labour Regulations and the covenants of the lease deed with Government.

Promotional side:

2. Survey and systematic mapping of mineral fields.
3. Sampling and analysis of minerals.
4. Studies on benification of areas on Laboratory scale and their commercial application.
5. Detailed prospecting of mineral deposits.
7. Preparation and publication of Geological and Mineral, maps, and
8. Research and publication of technical reports.

(Authority: G. O. Ms. No. 590, Industries (B.1.) Department, dated 1-6-1966.)

2.10. The entire mineral regulatory work in respect of both Major and Minor minerals which was under the control of Revenue Department hitherto was transferred the Department of Mines and Geology with effect from September 1976.

(G. O. Ms. No. 850, Industries and Commerce Department, dated 20-9-1976.)
**CHAPTER III**

**FUNCTIONS AND ORGANISATIONAL SET UP OF THE DEPARTMENT OF MINES AND GEOLOGY**

**Functions**

3.1. The Department of Mines and Geology is mainly a technical department. The principal technical activity of the department is the investigation of mineral deposits. Every year a programme is worked out in consultation with the State Geological Programme Board. Mineral investigation requires large scale geological mapping, pitting, trenching and sampling. In certain cases, drilling and exploratory mining are resorted to. The data collected from field works is presented in the form of reports.

3.2. The application for grant of mineral concession involves certain technical aspects. The Regional Officer concerned makes on the spot inspection of areas applied for and reports on the geological aspects.

3.3. The department, in addition to technical work, is responsible for entering into lease agreements, making assessments, raising demands, collection of revenue and maintenance of proper accounts.

3.4. Administrative set up.—The administrative set up of the Department of Mines and Geology is shown in Annexure II. The various functions carried out by the respective officers are also given below in a nut shell in the following paragraphs.

3.5. At Government level, matters relating to Department of Mines and Geology are dealt with in the Industries and Commerce Department of the Secretariat.

3.6. The Director of Mines and Geology is the Head of the Department. The state is divided into four zones and each zone is in charge of Joint Director of Mines and Geology who have Jurisdiction over 4 or more districts. Each joint Director is assisted by 1 to 3 Deputy Directors and Each Deputy Directors have the Jurisdictions of 2 to 4 districts is assisted by 4 to 8 Assistant Directors of Mines and Geology The powers exercised by the officer in respect of Central Act and Rules, viz., The Mines and Minerals (Regulation and Development) Act, 1957 and the Mineral Concession Rules, 1960 are as follows:

<table>
<thead>
<tr>
<th>Reference Act / Rules</th>
<th>Powers</th>
</tr>
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</table>
1. Director of Mines and Geology.

1. Section 26. Mines and Minerals (Regulation and Development) Act, 1957. Power to grant or review certificate of approval in case of an applicant who is an Indian National.

2. Rule 16 of the Mineral Concession Rules, 1960. Power to call for a report on the prospecting done confidentially by the holder of a prospecting operations licence subject to the condition that a full report should be submitted within three months of the expiry of the licence or the abandonment of mining operation or determination of the licence, whichever is earlier.


2. Deputy Director of Mines and Geology
1. Section 25 Mines and Minerals

To issue a Certificate for the purpose

(Regulation and Development Act, 1957.)
of this Section to collect dues as arrears of land
revenue.

The Power to issue a notice for the determination
of the lease.

Power to issue notice for default in payment of
royalty, or breach of any of the conditions other
than those referred to in Clause (f) of Sub-Rule(1)

3. Assistant Director of Mines and Geology

Section 22 the Mines and Minerals
(Regulation and Development)Act, 1957.

To make complaint in writing upon
which the court shall take cognizance of any
offence punishable under the said Act or any rules
made thereunder.

The powers exercised by the Officers of the Department of Mines and Geology, in respect of
the matters dealt in—

Cess Act and Rules, 2005, and The Petroleum and Natural Gas Rules, 1959 are set forth in the Act and
the Rules themselves.

3.7. The two Superintendents forming the internal audit wing of the Mines and Geology Department
work directly under the immediate control of Mineral Revenue Officer who, in turn, is under the
control of one of the Deputy Directors in the Headquarters Office of the Director of Mines and
Geology. These two Superintendents form two independent parties for the Andhra and Telangana
regions of the State. All the offices of the department situated in the respective regions are subject to
audit by the internal audit wing. The check exercised by the internal audit wing is cent percent and
such checks include the check of all the items of work done in the respective offices, including
assessments. The inspection conducted by the internal audit wing of the departmental officers is an
annual one.
CHAPTER IV

ASSESSMENT, LEVY AND COLLECTION

A. Minerals


4.1.1. Important definitions in the Mines and Minerals (Regulation and Development) Act, 1957 are given below:

(i) Minerals: “Minerals” include all minerals except oils (Section 3 (a)).

(ii) Mining lease: “Mining lease” means a lease granted for the purpose of undertaking mining operations, and includes a sub-lease granted for such purpose (Section 3 (c)).

(iii) Mining operations: “Mining operations” mean any operations undertaken for the purpose of winning any mineral (Section 3 (d)).

(iv) Minor minerals: “Minor minerals” mean building stones, gravel, ordinary clay, ordinary sand other than sand used for prescribed purposes, and any other mineral which the Central Government may, by notification in the Official Gazette, declare to be a minor mineral (Section 3 (e)).

(v) Prospecting license: “Prospecting licence” means a licence granted for the purpose of undertaking prospecting operations (Section 3 (g)).

(vi) Prospecting operations: “Prospecting operations” mean any operations undertaken for the purpose of exploring, locating or proving mineral deposits (Section 3 (h)).

(vii) Reconnaissance operations: Reconnaissance operations means any operations undertaken for preliminary prospecting of a mineral through regional, aerial, geophysical, or geo chemical surveys and geological mapping but does not include pitting, trenching, drilling (except drilling of bore holes on a grid specified from time to time by the central Government) or sub-surface excavation (Section 3 (ha)).

(viii) Reconnaissance permit: Reconnaissance permit means a permit granted for the purpose of undertaking reconnaissance operations (Section 3 (hb)).
4.1.2. **License for prospecting and mining operations:** - Reconnaissance or Prospecting or Mining Operations cannot be undertaken except in accordance with the terms and conditions of Reconnaissance Permit or a Prospecting License or a Mining Lease granted under the Mines and Minerals (Regulation and Development) Act, 1957. The grant of Reconnaissance Permit or Prospecting License or Mining Lease is subject to restrictions under section 5 and area under section 6 of the Act.

**Periods for which prospecting licenses is valid**

As per section 7 of the Act, a reconnaissance permit or prospecting licence shall not exceed 3 years. These licenses are subject to renewal provided total period does not exceed five years.

**Periods for which a mineral lease is valid.**

As per section 8(1) of the Act, the maximum period for which a mining lease may be granted shall not exceed 30 years, the minimum period shall not be less than 20 years. As per section 8(2) a mining lease may be renewed for a period not exceeding 20 years.

4.1.3. **Authority for levy of royalty:** - The holder of a mining lease shall, notwithstanding anything contained in the instrument of lease, pay royalty in respect of the mineral removed or consumed from the leased area at the rate specified in the Second schedule to the Act in respect of that mineral or dead rent at such rate specified in the third Schedule to the said Act, whichever is greater. Royalty shall not be payable in respect of any coal consumed by a work man engaged in a colliery provided such consumption by the workman does not exceed on third of a tonne per month. The Central Government is empowered to amend the Second Schedule so as to enhance or reduce the rate of royalty in respect of any mineral not more than once during any period of 3 years.

4.1.4. **In respect of minerals specified in the Second Schedule to the Act,** royalty is leviable at the rates indicated therein while in respect of all other minerals not specified in the Second Schedule to the Act, royalty is leviable at ten percent of sale price on *advalorem* basis as per item 51 of the second schedule to the Act.

**Computation of Royalty on advalorem basis**

The Government of India have issued certain guidelines under Rule 64-D of Mineral Concession. Rules, 1960 for computing of royalty on *advalorem* basis.

**Revision application pending with the Government of India:**

Section 30 of the Mines Minerals (Regulation and Development) Act, 1957 empowers the Central Government to revise any decision of the State Government either *Suo Motto* or on an application made by the aggrieved party. An application for revision shall not be rejected on the ground of delay. The nature of the order that can be revised includes the grant, renewal or transfer or refusal to grant to renew or transfer the whole or any part of an area applied for, deemed refusal to grant as well as any order reducing the period of a licence or lease, applied for. Any such revision order is binding on the State Government.

4.1.5. **Procedure for fixing the Pit’s Head Value for levy of royalty on Pit’s head value:** - The Pit’s head value of a mineral should represent the sale value of the ore, i.e., the price it will fetch in the open market less the cost of transport and other incidental charges such as cost of transporting and handling the mineral from the Pit’s mouth, cost of processing the minerals if any, undertaken before sale, etc.
To ascertain the sale price, the mine owner, should be required to maintain proper accounts. In order to see that the actual figures of sale proceeds realized, are entered in the accounts, they should be got checked occasionally by reference to reliable firms who are dealing in that particular markets, where the mine owner usually disposes of the mineral.

(Authority : G.O.Ms.No.1207, Development Department dated 17-3-1953.)

4.1.6. The Pit’s head value varies from mineral to mineral depending upon its market value. The Pit’s head value has to be arrived at by deducting from the sale value of the minerals at the rail head or the port head, the “Incidental charges” and “Transport charges”.

The incidental charges should be the expenses on account of the following items:-

(i) Sorting by high selection both at the rail head and again at the time of shipment.
(ii) Preliminary screening to reduce the fines from stacks(and also gritty substances like quartz and gangue stuff).
(iii) Stacking expenses for arrangement of cleaned ore into stacks before sampling (arranged for in the presence of the exporter or purchaser).
(iv) Loading charges and
(v) Such other miscellaneous items as the miners may claim.

These items are only approximate and incidental charges may include other items depending upon the mineral.


4.1.7. It may be seen in Audit that information regarding production value of stock, dispatches of important minerals of the State are obtained by the Directorate of Mines and Geology from the Indian Bureau of Mines and necessary reconciliation is affected between the figures furnished by the Indian Bureau of Mines and the figures available with the Directorate of Mines and Geology. Such reconciliation is necessary in order to ensure that the figures reported by the mine owners are correct and that no mineral has been removed from the mining area without Payment of royalty thereon. If such comparison has not been done by the Directorate, the omission should be commented upon in Audit. Where however, both the sets of figures are available and the escapement of royalty has not been pointed out by the Department, the escaped royalty should be mentioned in the Audit Report relating to the offices inspected.

4.2. Levy and Collection: --

4.2.1. According to Part-V of Form ‘K’ (Form of Mining Lease) (Model Form) of Mineral Concession Rules, 1960, the lessee shall pay for every year yearly dead rent as provided in the Third Schedule to the Act (except for the first year) or the royalty together with the cesses thereon as assessed based on the quality and quantity extracted and dispatched in respect of each mineral, whichever is higher in amount but not both. In addition, he shall pay surface rent or land revenue and
water rate together with cesses as specified in the lease deed. He shall also pay and discharge all
taxes, rates, assessments and impositions whatsoever, being in the nature of public demands which
shall from time to time, be charged, assessed or imposed by the authority of Central and State
Governments.

4.2.2. The lessees are required to keep the correct accounts of the minerals mined and they shall
allow any officer authorised by the Central Government or the State Government in this behalf to
examine at any time any accounts, plans and records maintained by them (Rule 27(1) of the Mineral
Concession Rules, 1960). This in effect gives the Departmental Officials an opportunity to make
surprise visits to the leased area and verify the correctness of accounts maintained by them and check
the accuracy of returns furnished by them.

4.2.3. Procedure for Assessment.—The Assistant Director (Mines and Geology) obtains the detailed
accounts in respect of the mining lease from the lessee or his authorised agent in the prescribed
proforma. He calls for the following accounts and Registers in respect of all the leases held by the
lessee under his jurisdiction for checking the accounts and submitting proposals of assessment for
approval to be the Deputy Director concerned who will approve 90% of assessments and remaining
10% of the assessments in order of priority from the highest revenue lessee and irrespective of the
cut off 10% which are above Rs.25 lakhs will also be submitted to the concerned Zonal Joint Director
who approve the same

2. Production and dispatch Registers.
3. Pit’s mouth value statement.
5. Purchase bills.
7. Royalty and Rents payment register.
9. Plans and Sketches showing the upto date workings.
10. Monthly returns.
11. Monthly returns furnished to commercial tax department.

4.2.4. He obtains the information regarding the despatches from the returns filed by the lessee in the
Commercial Tax Department. After scrutiny and verification of despatches of the quantities with the
accounts of the Mine owner and the particulars obtained from Railway Station or Port, as the case
may be, and by reference to the firms dealing with the commodity, wherever necessary, he will
decide the quality and quantity of the mineral extracted and finalise the assessment of the royalty
appling the relevant rates of royalty. Then he will submit these assessments to the Deputy Director,
Mines and Geology for approval, as the case may be.

The approved assessment of the royalty or the dead rent will be sent to the Assistant Director
for further action.

4.2.5. *Due dates for payment.*—The assessments are finalized annually. The lessee shall at the end
of each year (31st March) pay all sums due to the State Government, during the subsistence of the
lease after adjustment of the advance royalty paid. The Mine owner may be permitted to pay such
sums due within 15 days of the expiry of each year, viz., 15th April.

4.2.6. *Interest on Arrears.*—The State Government may charge simple interest at the rate of 24% per
annum on any rent, royalty or fee (Other than the fee payable under sub-rule (1) of Rule 54) or other
sums due to Government under the Act or these Rules or under the terms and conditions of any
prospecting licence or mining lease from the sixtieth day of the expiry of the date fixed by the State
Government for payment of such amount and until payment is made.

(Authority : Vide rule 64-A of MC Rules, 1960)

4.2.7. *Recovery of arrears of Mineral revenue as arrears of Land Revenue.* —Section 25 of the Mines
and Minerals (Regulation and Development) Act, 1957 authorises the recovery of any rent, royalty,
tax, fee or other sums due to Government under the Act to be effected under the Revenue Recovery
Act as an arrear of land revenue.

The Government delegated powers under section 52(B) of Andhra Pradesh Revenue Recovery Act 1864 (Act II of 1864) to all the Assistant

(Authority: G.O.Ms. No.66 Revenue department LR Section dt.2-6-2005)
4.3 (B) Mineral Oils:

4.3.1 The oil fields (Regulation and Development) Act, 1948 provide for regulation of oil fields and for the development of mineral oil resources. Under sections 5 and 6 of the said Act, the Central Government made the Petroleum and Natural Gas Rules, 1959 as amended from time to time.

4.3.2 Important definitions in the oilfields (Regulation and Development) Act, 1948 and the Petroleum and Natural gas Rules, 1959.

(i) **Oil field**: Oil field means any area where any operation for the purpose of obtaining natural gas and petroleum, crude oil, refined oil, partially refined oil and any of the products of petroleum in a liquid or solid state, is to be or is being carried on.

(ii) **Mineral Oils**: Mineral oils include natural gas and petroleum.

(iii) **Crude Oil**: Crude oil means petroleum in its natural state in liquid, viscous or solid form before it has been refined or otherwise treated from which water and foreign substances have been extracted.

(iv) **Natural gas**: Natural gas means gas obtained from bore holes and consisting primarily hydrocarbons but does not include helium occurring in association with such hydrocarbons.

(v) **Petroleum**: Petroleum means occurring hydrocarbons in a free state whether in the form of natural gas or in a liquid viscous or solid form, but does not include helium occurring in association with petroleum or coal or shale or any substance which may be extracted from coal, shale or other rock by the application of heat or by a chemical process.

4.3.3 **Petroleum Exploration Licence and Petroleum Mining lease**

(i) **Area and term of Licence**: The area covered by a licence shall be specified therein and the license shall be valid for a period of four years which may be extended for further periods of one year each. (Rule 10 of PNG Rules, 1959).

(ii) **Security Deposit, Annual License fee and shedding areas**. The applicant for a license shall deposit a sum of Rs. 1,00,000 as security for due observance of the terms, convenants and conditions of licence.

The licensee shall pay yearly in advance by way of license fee a sum calculated for each square kilometer or part thereof at the following rates.

(i) Rs. 50 for the first year license
(ii) Rs. 100 for the second year license
(iii) Rs. 500 for the third year license
(iv) Rs. 700 for the fourth year license
(v) Rs. 1000 for each subsequent year of renewal

(Rule 11 of PNG Rules, 1959)

(iii) **Area and term of a lease**: The area covered by a lease shall ordinarily be 250 Sq Km’s and the term of a lease shall ordinarily be 20 years. The central Government may relax the condition regarding area or any application of lease.

(Rule 12 of PNG Rules, 1959)

(iv) **Mining lease fees rent**: The applicant of lease shall deposit a sum of Rs. 2,00,000 as security for due observance of the terms and conditions of the lease and also deposit a sum of Rs. 30,000 for meeting preliminary expenses.
On grant of a lease, the lessee (a) shall pay a fixed yearly dead rent for every year at the following rates.
Rs.25 per hectare or part thereof for area the first 100 Sq.Kms. and Rs.50 per hectare or part thereof for area exceeding 100 Sq.Kms provided that the lessee shall be liable to pay only the dead or royalty whichever is higher but not both.
(b) shall also pay to the state Government for the surface area of the land under the lease, surface rent at such rate not exceeding the land revenue and cess assessed or assessable on the land.
(Rule 13of PNG Rules)

4.3.4 Royalty on Petroleum:
The lessee shall
(i) Where the lease has been granted by the Central Government pay to that Government
(ii) Where the lease has been granted by the State Government pay to that Government.
a royalty in respect of any mineral oil mined, quarried, excavated or collected by him from the leased area at the rate specified in schedule of the Act from time to time. The Royalty shall be payable on monthly basis, as may be provided for in the lease and shall be paid by the last day of the month. Succeeding the period in respect of which it is payable.
(Rule 14 of PNG Rules 1959)

4.3.5 The lessee shall pay survey or re-survey fee of Rs.10,000 of the land covered by such lease to the state Government
(Rule 15 of PNG Rules, 1959)

4.3.6 Fees etc payable by due date
(1) All license fee, lease fees, royalties and other payments under rules shall, if not paid within the time specified for such payment be increased by a penal rate of 200 basis points over the prime lending rate of State Bank of India for the delayed period.
(2) If fees etc, payable by due date is in arrears for more than three months may cancel such license or lease and shall be published. Official Gazette which take effect from date of publication.
(Rule 23 of PNG Rules, 1959)

4.3.7 Penalties If the holder of a petroleum Exploration License or mining lease fails to furnish returns or acts, in contravention of sub-rule(2) of Rule 14, Rule19,Rule21 and Rule24 he shall be punishable with imprisonment for six months or with fine Rs.1000/- or with both. If he continues to commit such offence he shall be punishable for each day after the date of first conviction with fine of Rs.100
(Rule 32-A of PNG Rules 1959)

4.4. Cess on Mineral Bearing Lands:


4.4.2 According to section 3(1) of the above Act, there shall be levied and collected by the Government, a cess on the mineral produce from mineral bearing lands in respect of 1) All minerals specified in the second schedule under the MMRD Act, 1957 (Major Minerals), 2) Mineral oils
including Natural Gas and Petroleum and 3) All Minerals specified under schedule 1 of Rule 10 of APMMMC Rules 1966 (Minor Minerals) on every holder of mining lease on mineral specified at such rate and on such terms as the State Government may by notification specify in this behalf from time to time. In case of dispatch of mineral without payment of cess, the holder of the lease shall pay cess along with penalty of 5% on such amount.

The rate of tax prescribed from time to time on Minerals specified is leviable as stated below: -
<table>
<thead>
<tr>
<th>Name of the Mineral</th>
<th>Cess leviable</th>
<th>Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Coal</strong></td>
<td>Rs.20/- per Tonne.</td>
<td>GO Ms. No.251 IND &amp; COM MI(2) Dt.12.09.05</td>
</tr>
<tr>
<td><strong>2. Natural Gas</strong></td>
<td>Rs.60/- per 1000 Cubic Metres or Rs.0.06 per Cubic Metres.</td>
<td>GO Ms. No.252 IND &amp; COM MI(2) Dt.12.09.05</td>
</tr>
<tr>
<td><strong>3. Crude Oil</strong></td>
<td>Rs.640/- Per Tonne or 0.64 paise per KG of Crude Oil</td>
<td>GO Ms. No.253 IND &amp; COM MI(2) Dt.12.09.05 read with GO Ms. No.82 IND &amp; COM MI(2) Dt.02.03.06</td>
</tr>
<tr>
<td><strong>4. Barytes</strong></td>
<td>Rs.20/- per Tonne or 0.02 paise per KG of Byrates</td>
<td>GO Ms. No.254 IND &amp; COM MI(2) Dt.12.09.05</td>
</tr>
<tr>
<td><strong>5. Lime Stone</strong></td>
<td>Rs.3/- per Tonne</td>
<td>GO Ms. No.255 IND &amp; COM MI(2) Dt.12.09.05</td>
</tr>
<tr>
<td><em>LD Grade and others</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lime Kankar Lime Shell</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>6. Granite</strong></td>
<td>Rs.25/- per Cubic Metre or 0.000025 Paise per CC of Granite</td>
<td>GO Ms. No.256 IND &amp; COM MI(2) Dt.12.09.05</td>
</tr>
<tr>
<td><strong>7. Iron Ore</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i. Above 55 % Fe &amp; below 60% Fe</td>
<td>Rs.50/- Per Tonne</td>
<td>GO Ms. No.312 IND &amp; COM MI(2) Dt.22.11.06</td>
</tr>
<tr>
<td>ii. Above 60% Fe</td>
<td>Rs.100/- Per Tonne</td>
<td></td>
</tr>
</tbody>
</table>

*The Cess leviable under the above Act, is in addition to Royalty payable (vide Section 3(2) of the said Act).*
4.5. (C) Minor Minerals

4.5.1. The procedure regulating the grant of minor minerals is governed by the Andhra Pradesh Minor Mineral Concession Rules, 1966.

4.5.2. The application for quarry lease in respect of land shall be made in Form B to the Assistant Director of Mines and Geology concerned and shall be disposed of by him.

4.5.3. A quarry lease may be granted on application in Form B accompanied by a Treasury or Bank Challan for Rs.1000 towards fess. The conditions governing permit or lease for quarrying minor minerals are set forth in Rule 31 of the A.P. Mineral Concession Rules, 1966. The more important conditions pertaining to the lease are detailed below:

(a) The lessee should pay land assessment, if any, of the area under lease or permit:

(b) The lessee should pay the advance dead rent at the time of execution of the lease deed and the annual dead rent for subsequent years one month in advance every year and all sums payable to Government

(c) The lessee should commence quarrying operations within two months from the date of grant and thereafter carry on such operations in a business-like and workman-like manner:

(d) The lessee should not assign, sub-let or transfer or dispose of the area under lease or permit without obtaining the previous sanction in writing of the Assistant Director of Mines and Geology:

(e) The lessee is required to report to the Assistant Director of Mines and Geology, the occurrence of any mineral other than that specified in lease, if such mineral is found during the course of quarrying operations:

(f) If the lessee stops to work the quarry without obtaining the prior sanction of Assistant Director of Mines and Geology for a continuous period of six months the permit or lease granted shall be liable to be cancelled:

(g) The Deputy Director may grant renewal for not more than two times to the period of the quarry lease subject to prescribed criteria

(h) If the seigneurage fee, quarrying fee or rent payable by the lessee is not paid within three months next after the date fixed in the grant, the Deputy Director of Mines and Geology or any other officer of the department can distrain the minerals or movable property belonging to the lessee for recovering the Government dues.

4.5.4. When quarrying is carried on under these rules, the seigneurage fee or dead rent, whichever is higher, shall be charged on all the minor minerals dispatched or consumed from the land at the rate specified in the Schedule I and Schedule II to Rule 10.

4.5.5. Period of lease.—Deputy Director, Mines and Geology may grant quarry lease for a period of five years in respect of minerals which can be extracted without much equipment or investment like sand, murrum, gravel, lime shell, lime kankar, etc., and for a period of ten years in respect of minerals which require investment and equipment to develop the quarry, like lime stone, shale, granite, slate, marble shahabad slab, napa slabs, slabs, bentonite, fullers earth etc, and the respect minor minerals useful for road metal, ballast serving is a captive source for a crusher unit for a period of 15 years.
Prior approval of Government is required when the period of lease exceeds the above limits. (Authority: Rule 15 of A.P.M.M.C. Rules 1966).

4.5.6. Lease deed forms for working minor minerals need not be registered.


4.5.7. In case of small deposits of minor minerals which are worked to meet the immediate or timely, petty requirements of local inhabitants, permission may be accorded to carry on quarrying operation for a period not exceeding 6 months, on payment of seigniorage fee advance by the Assistant Director, Mines and Geology.

4.5.8 In case of default in payment of any money or negligence to furnish the security deposit or execution of the lease deed when required, the Deputy Director, Mines and Geology may pass an order terminating the lease and may forfeit the security deposit if any. (Rule 18 of Andhra Pradesh Minor Mineral Concession Rules, 1966).

4.5.9 Any amount due to the Govt. under minor mineral concession rules may be recovered as an arrear of land revenue.


4.5.10 The lessee shall pay the land assessment if any of the area under the lease or permit.

4.5.11 As per GO MS No.24 Industries and Commerce (MI) department dated 12-02.2007, the Government transfers Auctioning of sand from Panchayat Raj and Rural Development department to Industries and Commerce department for which District Level Committee should be constituted to regulate the matter with regard to auctioning of sand. The Assistant Director of Mines and Geology concerned who is the member convener of the committee will recommend the upset price of each reach in a mandal to the district level committee and take its approval before auction. The competent authorities in respective jurisdictions should confirm the bidding amount. The Asst. Director of Mines and Geology concerned shall ensure 5% of bid amount is to be credited to the State Head of Account. The minimum penalty for each truck carrying sand without valid permit issued by competent authority Rs.10000 for each truck of ten tones capacity and Rs.5000 in respect of tractor.

The auction proceeds after deducting 5% of bid amount shall be distributed among Zilla Parishad/ Mandal Parishal/ Gram Panchayat or Municipality or Corporation @ 25% : 50% : 25% respectively on quarterly basis as envisaged in GO MS No.255 Panchayat Raj and Rural Development (PTS-III) department dated 02.08.2001. Further, seignioragae fee collected and credited in the consolidated fund of the State shall be apportioned among Panchayat Raj Bodies i.e. Gram Panchyats/ Mandal Panchyats and Zilla Parishad in the ratio of 25%, 50%, and 25% respectively as stated in G.O. ibid.

4.6.1 Responsibilities of lessee:

(i) The lessee shall always keep the Govt. indemnified against any claim by any person for any loss or injury caused to him or to his property. In such cases, the Deputy Director shall be the competent authority to assess and fix any compensation payable by the lessee.

(ii) The lessee shall, effect and maintain at his own expense boundary pillar on the line of Boundary of the area under lease or permit.
4.7.1. **Particulars of Quarry Leases:** The Assistant Director, Mines and Geology, shall furnish by 5th of every month in form ‘D’ the full particulars of all the quarry leases granted in the preceding month indicating the situation, survey number and extent, the mineral and the period to which it was granted, with names and addresses of the lessees to the Director of Mines and Geology and also particulars of quarry leases terminated, relinquished or expired. He shall also furnish to the Director the particulars of mineral receipts in respect of all quarries granted every half year in form “E” (Rule 36).

4.7.2. When a quarry lease is granted over an area, arrangements shall be made at the expense of the lessee for the preparation of a plan and the demarcation of the area granted under the lease, after collecting a fee calculated according to the rates specified below vide Rule-7 of Andhra Pradesh M.M.C. Rules, 1966.

**Rates of survey charges**

- for Granite and Marble – Rs.2500 per application
- for other minor minerals – Rs.500 per application

4.8. **Despatch permit.**—According to the Rule 34, no minor mineral should be despatched from any of the leased areas, without a valid permit issued by an officer authorised in this behalf by the Assistant Director concerned. Violation of this rule entails forfeiture of security deposit and levy of normal seigniorage fee along with five times penalty by the Asst.Director or the authorised officer by him.

4.9. **Other important instructions.**—The minor minerals when used for purposes other than building material are to be treated as major minerals.

(Govt. Memo. No.2844/E. II/Mines/63-2: Dt. 20-6-63 Rule-iv).

4.10. **Permit system:**

4.10.1. To prevent the illicit transport of minerals, the Government of Andhra Pradesh had introduced permit system in G.O.Ms.No. 674 Ind. and Com., dated 27-6-1975. The system was given effect to from 1st October, 1975.

4.10.2 **Procedure:**

(i) The lessee intending to despatch ore/mineral from the leased area should submit his application for issue of a permit for removal of mineral from the leased area in Form (A), appended to the above Government order at least 15 days in advance of the proposed date of commencement of despatch of the ore/mineral.

(ii) After Verification of the stock, on the basis of the Returns and, if necessary, by making on-the-spot visit to the mine, the permit issuing authority will direct the lessee to make advance payment of royalty, the mineral rights tax and cesses in respect of the quantity proposed to be removed.
(iii) The lessee, after making payment of the assessed amounts under proper heads of Account should submit the chalans before the permit issuing authority for issue of royalty permit.

(iv) The permit issuing authority, after satisfying himself of the correctness of the facts mentioned in the application and after verifying the amounts paid, will issue the royalty permit in Form (B) appended to the Government Order.

(v) The permit issuing authority will maintain a detailed account of the permits issued in respect of each mine, showing date and number of permit, quality and quantity permitted, name and address of the party (whether the lessee or any purchaser) and stations from and to which to be despatched.

(vi) The permit will be valid for the specified period. If despatches of permitted quantities are not completed within the period (i.e., 3 months) the lessee should get the permit revalidated for a further period of 3 months from the permit issuing authority.

If the party is unable to transport the ore within the period specified in the permit and/ or also after revalidation, he may be asked to surrender the permit. He may be issued a fresh permit subsequently, as and when he makes arrangements for lifting the ore.

(vii) The lessee should surrender the permit to the permit issuing Authority after transporting the permitted quantity.

4.10.3. In respect of captive mines i.e., the mine, the mineral of which is consumed by the lessee himself (like cement factories) and where there is no despatch or sale of mineral to other parties, royalty permits may be issued for specified quantities for a period of 3 months by collecting royalty in advance on the basis of average of their despatches / consumption during the past 4 quarters.

4.10.4. Fresh permits may be taken by owners of captive mines before expiry of the old permit for another 3 months period after payment of royalty as laid down above. Owners of captive mines should follow the same procedure prescribed for other lessees for removal of ore.

4.10.5 **Departmental Instructions regarding Permit system**

The Assistant Director should not take permitted quantity for the purpose of Mineral Revenue Assessments (MRA’s) being higher than the actual despatches as it leads to wrong information about the mineral despatches. They should indicate the actual despatches only in the MRA’s and the excess amounts towards the un-despatched quantity which have been covered by permits and not transported within the stipulated time separately in the MRA’s as lapsed. There is no need to issue separate order to forfeit the amounts of the un-despatched quantity of the permits issued and there is equally no need to bring it forward to the next assessment year by showing it as at credit of the lessee. As the amounts available towards the un-despatched quantities for which the permits have been taken are already remitted to the Government by way of challans, it shall became part of the revenue to Government which requires no further action by the Assistant Directors.

(Authority: - Memo No.25897/51/89 dt.27.05.1996 of Mines and Geology Department)

4.11. (D) **Determination of leases and regrant of determined leases.**—The leases which are determined for default or breach of any condition of lease in accordance with Rule 27(5) of the Mineral Concession Rules, 1966 or areas which are surrendered / determined in accordance with Rule 29 of
the Mineral Concession Rules, 1960 have to be notified as available for regrant in the official gazette in accordance with Rule 59 of the Mineral Concession Rules, 1960.

4.12. (E) Appeal to Govt. of India.—The lessees have got right to appeal to Government of India against any order made by a State Government or other authority under the Act, for a revision of the order under Sec. 30 of the Mines and Minerals (Regulation and Development) Act, 1957.

4.13. (F) Levy of Stamp duty.—The lease deeds have to be stamped at the rates prescribed in the Indian Stamp Act, 1899 on the average annual rent reserved. The average annual rent has to be got estimated by the collector for the purpose of levy of Stamp Duty. Wherever non-levy / short-levy of stamp duty on lease deeds is noticed, this may be commented upon in the local audit report.

CHAPTER V
REGISTERS AND RETURNS MAINTAINED IN THE DEPARTMENT AND THE AUDIT CHECKS TO BE EXERCISED THEREON

5.1 (i) Office of the Director, Mines and Geology:

(a) Register of application for prospecting licenses – Form ‘G’.

(b) Register of Prospecting Licences – Form ‘H’.

(c) Register of application for mining leases – Form ‘L’.

(d) Register of Mining leases – Form ‘M’.

(e) Register of Demand, collection and Balance Half yealy.

(f) Production Register (Register showing the District-wise, Mineral-wise production)- Prepared with reference to yearly statement received for State Administrative Report.

(g) Monthly statistical data book pertaining to mineral production and despatches of Andhra Pradesh (Posted with reference to monthly returns of lessees).

(h) Register of Securities: Details of Securities collected from the lessees in accordance with the provisions of the M.C.Rules, 1960 are noted and the refund or adjustment watched.

(i) Register of penalties: In this register all cases of penalties levied under Section 21-A of the Mines and Minerals (Regulation and Development) Act, 1957, are noted and final disposal watched.

(j) Register of offences: This register shows all cases of offences committed under Section-23A of the Mines and Minerals (Regulation and Development) Act, 1957 and indicates the stages upto the final disposal of the offences.

(k) Register of Refunds: This register shows the amounts of royalty or other sums refunded to the lessee either by cash or adjustment of the amount towards the royalty or other sums
payable by the lessee for subsequent periods consequent on reduction of assessment in appeal or final assessment etc.

(l) Register of appeals: This Register is maintained to watch the disposal of appeals.

(m) Register of seized documents: The Register contains all entries regarding the documents seized at the time of inspection of the leased premises or the minerals illegally transported.

(n) Statement of D.C.B.: The progress of collection work watched by the Director of Mines and Geology through the statements of D.C.B. submitted to him every month. The statement helps (i) to know the assessment and revenue position and the progress in collection work, (ii) to know whether proper steps have been taken for the collection of balance, and (iii) to see whether there is any slackness on the part of any of the subordinate officers in the matter of collection works.

The statement is prepared for the month. The Director of Mines and Geology consolidates the D.C.B. for the entire State and submits his review to Government.

5.2. (ii) Office of the Assistant Director, Mines and Geology:

(a) Register of prospecting licences – Form ‘H’.

(b) Register of Mining leases – Form ‘M’.

(c) Monthly production and despatch Register (not prescribed by any rule or Government order) prepared with reference to monthly returns furnished by lessees. This is maintained year-wise and district-wise.

(d) Register of particulars of dispatches of minerals for each year in the following proforma.

(i) Name of the consignor.

(ii) Invoice Number.

(iii) Wagon Number.

(iv) Date of despatch.

(v) Name of the Mineral.

(vi) Quantity dispatched.

(vii) Name of consignee

(viii) R. R. Number.

(e) Register of Permits issued for movement of minerals (Prescribed in Memo. No. 17588 / F2-75. dt. 8-12-75 from Director of Mines and Geology, Hyderabad).

An extract of the register is required to be sent monthly to Director by 5th of the following month.
5.3. Demand, Collection and Balance.—This is a ledger which shows whether every lessee, against whom a demand is raised has cleared the demand. It furnishes complete particulars of all demands raised, collections made, and the balances outstanding against each lessee.

5.4. Challan Posting Register.—This is an important basic record. This Register is maintained to note the challans received, in payment of Royalty, Taxes, Cesses or other fees and advance payments under permit system and other payments made to clear the Demands outstanding. They are posted monthly Treasury-wise.

The entries in this register form the basis for purposes of reconciliation of the departmental figures monthly.

5.5. Register of Advance Collections and Adjustment.—Amounts paid by the lessees at the time of obtaining permits are to be posted against each lessee month-wise and the total payments of each half year are taken to D.C.B. to arrive at the balance if any to be collected.

5.6. Register of Demands Eliminated.—In this Register reasons for eliminating any demand from the D.C.B. Register like writer off orders received, due to finalisation of assessment etc., are noted.

Register of Securities
Register of penalties levied
Register of offences
Register of Refunds
Register of appeals
Register of seized documents

5.7. Minor Minerals (A.D. Offices).—(a) Register of quarry leases and periodical returns Form ‘D’ (An extract should be furnished to the Director, Mines and Geology by 5th of each month).

(b) Demand, Collection and Balance Statement of Quarry Leases (Minor Minerals) Director of Mines and Geology (Half yearly).

5.8. Checks to be exercised in Audit.—

5.8.1. Register of Application for Prospecting licences (Register in Form ‘G’):

It should be seen in audit:

(i) Whether the Register is maintained in prescribed form
(ii) Whether application fees have been paid, if so, whether they have been paid as per the rates laid down in Rules (Rule 9(2) of M.C. Rules 1960) and noted in Column No.8

(iii) Whether the final disposal of the application has been noted in Column 10 of the Register

(iv) Whether the signature of the officer obtained in Column I

(v) Whether any monthly abstract has been struck at the end of each month.

5.8.2. Register of Prospecting licences (Register in Form ‘H’) :

It should be seen in audit:

(i) Whether the Register is maintained in prescribed form.

(ii) Whether number and date of the certificate of approval has been noted in Column 6.

(iii) Whether application fee has been paid in accordance with rules and noted in Column 13.

(iv) Whether prospecting fee and Royalty, if payable, is paid according to rules and noted in Col. 14? (Rule 14 of M.C.Rules 1960).

(v) Whether the amount of security deposit collected is in accordance with the rules and noted in Column 15? (Rule 20 of M.C. Rules, 1960)

(vi) Whether particulars of refunds of Security deposit is noted in Column 16?

(vii) Whether the signature of the officer is obtained in column 22.

5.8.3 Register of Applications for mining leases in Form ‘L’.

It should be seen in audit:

(i) Whether the Register is maintained in the prescribed proforma

(ii) Whether application fee and preliminary expenses are paid in accordance with the Rules and noted in Column 9 (Rule 22 of M.C. Rules, 1960).

(iii) Whether the final disposal of the application has been noted in Column 10.

(iv) Whether the signature of the Officer is obtained in Column 12.

5.8.4. Register of Mining leases in Form ‘M’.

It should be seen in audit:

(i) Whether the register is maintained in prescribed Profoma

(ii) Whether all the particulars are noted in Col. 1 to 19.
(iii) The date of execution of mining lease should be carefully checked up as the lessee has to operate the mine within 3 months of the execution of the lease deed and has to give intimation of opening the mine within one month from the date of opening.

5.8.5 Assessment File:

It should be seen in audit that:

(i) The computation of quantity of extraction and despatch is correct. This may be checked with the notes of inspection by various officers and the figures furnished by the lessee.

(ii) The quality or grade of the mineral is decided with reference to the tests, if any conducted.

(iii) The rates of royalty is correctly applied as applicable from time to time.

(iv) The arithmetical accuracy is checked.

(v) The royalty so assessed or dead rent, whichever is higher is levied or not.

(vi) The Tax on Royalty, rents and water rate, if any, payable are correctly assessed as specified in the lease deed.

(vii) The local cess has been correctly worked out and levied.

(viii) The total assessment, so worked out, has been correctly noted in the D.C.B.

(ix) The amounts shown as paid by the lessee are correctly worked out with reference to the challans and challans are available in the File.

(x) In case of minerals, the royalty of which is fixed at percentage of pit’s mouth value, the deduction of Transport and other incidental charges is made as per rules and the price after deduction is correctly worked out.

(xi) The royalty and other sums due are credited to the correct head of account, and

(xii) There is no inordinate delay in finalising the assessment and also in the recovery of royalty etc.

5.8.6 Demand, Collection and Balance:

It should be seen in audit:

(i) That all demand issued as per assessment files are noted in the D.C.B. Register.

(ii) That the postings in the collection Column should be verified with the entries in the challan posting Register.

(iii) That the reasons for the heavy balances are analysed and any lapse on the part of the Department is commented upon.
(iv) In respect of the amounts becoming irrecoverable, it may be seen that there is no failure on the part of the department to follow the rules to realise the dues.

(v) Review on D.C.B. sent to higher officers or Government may be scrutinised.

(vi) Heavy balances or delay in realisation may be commented upon in the I.R.

(vii) Abnormal delay in taking the demand to D.C.B. Register should be brought to the notice of the Department.

5.9. Monthly production and despatch Register.—It may be seen in audit that the quantities furnished by the lessee monthly are correctly posted in this Register. The entries in this register are checked with the returns filled by the concern at the time of assessment as a counter check to verify the correctness of the figure shown in the return by the assessee.

5.10. Register of particulars of despatches of minerals.—It may be seen in audit that the figures of despatches are collected from the Railway Station Check post and posted in this Register. A few entries may be test checked with the assessment files.

5.11. Register of permits issued for movement of minerals:

(i) It may be seen in audit that the Register is maintained in prescribed form and up-to-date.

(ii) A few entries from this register may be traced in the Assessment file.

(iii) The permits issued in a month selected for check may be traced in this Register.

(iv) It may be ensured that the challans are available in support of the amounts shown as paid for (against) these permits. A few entries (i.e., entries for selected month) may be checked with the challans.

5.12. Register of Securities.—This register may generally be examined to verify that the department instructions and instructions in A.P.F.C. Volume I relating to its maintenance have been followed.

5.13. Challan Posting Register.—It should be seen whether necessary reconciliation with treasury figures has been effected and differences, if any, reconciled immediately. Entries of a selected month have to be traced into Assessment files and D.C.B.

5.14. Register of penalties levied.—It should be verified whether the penalty is correctly levied as per rules. The collection particulars should be verified with the entries in challan posting Register to the extent prescribed.

5.15. Register of Offences.—A percentage of offences files should be verified with the entries in the Register and Collection of compound fees checked with challan posting Register. It should be seen that there are no undue delays in disposal of offence cases.

5.16. Register of Refunds.—It should be verified whether the refund in cash or adjustment, as the case may be, has properly been noted in the Register of advance collection
of Royalty or other dues and the credit taken into the D.C.B. in respect of adjustments. A percentage of counterfoils of refund orders should also be verified.

5.17. Register of Appeals.—This Register may generally be examined to verify that the departmental instructions relating to its maintenance have been followed. The entries in the Register of Seized documents are utilized while finalising the assessment or assessments revised based on those documents.

5.18. Register of Demands eliminated.—It should be seen that the demands eliminated are all covered by proper orders of the competent authority.

5.19. Reconciliation of Departmental figures.—According to Andhra Pradesh Finance Code, Volume I Departmental officers are primarily responsible for reconciliation of departmental figures of receipts with those appearing in the treasury accounts. One of the important checks, therefore, in audit is to review with a view to seeing whether this reconciliation is actually done by the departmental Officers regularly.


5.20. Particulars to Minor Minerals.—It may be seen in audit :

(1) That the period of lease has been fixed in accordance with rule 15 of A.P. Minor mineral concessions rules, 1966.

(2) That the fees required to be remitted for the preparation of plans and demarcation of the site are collected in accordance with the rates provided in Rule 7 of the A.P. Minor Mineral concession Rules, 1966.

(3) That the required security deposit has been remitted by the lessee before executing the lease deed.

(4) That in the case of default in payment of any money, necessary action to terminate the lease and to forfeit all the sums paid by the lessee is taken and the quarry is reauctioned at the risk of the defaulter.

(5) That the demand is entered in the Register immediately after the lease is granted and the collection is watched.

(6) Whether there are any cases of unauthorised quarry operations? If so, it may be seen that the penalty as per rules 26 of A.P.M.M.C. Rules 1966 together with assessment is imposed and demanded.

Deputy Director is the authority competent to impose penalties under Rule 26 of A.P.M.M.C Rules, 1966.

5.21. Expenditure Audit.—As per orders of the Comptroller and Auditor General, the local audit of expenditure is to be taken up along with the audit of Receipts of the office. The provisions of Manual of Inspections (Civil) have to be followed in respect of audit of Expenditure.
The Service Books have also to be checked following the provisions of the O.A.D./Civil/Manual and orders issued by I.C.H. from time to time.
CHAPTER VI
AUDIT CHECKS AND AUDIT PROCEDURE IN GENERAL

6.1. The main object of audit of receipts from Mineral Revenue of the State Government is to see that all mineral revenues are correctly assessed, noted in the relevant registers and that amounts due from the holders are collected and remitted into the treasuries promptly. For this purpose, it is necessary to audit the records maintained in the following Offices of the Mines and Geology Department.

(1) Director of Mines and Geology.
(2) Joint Directors of Mines and Geology
(3) Deputy Directors of Mines and Geology.
(4) Assistant Directors of Mines and Geology.

6.2. Checks to be conducted —The nature of checks would depend on the procedure of levy, mode of collection, etc. Audit checks would be confined to a review of the registers, records and Accounts maintained by the department. Test check of individual cases and of the arrangements for reconciliation of departmental figures of receipts with those of the Treasury is also to be conducted. The checks to be conducted consist in seeing that Mineral Revenues etc., have been collected at the appropriate rates and in accordance with the procedures/formalities prescribed in the Acts/Rules/Government Orders. Non-fulfillment of statutory requirements, non-assessments, short assessments detected by the departments and cases of evasions of payment of Mineral Revenue should be pursued to finality. A test check of the challans of Mineral revenue remitted into the treasury is also to be carried out. Audit is to see that all orders in respect of waivers, refunds and exemptions of mineral revenue are covered by proper authority. The checks to the extent prescribed in this regard should be carried out.

6.3. Audit to be conducted by trained personnel.—To discharge these functions effectively, the members of the staff who are posted to the state Receipt Audit work must be thoroughly conversant with the processes and procedures relating to levy and collection of taxes and the loss and the rules governing such processes and procedures.


6.4. Programme of Local Audit.—The programme of local audit of Mines and Geology offices should be drawn up at least one month in advance before the commencement of the local audit.

6.5. Composition of Local Audit Party.—The State Receipt Audit party normally consists of two Section Officers / Assistant Audit Officers and one Auditor who are all trained personnel well acquainted with the Mineral Revenue Laws of the State and various accounts maintained by the departments. The supervision by a Gazetted Officer should be so arranged that he may join the audit party towards the closing days of audit and discuss the local audit report with the head of the office inspected.

6.6.1. Conduct of Audit:—One the first day of Audit, the Senior Section Officer/ Assistant Audit Officers of the audit party should make out a statement showing the allocation of work among the party members and get this approved by the Inspecting Officer on his taking up the supervision of the party. Important items of work should be undertaken by the Section Officers / Assistant Audit Officers who should also review the previous local audit reports. The result of such review should be brought
out by giving a gist of objections from previous inspection reports, indicating the reasons for the pendency of each para and the action taken thereon. The points for verification, if any, communicated by the Headquarters section should be looked into and the result reported to the Main Office. The supervision exercised by the Receipt Audit Officer should be particularly directed to seeing that the objections raised are fully supported by facts and rules, etc., and that no incorrect objection is allowed to creep in.

6.6.2. Audit memoranda of the Local Audit Report should be courteously worded in temperate language without issuing any directive to the departmental Officers which may be construed as encroaching on their administrative functions. The Audit Memorandum should bring out the omissions that appear to have occurred at the time of levy of taxes and a request should be made to verify the correctness of the audit observations and to take such action as deemed necessary under intimation to Audit. The tax involved, whether excess or short levy should be specifically mentioned, wherever possible.

6.6.3. The departmental officers should be requested to offer their remarks with reference to the Audit Memoranda issued and return the same in original within 3 days. It should be ensured by the field parties that the departmental officers do not give vague and evasive replies to the Audit Memoranda.

6.6.4. Diaries indicating details of work done on each day should be maintained by the Section Officers / Assistant Audit Officers and auditors of the inspecting parties in form SY-324 (Specimen is given below). Weekly extracts therefrom should be sent by the inspection parties to Headquarters Section through the Inspecting Officers where the duration of the audit exceeds seven working days. Diary SY-324 of Sri…………………….. Section Officer/ Assistant Audit Officers Auditor for the week ending Saturday the…………………..

<table>
<thead>
<tr>
<th>Date</th>
<th>Day of the week and hour of attendance</th>
<th>Name of the Dept. Office inspected</th>
<th>Details of work done</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The…………………….. Section Officer/ Assistant Audit Officers.

Auditor.

Countersigned

Inspection Officer.

( R.A.S.T.--VI/8-3-4/75-76, dated 30-7-1976)

6.6.5. The audit of contingent expenditure of Mineral Revenue Office etc., has been entrusted to State Receipt Audit branch with effect from 1-10-1973, along with the receipt audit of Mines and Geology Office. (C & A.G. Lr. No. 101/Rec. A/111/45-72-111, dated 18-4-1973).

The contingent audit of Mines and Geology Office should be conducted since last audit till the month previous to the month in which audit takes place and should not be confined to the years of receipt audit only which will be for specified years as per the intimation sent to the departmental Officers.


6.7 Documents involved in suspected cases of frauds.—The field parties need not bring the documents relating to the cases of suspected frauds to Headquarters for taking photostat copies. It is enough that a note of the document in question is taken and the matter is brought to the notice of the department wherever necessary.
6.8. **Omissions and mistakes in Framing Laws.—** The Comptroller and Auditor-General has opined that, as a matter of principle, comments focusing Parliament’s/Legislature’s omissions or mistakes in framing the laws need not be incorporated in the Audit Report. If, however, the provisions of law have led to consequences not intended at all by the policy underlying the law or a lacuna is being exploited by unscrupulous Tax Payers by way of legal avoidance, a draft para may be featured under “Other topics of interest” subject to the condition that no remedial action is under contemplation.


6.9. **Preparation and submission of Local Audit Report.—**

The following instructions have been issued for guidance in respect of preparation and submission of Local Audit Report.

(i) The instructions contained in para 774 of Manual of Standing Orders (Technical) Volume I should be followed.

(ii) The objections should be classified as follows:

(a) objections valued at Rs.30,000 and more should be registered in Part II-A.

(b) objections valued at Rs.5,000 and more but less than Rs.30,000 should be registered in Part II-B.

(c) all other objections valued at less than Rs.5,000/- should be included in the Test Audit Note.

(iii) The Local Audit Report should be written up by the Receipt Audit Officer himself in all cases where he supervises the party on the closing days of the local audit. In all other cases, the Section Officer/Assistant Audit Officers may draft the report.

(iv) There should be a proper marshalling of facts contained in the Half-margin and the facts should be arranged in logical sequence. Cogent arguments should be advanced in making a point and the conclusion arrived at should be convincing.

(v) Field parties should be far as possible enclose copies of Government Orders or Judgements, extracts of rules etc., in the departmental manual etc., which may not be expected to be available in Headquarters Section (Vide Circular No. 7-A, dated 8/73 of S.R.A.Hqrs.).

(vi) Annexures to the Local Audit Report should be serially numbered as I, II, III etc., giving reference to the relevant paragraph. The page number of the Annexure should be indicated against the concerned para.

(vii) The rough notes including the Audit Memoranda and the report proper should be tagged separately and page numbered from bottom to top and not vice versa These should be arranged in the following manner:
(a) Forwarding note.

(b) Special note to the Headquarters Section, if any.

(c) Local Audit Report.

(d) Annexure referred to in Local Audit Report.

(e) Test Audit Note (Copy).

(f) Allocation of work, Half Margins and replies.

(g) List of Files etc., seen.

(h) Duplicate Half Margins and other rough sheets.

(viii) Short recoveries of revenue due to Government made good on the spot at the instance of audit should nevertheless be included in a separate paragraph of Local Audit Report in cases where the individual amount is in excess of Rs. 100 so that they may be included in the Register of Audit Activity.

(ix) Only real and sustainable objections supported by Cogent arguments and proper authority should be raised by the parties who should exhibit fair-play and impartiality in examining and appreciating the replies of the department.

(x) The parties should not draw conclusions without considering the reply given by the department. Differences, if any, should be settled before the paras are drafted which should contain accepted facts only.

(xi) The field parties should as far as possible go through their Local Audit Reports as edited by State Receipts Audit Head Quarters whenever time permits, when they go over to Head Quarters. (S.R.A.HQrs/Circular No.5, dt. 6-4-74).

(xii) The Local Audit Report should be despatched in covers addressed by name to the Section Officer / Assistant Audit Officer or Audit Officer, State Receipt Audit Head Quarters Section and not to the Senior Deputy Accountant General (State Receipt Audit). The report should be despatched so as to reach the Head Quarters Section within a week of the completion of the audit in order to ensure their safe receipt at the Head Quarters Section (S.R.A. HQrs./Reg/Hq/73-74/Circular No.27, dated January, 1974).

(xiii) (i) The Local Audit Report should be for the years in respect of which the receipts accounts were generally examined and text audit was conducted.

(ii) The Local Audit Report should be in three parts as indicated below:

Part I  (a) Introductory para and (b) a gist of outstanding objections.

Part II  Major irregularities and important paras.

Part III  Minor objections and points.

Note: - A gist of outstanding objections from previous Inspection reports is to be given in brief in para I (b) vide S.R.A. Circular 38, dt. 1-1-79.
6.10. Powers for settlement and dropping of objections: Accountant General delegated powers for settlement of objections as noted below. Units in SRA(Head Quarters) should follow the prescribed procedure in settling the objections. Once an objection is accepted by the Department and necessary demand is raised objection can be treated as settled without waiting for realisation of the demand or finalisation of appeals etc.,. The actual demand raised and the amount collected against the demand are to be verified in the next audit. This has to be ensured by noting such items in the Register of points for verification in next local audit by field parties.

The powers for settlement of objections

<table>
<thead>
<tr>
<th>Officer Designated</th>
<th>Powers for settlement</th>
</tr>
</thead>
<tbody>
<tr>
<td>SO/AAO</td>
<td>Rs.10000/-</td>
</tr>
<tr>
<td>AO / SR.AO</td>
<td>Above Rs.10,000/- but not more than Rs.50,000/-</td>
</tr>
<tr>
<td>Group Officer</td>
<td>Above Rs.50,000/- but not more than Rs.5,00,000</td>
</tr>
</tbody>
</table>


The power for dropping of objections

Audit officer …upto Rs.1,000/-
Group officer ….upto Rs.25,000/-
Accountant General ….Full and unlimited powers.

Authority: circular No:928-Rec-A-IV/52-80 of CAG dt.9-8-84

6.11. **Duties of Head Quarters Section:** The Head Quarters Section should arrange to obtain Governments Orders, notifications, departmental circular instructions, clarification and Judgements of courts etc., affecting Mineral Revenue receipts and examine them. References to Government or Director of Mines and Geology should be made promptly whenever found necessary. Copies of important orders or circulars should be communicated to the Audit parties for their guidance. A review of the Audit Reports of the other States should also be undertaken and cases of important irregularities commented upon in those reports should also be communicated to the audit parties for their guidance.

The Head Quarters wing of State Receipt Audit (S.R.A.) should ensure the smooth discharge of the following functions:

(i) Programming of audits including preparation of skeleton audit guidance notes:

(ii) Training:

(iii) Preparation and updating of manuals for such receipt audits as may be necessary:

(iv) Receipt and processing of Local Audit Reports till approval and issue of the same:

(v) Further pursuance of the reports by issuing reminders at suitable intervals and taking up the matter at the appropriate level at the proper time.

(vi) Coordinating the activities of departmental audits so as to serve as a link, wherever necessary, with ‘Central’ or ‘State’ Audit or vice versa, as for example, if a certain receipt item has the effect of affecting receipt is another head it may be necessary to inform the other audit party and ensure proper checking.

(vii) To deal with references from the Comptroller and Auditor General and collect all information required by the Comptroller and Auditor General on all aspects connected with receipt audits.

(viii) To compile and make available to audit parties all circulars, instructions and other documents/reports necessary for local audit.

(Circular No.3 of 1973 from the C.& A.G.).

6.12. The Comptroller and Auditor General has prescribed the maintenance of the following registers:-

(i) A list of Offices of Mines and Geology Department to be audited annually.

(ii) A programme register showing the selected office etc., for the purpose of audit in a month, quarter or half year, as the case may be.

(iii) A register to watch receipt of the Local Audit Reports from the audit parties and issue of the same to the department.
(iv) An objection book with a register of adjustment in the prescribed form.

(v) A register to show the progress of objection.

6.13. The Local Audit Report should be edited by the Head Quarters Section and issued after approval by Senior Deputy Accountant General. The report should be sent to the concerned officer with a request to send the replies through the controlling officers indicated below:

<table>
<thead>
<tr>
<th>Name of the Office</th>
<th>Controlling Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Director of Mines and Geology</td>
<td>Secretary to the Government of Andhra Pradesh (Industries and Commerce Department)</td>
</tr>
<tr>
<td>(ii) Joint Director, Deputy Directors, and Assistant Director of Mines and Geology</td>
<td>Director of Mines and Geology</td>
</tr>
</tbody>
</table>

6.14. “A statement of inspection reports pending for over six months in the prescribed form should be sent to the C. & A.G’s. Office every quarter”.

A quarterly report showing the offices from which even the first replies to the Local Audit Reports have not been received should also be communicated to the Head of the Department/Government.

The Headquarter section will be responsible for processing the draft paras on Mineral Revenue receipts to be included in Receipt Audit Report. For this purpose, a separate register to watch the progress of the paragraphs to be proposed for inclusion in the Audit Report should be maintained. Paragraph with money value of more than Rs. 30,000/- only are to be proposed for audit report vide Comptroller and Auditor General’s letter No. 928 /REC-A-IV/ 52-80
Annexure – I
Referred to in para 1.5
THE FEES AND DEPOSITS COLLECTABLE WHILE GRANTING
CERTIFICATE OF APPROVAL/LEASE ARE GIVEN BELOW

<table>
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<tr>
<th>Description</th>
<th>Amount of fees</th>
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<td>1.Application of prospecting license and its renewal</td>
<td>A non-refundable fee calculated in accordance with the processing of schedule –II</td>
<td>Rule 9(2)(a) of Mineral concession Rules, 1960</td>
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<td>2.Mining lease application or renewal</td>
<td>Non-refundable fee of Rs.2500/-</td>
<td>Rule 22(3) of MC Rules, 1960</td>
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<td>3.Surrender of a part hold for meeting the expenditure for purposes of survey and demarcation</td>
<td>Rs.200/-further sum of Rs.200/- where the whole or any part of the amount deposited has not been expanded, it shall be refunded to the lessee</td>
<td>Rule 29(2) of MC Rules, 1960</td>
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<tr>
<td>4.Application for grant of quarry lease under APMMMC Rules, 1966</td>
<td>Rs.1000/-</td>
<td>Rule 12 of APMMMC Rules, 1966</td>
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<td>5.Fees for preparation of plans and demarcation of the leased area</td>
<td>Fees as laid down in Rule 7 of APMMMC Rules, 1966</td>
<td>Rule 7 of APMMMC Rules, 1966</td>
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**Deposits**
1. Before executing of prospecting license deed, an applicant for prospecting licence has to deposit security of Rs.2500 for every square kilometer or part there of and it is refundable if not forfeited. (Authority: Rule 20 of MC Rules 1960)
2. Application for Mining lease to be accompanied by a deposit of Rs.1000/-for meeting preliminary expenses. (Authority: Rule 22(3) (i-a)(ii) of M.C Rules, 1960)
3. An applicant for mining lease has to deposit Rs.10,000/- as security Deposit before lease deed is executed (Authority: Rule 32 of MC Rules, 1960)
4. An applicant for grant of prospecting Licence (P.L) shall deposit a sum of Rs.10,000/- for every hectare or part there of before that licence deed is executed.
5. An applicant for grant of Quarry lease (Q.L) under Rule 5 of APMMMC Rules, 1966 shall deposit as security a sum, equivalent to one year dead rent before the lease deed is executed. (Authority: Rule 14 of APMMMC Rules, 1966)
ANNEXURE -II

(Referred to in Para 3.4)
ORGANISATIONAL SET UP OF THE DEPARTMENT OF MINES AND GEOLOGY.

1. Joint Director of Mines and Geology, Visakapatnam zone

   Head Quarters : Visakapatnam
   Jurisdiction : Srikakulam, Vijayanagaram
                   Visakapatnam, East Godavari
                   and West Godavari Districts

   (a) Deputy Director of Mines and Geology, Visakhapatnam
       Head Quarters : Visakapatnam
       Jurisdiction : Srikakulam, Vizianagaram
                      and Visakapatnam Districts

   (b) Deputy Director of Mines and Geology, Kakinada
       Head Quarters : Kakinada
       Jurisdiction : East Godavari, West Godavari
                      and Krishna Districts.

   Note: DD(M&G), Kakinada functioning under the control of both J.D(M&G) Visakapatnam and
       J.D.(M&G) Ongole with Jurisdiction control of East Godavari, West Godavari districts and
       Krishna districts respectively.

   (c) Assistant Directors of Mines and Geology.
       Located at 1. Srikakulam, 2. Tekkali,
                   3. Vizianagaram, 4. Visakapatnam
                   5. Anakapalli, 6. Rajamundry, and
                   7. Eluru.

2. Joint Director of Mines and Geology, Prakasam zone

   Head Quarters : ONGOLE
   Jurisdiction : Krishna, Guntur
                  Prakasam and Nellore Districts

   (a) Deputy Director of Mines and Geology, Guntur
       Head Quarters : Guntur
       Jurisdiction : Guntur, Prakasam
                     and Nellore Districts

   (b) Assistant Director of Mines

3. Joint Director of Mines and Geology, Kadapa zone
Head Quarters : Kadapa
Jurisdiction : Kadapa, Kurnool, Chittoor and Ananthapur Districts

(a) Deputy Director of Mines and Geology, Kadapa
Head Quarters : Kadapa
Jurisdiction : Kadapa and Chittoor districts

(b) Deputy Director of Mines and Geology, Kurnool
Head Quarters : Kurnool
Jurisdiction : Kurnool and Ananthapur districts

(c) Assistant Directors of Mines and Geology.

4. Joint Director of Mines and Geology, Hyderabad zone
Head Quarters : Hyderabad
Jurisdiction : Telangana Districts

(a) Deputy Director of Mines and Geology, Hyderabad
Head Quarters : Hyderabad
Jurisdiction : Hyderabad, Ranga Reddy, Nalgonda and Mahaboobnagar Districts

(b) Deputy Director of Mines and Geology, Warangal
Head Quarters : Warangal
Jurisdiction : Warangal, Karimnagar and Khammam districts

(c) Deputy Director of Mines and Geology, Nizamabad
Head Quarters : Nizamabad
Jurisdiction : Medak, Nizamabad, Adilabad districts

(d) Assistant Directors of Mines and Geology.
OFFICE OF THE ACCOUNTANT GENERAL  
(COMMERCIAL AND RECEIPT AUDIT)  
ANDHRA PRADESH, HYDERABAD

MANUAL ON STATE EXCISE  
(THIRD EDITION)

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PREFACE

The local audit of receipts of State Excise Department was taken up in 1972. The manual was first issued in 1979. The present edition is a revised one incorporating amendments upto September 2007.

This manual has been prepared for the guidance of the members of the field audit parties entrusted with the audit of Excise Revenues and Refunds and the Headquarters Section processing the local audit reports of Excise Offices.

The salient features of the Andhra Pradesh Excise Act, 1968 and the various Rules made thereunder the Medicinal and Toilet preparations (Excise Duties) Act 1955 and the Medicinal and Toilet preparations (Excise Duties) Rules 1956, relating to the levy, assessment and collection of excise duties, fees, etc., have been set out in this Manual. It should be noted that, unlike other Revenue laws, the provisions relating to the levy, assessment and collection of excise duties, fees and their refunds, etc., are contained in the Notifications and Rules issued under the Excise Act rather than the Act itself and therefore, a closer knowledge of these Rules is essential for purposes of conducting effective audit of excise revenues and refunds therefrom. If, in the course of audit, any reference has to be made to a particular provision of the Act or the Rules made thereunder, such a reference should be to the sections of the Andhra Pradesh Excise Act, or the particular Rules made thereunder and not to the paragraphs of this Manual.

Any suggestions to correct any errors or to improve the Manual may be brought to the notice of the Deputy Accountant General, State Receipt Audit.

The SRA Headquarters section is responsible for updating the Manual from time to time.

(P.J. MATHEW)
Hyderabad
Accountant General (C&RA)
Andhra Pradesh, Hyderabad.

CHAPTER 1
AUDIT OF REVENUE
1.1 Introduction :- Article 151 of the Constitution of India enjoins that the Comptroller and Auditor General of India shall submit reports relating to the accounts of the Union and States to the President or the Governor of a State, as the case may be, who shall cause them to be laid before each House of Parliament or Legislature. The word ‘Accounts’ in its totality includes both receipts and expenditure transactions. Section 16 of the Comptroller and Auditor General’s (Duties, Powers and conditions of Service) Act, 1971, specifically enjoins upon the Comptroller and Auditor General to audit all receipts of the Union and of the States and to satisfy himself that the Rules and procedures in that behalf are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are duly observed. For that purpose, the Comptroller and Auditor General is authorized to undertake such examination of the accounts as he thinks fit and to report thereon. The scope of audit is largely left to the discretion of the Comptroller and Auditor General and under his guidance and instructions, the State Accountant General conduct receipt audit.

1.2 Auditing Standards : Auditing Standards prescribe the norms of principles and practices, which the Auditors are expected to follow in the conduct of Audit. They provide minimum guidance to the Auditor (it means the Auditing Institutions represented by the Field Audit Party) that helps determine the extent of auditing steps and procedures that should be applied in the audit and constitute the criteria or yardstick against which the quality of audit results are evaluated.

The norms of Principles and Procedures to be followed by Audit are prescribed in "Auditing Standards" (2nd Edition, 2002) which, inter-alia, include the following:

A) Basic Postulates: The basic postulates for auditing standards are basic assumptions, consistent premises, logical principles and requirements which held in developing auditing standards and serve the auditors in forming their opinions and reports, particularly in cases where no specific standards apply.

The Basic Postulates are:

1) The Supreme Audit Institution of India (SAI) should comply with the International Organisation of Supreme Audit Institutions (INTOSAI) auditing standards in all matters that are deemed material.
2) The SAI should apply its own judgement to the diverse situations that arise in the course of Government auditing.
3) With increased public consciousness, the demand for public accountability of persons or entities managing public resources has become increasingly evident so that there is a need for the accountability process to be in place and operating effectively.
4) Development of adequate information, control, evaluation and reporting systems within the Government will facilitate the accountability process, Management is responsible for correctness and sufficiency of the form and content of the financial reports and other information.
5) Appropriate authorities should ensure the promulgation of acceptable accounting standards for financial reporting and disclosure relevant to the needs of the Government, and audited entities should develop specific and measurable objectives and performance targets.
6) Consistent application of acceptable accounting standards should result in the fair presentation of the financial position and the results of operations.
7) The existence of an adequate system of internal control minimises the risk of errors and irregularities.
8) Legislative enactments would facilitate the co-operation of audited entities in maintaining and providing access to all relevant data necessary for a comprehensive assessment of the activities under audit.
9) All audit activities should be within the SAIs audit mandate.
10) SAIs should work towards improving techniques for auditing the validity of performance measures
11) SAIs should avoid conflict of interest between the auditor and entity under audit.
B) **General Standards:** 1) The general auditing standards describe the qualifications of the auditor and the auditing institution so that they may carry out the tasks of field and reporting standards in a competent and effective manner. These standards apply to all types of audit for both auditor and audit institutions. While auditing, the auditor should be independent, competent and due care should be taken in planning, specifying, gathering and evaluating evidence and in reporting findings, conclusions and recommendations.

2) The legal mandate provided in the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971 provides for full and free access for the CAG and his auditors to all premises and records relevant to audited entities and their operations and provides adequate powers to the CAG to obtain relevant information from persons or entities possessing it.

3) The audit department seek to create among audited entities an understanding of its role and function, with a view to maintaining amicable relationships with them. Good relationships can help the SAI to obtain information freely and frankly and to conduct discussions in an atmosphere of mutual respect and understanding.

C) **Field standards (1):** The purpose of field standards is to establish the criteria or overall framework for the purposeful, systematic and balanced steps or actions that the auditor has to follow. These steps and actions represent the rules of investigation that the auditor, as a seeker of audit evidence, implements to achieve a specific result.

(2) The field standards establish the framework for conducting and managing audit work. They are related to the general auditing standards, which set out the basic requirements for undertaking the tasks covered by the field standards. They are also related to reporting standards, which cover the communication aspect of auditing, as the results from carrying out the field standards constitute the main source for the contents of the opinion or report.

(3) The field standards applicable to all types of audit are:

a) The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.

b) The work of the audit staff at each level and audit phase should be properly supervised during the audit; and a senior member of the audit staff should review documented work.

c) The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control.

i) **Planning:** The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out without wastage of resources in an economic, efficient and effective way in a timely manner.

1) the following planning steps are normally included in an audit:

a) Collect information about the audited entity and its organisation in order to assess risk and to determine materiality.

b) Define the objective and scope of the audit.

c) Undertake preliminary analysis to determine the approach to be adopted and the nature and extent of enquiries to be made later.

d) Highlight special problems foreseen when planning the audit.

e) Prepare a budget and a schedule for the audit.

f) Identify staff requirements and a team for the audit, and

g) Familiarise the audited entity about the scope, objectives and the assessment criteria of the audit and discuss with them as necessary.
ii). **Supervision**: The work of audit staff at each level and audit phase should be properly supervised during audit, and a senior member should review documented work.

The following paragraphs explain supervision and review as an auditing standard.

A. Supervision is essential to ensure the fulfillment of audit objectives and the maintenance of the quality of the audit work. Proper supervision and control is therefore necessary in all cases, regardless of the competence of individual auditors.

   (a) Supervision should be directed both to the substance and to the method of auditing. It involves ensuring that:

   1. The members of the audit team have a clear and consistent understanding of the audit plan.
   2. The audit is carried out in accordance with the auditing standards and practices of the SAI.
   3. The audit plan and action steps specified in that plan are followed unless a variation is authorised.
   4. Working papers contain evidence adequately supporting all conclusions, recommendations and opinions.
   5. The auditor achieves the stated audit objectives and
   6. The audit report includes the audit conclusions, recommendations and opinions, as appropriate.

1. All audit work should be reviewed by a senior member of the audit staff before the audit opinions or reports are finalised. It should be carried out as each part of the audit progresses. Review brings more than one level of experience and judgement to the audit task and should ensure that:

   a. All evaluations and conclusions are soundly based and are supported by competent, relevant and reasonable audit evidence as the foundation for the final audit opinion or report.
   b. All errors, deficiencies and unusual matters have been properly identified, documented and either satisfactorily resolved or brought to the attention of a more senior SAI officer, and
   c. Changes and improvements necessary to conduct of future audits are identified, recorded and taken into account in later audit plans and in staff development activities.

3. This standard emphasis's the importance of involvement of each higher level of supervision and does not in any way absolve the lower levels of audit staff carrying out field investigations from any negligence in carrying out assigned duties.

iii) **Study & Evaluation of Internal Control**: The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control and depends on the objectives of the audit and on the degree of reliance intended. Where accounting or other information systems are computerized, the auditor should determine whether internal controls are functioning properly to ensure the integrity, reliability and completeness of the data.

iv) **Compliance with Applicable laws and regulations**: In performance audit an assessment should be made of compliance with applicable laws and regulations when necessary to satisfy the audit objectives. The auditor should provide reasonable assurance to detecting illegal acts that could significantly affect audit objectives and should be alert to situation or transaction that could be indicative of illegal acts that may have an indirect effect on the audit reports.

The following paragraphs explain compliance as an auditing standard.
Reviewing compliance with laws and regulations is especially important when auditing government programmes because decision-makers need to know if the laws and regulations are being followed, whether they are having the desired results, and, if not, what revisions are necessary. Additionally, government organisations, programmes, services, activities, and functions are created by laws and are subject to more specific rules and regulations.

Those planning the audit need to be knowledgeable of the compliance requirements that apply to the entity being audited. Because the laws and regulations that may apply to a specific audit are often numerous, the auditors need to exercise professional judgement in determining those laws and regulations that might have a significant impact on the audit objectives.

The auditor also should be alert to situations or transactions that could be indicative of illegal acts that may indirectly impact the results of the audit. When audit steps and procedures indicate that illegal acts have or may have occurred, the auditor needs to determine the extent to which these acts affect the audit results.

In conducting audits in accordance with this standard, the auditors should choose and perform audit steps and procedures that, in their professional judgment, are appropriate in the circumstances. These audit steps and procedures should be designed to obtain sufficient, competent, and relevant evidence that will provide a reasonable basis for their judgement and conclusions.

Generally, management is responsible for establishing an effective system of internal controls to ensure compliance with laws and regulations. In designing steps and procedures to test or assess compliance, auditors should evaluate the entity’s internal controls and assess the risk that the control structure might not prevent or detect non-compliance.

Without affecting the SAI’s independence, the auditors should exercise due professional care and caution in extending audit steps and procedures relative to illegal acts so as not to interfere with potential future investigations or legal proceedings. Due care would include considering the concerned laws and relevant legal implications through appropriate forum to determine the audit steps and procedures to be followed.

v) Audit Evidence: Competent, relevant and reasonable evidence should be obtained to support the auditor's judgment and conclusions regarding organisation, programme, activity or function under audit.

The following paragraphs explain audit evidence as an auditing standard.

1. The audit findings, conclusions and recommendations must be based on evidence. Since auditors seldom have the opportunity of considering all information about the audited entity, it is crucial that the data collection and sampling techniques are carefully chosen. When computer-based system data are an important part of the audit and the data reliability is crucial to accomplishing the audit objective, auditors need to satisfy themselves that the data are reliable and relevant.

2. Auditor should adequately document the audit evidence in working papers, including the basis and extent of the planning, work performed and the findings of the audit. Working papers should contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditor's significant findings and conclusions.

3. Adequate documentation is important for several reasons, It will:
   (a) Confirm and support the auditor's opinions and reports
(b) Increase the efficiency and effectiveness of the audits.
(c) Serve as a source of information for preparing reports or answering any enquiries from the audited entity or from any other party.
(d) Serve as evidence of the auditor’s compliance with Auditing Standards
(e) Facilitate planning and supervision.
(f) Help the auditor’s professional development.
(g) Help to ensure that delegated work has been satisfactorily performed, and
(h) Provide evidence of work done for future reference.

4. The auditor should bear in mind that the content and arrangement of the working papers reflect the degree of the auditor’s proficiency, experience and knowledge.

vi). Analysis of Financial Statements: In all types of audit when applicable auditor should analyse the financial statement to establish whether applicable accounting standards for financial reporting and disclosure are complied with and should perform to such degree that a rational basis is obtained to express an opinion on financial statements.

   (i) The auditor should thoroughly analyse the financial statements and ascertain whether:
   (ii) financial statements are prepared in accordance with acceptable accounting standards;
   (iii) Financial statements are presented with due consideration to the circumstances of the audited entity;
   (iv) Sufficient disclosures are presented about various elements of financial statements; and
   (v) The various elements of financial statements are properly evaluated, measured and presented.

The methods and techniques of financial analysis depend to a large degree on the nature, scope and objective of the audit, and on the knowledge and judgement of the auditor.

2. Where the SAI is required to report on the execution of budgetary laws, the audit should include:
   (a) For revenue accounts, ascertaining whether forecasts are those of the initial budget, and whether the audits of taxes, rates and duties recorded, and imputed receipts, can be carried out by comparison with the annual financial statements of the audited activity;
   (b) For expenditure accounts, verifying credits to assist budgets, adjustment laws and, for carryovers, the previous year’s financial statements.

3. Where the SAI is required to report on systems of tax administration or systems for realising non-tax receipts, along with a systems study and analysis of realisation of revenue/receipts, detection of individual errors in both assessment and collection is essential to highlight audit assertions regarding the system defects and comment on their efficiency to ensure compliance.

D) Reporting Standards:
   (i) On the completion of each audit assignment, the Auditor should prepare a written report setting out the audit observations and conclusions in an appropriate form; its content should be easy to understand, free from ambiguity and supported by sufficient, competent and relevant audit evidence and be independent, objective, fair, complete, accurate, constructive and concise.
   (ii) With regard to fraudulent practice or serious financial irregularities detected during audit or examined by audit, a written report should be prepared. This report should indicate the scope of audit, main findings, total amount involved, modus operandi of
the fraud or the irregularity, accountability for the same and recommendations for improvement of internal control system, fraud prevention and detection measures to safeguard against recurrence of fraud-serious financial irregularity.

(iii) The audit report should be complete. This required that the report contains all pertinent information needed to satisfy the audit objectives, and to promote an adequate and correct understanding of the matter reported. It also means including appropriate background information.

(iv) In most cases, a single example of a deficiency is not sufficient to support a broad conclusion or a related recommendation. All that it supports is that a deviation, an error or a weakness existed. However, except as necessary, detailed supporting data need not be included in the report.

(v) Accuracy required that the evidence presented is true and the conclusions be correctly portrayed. The conclusions should flow from the evidence. The need for accuracy is based on the need to assure the users that what is reported credible and reliable.

(vi) The report should include only information, findings and conclusions that are supported by competent and relevant evidence in the auditor’s working papers. Reported evidence should demonstrate the correctness and reasonableness of the matters reported.

(vii) Correct portrayal means describing accurately the audit scope and methodology and presenting findings and conclusions in a manner consistent with the scope of audit work.

(viii) Objectivity required that the presentation throughout the report be balanced in content and tone. The audit report should be fair and not be misleading and should place the audit results in proper perspective. This means presenting the audit results impartially and guarding against the tendency to exaggerate or over emphasis deficient performance. In describing shortcomings in performance, the Auditor should present the explanation of the audited entity and stray instances of deviation should not be used to reach broad conclusions.

(ix) The tone of reports should encourage decision-makers to act on the auditor’s findings and recommendations. Although findings should be presented clearly and forthrightly, the auditor should keep in mind that one of the objectives is to persuade and this can best be done by avoiding language that generate defensiveness and opposition.

(x) Being convincing requires that the audit results be presented persuasively and the conclusions and recommendation followed logically from the facts presented. The information presented should be sufficient to convince the readers to recognise the validity of the findings and reasonableness of audit conclusions. A convincing report can help focus the attention of management on matters that need attention and help stimulate correction.

(xi) Clarity requires that the report be easy to read and understand. Use of non-technical language is essential. Wherever technical terms and unfamiliar abbreviations are used, they should be clearly defined. Both logical Organisation of the material and precision in stating the facts and in drawing conclusions significantly contribute to clarity and understanding. Appropriate visual aids (such as photographs, charts, graphs and maps etc.) should be used to clarify and summarise complex material.

(xii) Being concise requires that the report is not longer than necessary to convey the audit opinion and conclusions. Too much of details detracts from the report and conceals the audit opinion and conclusions and confuses the readers. Complete and concise reports are likely to receive greater attention.

(xiii) Being constructive requires that the report also includes well thought out suggestion, in broad terms, for improvements, rather than how to achieve them. In presenting the suggestions due regard should be paid to the requirements of rules and orders,
operational constraints and the prevailing milieu. The suggestions should be discussed with sufficiently high level functionaries of the entities and as far as possible, their acceptances obtained before these are incorporated in the report.

(xiv) Timeliness requires that the audit report should be made available promptly to be of utmost use to all users, particularly to the auditee organisations and/ or Government who have to take requisite action.

1.3 Principles of Receipt Audit :- The Audit of Receipts is governed by section 16 of Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971 and by the general principles laid down in Chapter IV of Section II of the Manual of Standing Orders (Technical). The instructions issued in this manual are supplementary and describe specifically the procedure to be followed in the audit of receipts from Excise duties and licence fees.

1.4 Audit Vis-à-vis Executive functions :- It is well known that it is the primary responsibility of departmental authorities to see that all revenues due to Government are correctly and properly assessed, realized and credited to Government account. Audit should however, satisfy itself in general that the departmental machinery is sufficiently safe-guarded against error and fraud and that, so far as can be judged, the procedure is designed to give effect to the requirements of law. The Audit Department does not, however, in any way, substitute itself for the Revenue authorities in the performance of the statutory duties.

The most important function of audit as broadly pointed out in para 1.1 is to see that (1) adequate regulations and procedures have been framed by the Revenue Departments to secure an effective check on the assessment, collection and proper allocation of taxes and (2) to satisfy itself by adequate test-check that such regulations and procedures are actually, being carried out. It should also be borne in mind that the basic purpose of audit is not only to see that all demands raised are promptly collected and credited to Government account but also to secure that those demands are correctly realized and they satisfy the requirements of law and that the Executive does not grant unjustified or unauthorized remission to tax payers. In the Audit of receipts, the general is more important than the particular. The detection of individual errors is an incident rather than an object of Audit.

In taxation laws, lacunae may occur as a result of oversight or omission at the time of framing or enacting the laws. If the provisions of the law lead to consequences not intended at all in the policy or purpose underlying the law and the tax payer takes unfair advantage of such lacunae or provision by way of legal avoidance, audit may bring to the notice of the Executive such legal evasions, the idea being not to criticise the Legislature but to enable the Government/Legislature to review the position and initiate remedial action wherever necessary to plug leakages of revenue.

Audit does not generally review the judgements and decisions taken in individual cases is an important factor in judging the effectiveness of assessment procedure. Where, for example, the information received in any individual case is insufficient to enable audit to see how the requirement of law has been complied with, Audit may consider it as its duty to ask for further information to enable it to form the judgement required of it as to the effectiveness of the system. It is, however, towards forming a general judgement rather than to the detection of individual errors that the audit enquiries should be directed. This does not however, bar, irregularities being pointed out by Audit in individual cases, where substantial amounts are involved or where there have been serious violations of the law or the rules having the force of law. For the purpose of performing their functions effectively, members of the Audit Department will have access to the relevant records and papers of the Revenue Department but they should observe secrecy in the same way as the Officers of the Revenue Department do.
However, to discharge these functions effectively the staff engaged in receipt audit must be thoroughly conversant with the processes and procedures relating to the levy and collection of taxes and the laws and rules, covering such processes etc.

1.5 Audit Vis a Vis judicial pronouncements :- The Audit Department does not, normally, question the decision of a High Court which is binding on the Officers functioning within the jurisdiction of that High Court unless, it is in any way modified or over-ruled by the Supreme Court. It is only in such cases where no authoritative interpretation of provision of law by High Court or the Supreme Court is available that the Comptroller and Auditor General states what in his judgement is the correct requirement of law on the basis of the plain meaning of the statute and puts forward that view to the Department for its examination and acceptance.

1.6 In the subsequent chapters, the basic provisions of the Act and the rules governing the levy and collection of excise duty are set out. This is only a summary, to enable the staff to grasp the essentials of the administration of the Andhra Pradesh Excise Act 1968, and the rules framed thereunder. For a further and exhaustive study the provisions of the Act and rules and the case laws on the subject must be referred to.
CHAPTER 2
ORGANISATIONAL SET-UP OF THE PROHIBITION & EXCISE DEPARTMENT

Application of Excise Laws in Andhra Pradesh

2.1 The Andhra Pradesh Excise Act of 1968 (Act.No.17 of 1968) was brought into force in Telangana area (repealing the earlier Hyderabad Abkari Act). At that time there was prohibition in the Andhra Area, which was, however, withdrawn by G.O.Ms.No.1001, revenue dated 14th October 1969 with effect from 1st November, 1969 and hence from this date the A.P. Excise Act 1968 was made applicable to Andhra region also.

2.2 In addition to the Andhra Pradesh Excise Act, 1968, other Acts and Orders specified below are administered by the Excise Department.

(i) The Andhra Pradesh Excise Act, 1968
(ii) Notification under the Andhra Pradesh Excise Act, 1968.
(iii) The Ethyl Alcohol Price Control Order 1977.
(iv) The Opium Act, 1878.
(vii) Andhra Pradesh Prohibition Act, 1955
(viii) Notification under Andhra Pradesh Prohibition Act, 1955
(xi) Andhra Pradesh Recovery Act, 1864 fasli.
(xii) Andhra Pradesh Rent and Revenue Sales Act, 1839.
(xiii) Andhra Pradesh Prevention of Dangerous Activities of Boot-leggers, Dacoits, Drug Offenders, Goondas, Immoral Traffic Offenders and Land Grabbers Act, 1986, and

2.3 Administrative Set-up :-Prior to 1977 the Andhra Excise Act was administered by the Board of Revenue.

The department is re-organised with effect from 17.08.2005(vide G.O.Ms.No.1563 Revenue (Ex.II) Department, dt.17.08.05) and is headed by the Commissioner of Prohibition and Excise. He is assisted by the following Officers :

1. Secretary to Commissioner of Prohibition and Excise.
2. Director (Enforcement) of Prohibition and Excise.
3. Director of Distilleries & Breweries.
4. Joint Commissioner of Prohibition & Excise (Headquarters).
5. Joint Commissioner of Prohibition & Excise (Enforcement).
6. Joint Director (Technical)
7. Director, A.P. Prohibition & Excise Academy, Hyderabad.
8. Deputy Commissioner of Prohibition & Excise (Enforcement).
9. Joint Director, Academy (DC Cadre).
10. Deputy Commissioner of Prohibition & Excise (Computers).
11. Assistant Secretary (Enforcement).
12. Legal Advisor-cum-Public Prosecutor.
13. Assistant Accounts Officer.

2.4 Commissioner of Prohibition & Excise :- Principal Secretary to Government Revenue Department is the Controlling Authority at Government level. The Commissioner of Prohibition & Excise is the Chief Controlling Authority in all matters connecting with the administration of the department. Prohibition and Excise Superintendents are the licensing authorities for retail sale in Form IL A-4(A) (Retail shop licence) and IL (Military Canteen Retail licence). The Commissioner is competent to grant licences for all other purposes i.e. manufacturing of Spirits and Wines, Bars, Clubs, Occasional or Special licences. Where the Commissioner grants a licence, Prohibition & Excise Superintendents shall issue the licence in the prescribed form. The Commissioner is assisted by a Secretary, Director of Distilleries and Breweries, Director of Enforcement (Prohibition & Excise) at Headquarters. The Secretary deals with all establishment matters, accounts, the Joint Commissioner (Headquarters) deals with IML, Toddy Excise revenue and arrears and other connected matters. The Director of Distilleries and Breweries who is the rank of Additional Secretary assists the Commissioner in matters pertaining to Molasses, Rectified Spirit, Denatured Spirit, Distilleries and Medicinal and Toilet preparations units. The Director of Prohibition & Excise, an Officer of the rank of Deputy Inspector General of Police ensures that systematic methods of prevention and detection of crimes and investigation and prosecution of cases are adopted and properly followed in the department. *(Authority : Excise Laws)*

2.5 Deputy Commissioner of Prohibition & Excise :- The State is divided into sixteen divisions for purposes of Excise Administration and each division is under the charge of a Deputy Commissioner. He is responsible for supervising the collection of rentals, arrears, allotment of trees and several other matters pertaining to Excise Administration. The Deputy Commissioners grant District-wise licences to Indian and Foreign Liquor shops. They are empowered to hear appeals against the orders of the Excise Superintendent.

A chemical laboratory functions under each Deputy Commissioner to analyse samples and to establish the identity of intoxicants seized in raids conducted during the course of detection work. The Deputy Commissioners have also been provided with an Audit Cell to get all Excise Revenue Accounts within their jurisdiction checked. The Deputy Commissioners have to supervise the auctions of all shops and issue of licences.

2.6 Set-up under Secretary

Collectors :- The Collector is responsible for the Excise Administration at the District level. The Collector exercises the powers conferred on him by the Andhra Pradesh Excise Act, 1968, in compounding of offences, power to search without warrant, order prosecution under sections 38 and 41 of the Act etc. The Collector has to forward proposals for the establishment of shops, fixation of ration of trees. The Collector or under his direction the District Revenue Officer holds the annual excise auctions and reviews the collection of excise revenue and exercises powers under the Revenue Recovery Act in regard to collection of excise arrears. In all these matters the Collector is assisted by the Prohibition & Excise Superintendent of the District.

Prohibition & Excise Superintendent :- The Prohibition & Excise Superintendent is the head of Excise Administration in the District. Generally, an Excise District is Co-
terminous with the revenue district. The Prohibition & Excise Superintendent assists the Collector in all Excise matters. He is responsible for issue of licences to Toddy and grant of district-wise licences to Indian liquor shops, recommending issue of import and export permits of Indian liquor. They have also to issue denatured spirit and rectified spirit and Indian and foreign liquor transport permits. The Prohibition & Excise Superintendent is principally responsible for enforcement of excise laws in his jurisdiction. In respect of foreign liquors separate licences shall be issued by Andhra Pradesh Breweries Corporation Limited.

**Assistant Prohibition & Excise Superintendents:** The Assistant Superintendents of Prohibition & Excise assists each Prohibition & Excise Superintendent in administration under his jurisdiction.

**Prohibition & Excise Inspectors:** The Prohibition & Excise Inspectors are in charge of circles. They have to attend to collection of current rentals, excise arrears, issue of tree tapping licences, conducting raids on illicit distillation centres, detection of illicit tapping, detection of smuggling of Indian liquors, opium, ganja and other narcotics, inspection of shops and topes and generally help the Prohibition & Excise Superintendents in all other excise matters.

**Prohibition & Excise Sub-Inspectors:** The principal duties of sub-Inspectors are inspection of topes and shops, checking of marking of palmyrah, etc., trees, detection, investigation and prosecution of offences, attending to excise auctions, and to ensure the successful auction of all excise shops, getting licences issued to toddy shops and certification of boundaries of shops. He has to attend to collection of current rentals and excise arrears and assist the Circle Inspectors and verify the consignments of intoxicants received in his jurisdiction.

2.7 **Set-up under Director of Distilleries and Breweries:** Director of Distilleries and Breweries supervises the work of Andhra Pradesh Breweries Corporation Limited. In addition he exercises general control over private distilleries in the State. The functioning of matters relating to rectified spirit and denatured spirit are under his administrative control. The Director of Distilleries and Breweries assist the Commissioners of Prohibition & Excise in licensing distilleries and breweries, medical and toilet preparations units and alcohol based industries. The Director of Distilleries and Breweries is assisted by a Prohibition & Assistant Excise Superintendent in his office. In field work, he is assisted by Assistant Commissioner of Breweries for distilleries at Hyderabad, Kakinada, Vijayawada, Tirupathi and Visakhapatnam.

The Director of Distilleries & Breweries is to inspect all private distilleries “Indian and Foreign Liquor” Distilleries, Breweries, alcohol based industries with an annual quota of more than 50,000 bulk Litres of Rectified Spirit, Denatured Spirit Licensees with an annual quota of more than 1,00,000 bulk Litres and Medicinal and Toilet preparations Licensees with an annual quota of more than 40,000 Bulk litres of Rectified Spirit.

2.8 **Set-up Under Joint Director (Technical) – Chemical Technology Wing. Organisation at Headquarters and in Districts:** For the improved technical scrutiny and better enforcement of technical norms and standards a Technical Cell is under the Commissioner of State Excise. There are Chemical Laboratories functioning at Hyderabad and other District Headquarters. The Laboratory at Hyderabad works under the Director of Distilleries and Breweries while the other
Laboratories are attached to the local Deputy Commissioners. A chemical Examiner of the rank of Assistant Excise Superintendent is in charge of each of the Laboratory.

2.9 Set-up under Director of Enforcement (Prohibition & Excise) :- The Director of Enforcement (Prohibition & Excise) is the Head of the Enforcement Wing. He functions under the direction and control of the Commissioner of State Excise and has to ensure that systematic methods of prevention, investigation and detection of crime and prosecution of cases are adopted and followed in the Excise Department. One Joint Commissioner (Enforcement) with State-wide jurisdiction assist him. There are 17 Assistant Commissioners (Enforcement) working under his control. In addition, 8 State Task Force teams are formed for effective implementation of Prohibition in the State. A “Control Room” is also established in Commissioner’s Office. Similarly at District level, Divisional Task Force team and five mobile parties are formed under the direct supervision of concerned Deputy Commissioner. There are 63 Check Posts and 5 integrated Check posts. One Assistant Excise Superintendent (Enforcement) assists the Assistant Commissioner of Excise (Enforcement) in each Zone with his Excise Intelligence Bureau. The Circle Inspectors of Excise (Enforcement) and the Sub-Inspector of Excise (Enforcement) are part of the Flying squads under the Assistant Commissioners of Excise (Enforcement) and assist them in all investigation and prosecution of cases.
CHAPTER 3
ACTS AND RULES GOVERNING EXCISE ADMINISTRATION

3.1 Legislative background :- Excise duty is an important source of revenue to Government, under entry 51 of list II to the seventh schedule to the constitution. The State Government derives power to levy Excise duty (a) on alcoholic liquor for human consumption; (b) opium, Indian hemp and other narcotic drugs and narcotics, but not including Medicinal and Toilet preparations (M&TP) containing alcohol or opium, Indian hemp etc. mentioned above.

3.2 Alcoholic liquors broadly fall under the following categories :

(1) Toddy
(2) Foreign Liquor
(3) Indian Liquor
(4) Beer
(5) Wine etc.

In addition to the excise duties levied on the above items, Government also charge fees for issuing licences for the sale of foreign and Indian liquors. Denatured spirit is sold to public, M&TP Units and also alcohol based industries at the rates fixed by Government from time to time.

3.3 Statutory framework :- The Andhra Pradesh Excise Act, 1968, deals with the production, manufacture, possession, transport, purchase and sales of liquors and drugs, the levy of duties of Excise and countervailing duties on alcoholic liquors for human consumption, opium, Indian hemp and other narcotic drugs and narcotics. This legislation provides for appointment of officers for administering the Act, regulating the import, export of liquors, grant of licenses and permits, levy of penalties, detection, investigation and trial of offences, and appeals and revisions, recovery of Government dues and power to make rules for carrying out the objectives of the Act.

3.4 Rules framed under the A.P. Excise Act, 1968 :- In exercise of the powers conferred by Section 72 of the Act, the Government of Andhra Pradesh have made Rules for conducting auction of Excise shops specifying general conditions to be fulfilled by the licences of Toddy shops, for regulating the tapping of the trees and special conditions to be observed by the Toddy shops licensees and payment of rent to tree owners. The Rules also prescribe conditions to be followed for grant of licence to sell foreign and Indian liquors, sale of denatured spirituous preparations, and establishment of distilleries and breweries. Again, rules have been framed regulating the possession and use of rectified spirit, regulating the drawal and sale of Neera and Storage of Indian Liquor in Bond. Also, Rules have been framed for the disposal of confiscated articles, defining powers, and duties of officers in the matter of arrest, search and seizure and the powers of officers for compounding of offences and grant of expenses to witnesses summoned during investigations. Further, the procedure for submission of appeals and revision, issue of duplicate licences and permit and the conditions for delegation of powers to subordinate officers are governed by rules framed for the purpose.

The Rules framed are mentioned below :

(2) The A.P. Excise (Lease of Right to sell liquor in Retail) Rules, 1969.
(35) The Narcotic Drugs and Psychotropic Substances (Execution of Bond by Convicts or Addicts) Rules, 1985.
(36) General Conditions for Grant of Licences under Narcotic Drugs and Psychotropic Substances Rules, 1985.
(37) A.P. Narcotic Drugs and Psychotropic substances Rules, 1986.
In the following chapters the provisions of the Act and the relevant Rules made thereunder for each excisable article, the various registers to be maintained in the concerned offices with their purpose and the checks that have to be exercised in audit are briefly dealt with.

3.5 Some important definitions in the Act and the Rules are given below:

1. “Beer” includes ale, stout, porter and all other fermented liquors usually made from malt-vide section 2(2) ibid.

2. “Denatured” means subjected to a process prescribed for the purpose of rendering unfit for human consumption vide Section 2(8) of the Andhra Pradesh Excise Act, 1968.

3. “Excisable article” means,
   (a) any alcoholic liquor for human consumption;
   (b) any intoxicating drug;
   (c) opium; or
   (d) other narcotic drugs and narcotics which the Government may, by notification, declare to be an excisable article vide Section 2(9) ibid.

4. “Excise Duty” or “countervailing duty” means the duty of excise or countervailing duty, as the case may be, mentioned in entry 51 in list II of the Seventh Schedule to the Constitution vide Section 2(10) ibid.

5. “Excise Revenue” means revenue derived or derivable from any duty, fee, tax, rent, fine, penalty or confiscation levied, imposed or ordered under the provision of this Act or any other law for the time being in force relating to intoxicating liquors or intoxicating drugs-vide Section 2(12) ibid.

6. “Excise tree” includes the tree of mohwa, coconut, palm, palmyrah, date, bagani, sago, sendhi or any tree of the species of palm of palmyrah, from the fermented or unfermented juice of which toddy or liquor can be prepared-vide Section 2(13) ibid.

7. “Foreign liquor” includes every liquor imported into India other than Indian Liquor and arrack-vide Section 2(15) ibid.
“Indian Liquor” means liquor produced, manufactured or compounded in India after the manner of gin, brandy, Whisky or rum imported from foreign countries and include “milk punch” and other liquors consisting of or containing any such spirits but does not include foreign liquor- vide Section 2(18) ibid.

“Intoxicant” means any liquor as defined in clause (21) or any intoxicating drug as defined in clause (20) and includes gulmohwa (that is moha flower)-vide Sectin 2(19) ibid.

“Intoxicating drug” means –

(a) the leaves, small stalks and flowering or fruiting tops of the Indian hemp plant including all forms known as bhang, siddi or ganja.
(b) Charas, that is the resin obtained from the Indian hemp plant which has not been submitted to any manipulations other than those necessary for packing and transport.
(c) Any mixture with or without neutral materials of any of the above forms of intoxicating drug or any drink prepared therefrom; and
(d) Any other intoxicating or narcotic substance which the Government may, by notification, declare to be an intoxicating drug such substance not being opium cocoa leaf or manufactured drug as defined in Section 2 of the Dangerous Drugs Act, 1930 – vide Section 2(20) ibid.

“Liquor” includes –

(a) Spirits of wine, denatured spirits, methylated spirits, rectified spirits, wine, beer, toddy and every liquid consisting of or containing alcohol; and
(b) any other intoxicating substance which the Government may, by notification, declare to be liquor for the purposes of this Act- vide Section 2(21) ibid.

“Manufacture” includes every process, whether natural or artificial, by which any fermented, spirituous or intoxicating liquor or intoxicating drug is produced, prepared or blended, and also redistillation and every process for the rectification of liquor- vide Section 2(22) ibid.

“Spirit” means any liquor containing alcohol and obtained by distillation, whether it is denatured or not- vide Section 2(29) ibid.

“Toddy” means fermented or unfermented juice drawn from an excise tree and containing alcohol- vide Section 2(30) ibid.

“Excise year” means the period of twelve months commencing from the 1st October of a year and ending with the 30th September of the succeeding year.

“Distillery” means the manufacture where spirits are distilled compounded, blended, processed, fortified and or diluted to produce wines or Indian liquor other than arrack beer or toddy and includes an operation for bottling of such liquor- vide Rules 2(c) of the Andhra Pradesh Distillery Rules 1970.

“Distillery Officer” in relation to any distillery means the Excise Officer incharge of such distillery not below the rank of a Sub-Inspector of Excise- vide Rule 2(d) ibid.
(18) “Brewery” means a building where beer is manufactured and includes every place where beer is stored or issued-vide Rule 2(b) of the Andhra Pradesh Brewery, Rules, 1970.

(19) “Off licence” means a licence granted under the rules for sale of the liquor in sealed or capped bottles, without permitting consumption on the licenced premises-vide Rule 3(h) of the Andhra Pradesh Foreign Liquor and Indian Liquor Rules, 1970.

(20) “On licence” means a licence granted under these rules for sale of the liquor in open bottles, glasses or pegs for consumption within the licensed premises-vide Rule 3(i) ibid.

(21) “Retail licence” in relation to the sale of liquor means in sealed or capped bottles to individual consumers of quantities not exceeding those specified under Section 14 of the Act, at any one time or in one transaction and the word “retail” shall be construed accordingly-vide Rule 3(k) ibid.

(22) “Verification” means –

(i) examining the seals of the bottles, containers or other receptacles forming the consignment of intoxicatns to verify that they are not tampered with during transit;
(ii) ascertaining that the number and the marks on the bottles, containers and other receptacles tally with those shown on the reverse of the permit;
(iii) ascertaining that the quantity of liquor transported tallies with the quantity mentioned in the permit, and in the case of spirit, examining the contents with a hydrometer by drawing samples from the bottles, containers or other receptacles in order to find out that the strength of the spirit corresponds to that shown in the permit; and
(iv) satisfying that the excise revenue required to be paid under the rules have been correctly levied and paid; and the word ‘verified’ shall be construed accordingly – vide Rule 3(m) ibid.

(23) “Wholesale licence” in relation to the sale of liquor means in quantities not less than 9 litres at any one time or in one transaction and the word “wholesale” shall be construed accordingly – vide rule 3(n) ibid.

(24) “Rectified spirit” means liquor containing undenatured alcohol of a strength not less than 50% overproof and includes absolute alcohol in other forms and Extra Neutral Alcohol (ENA) but does not include arrack issued in varying degrees of concentration for potable purposes – vide Rule 2(k) of the Andhra Pradesh Rectified Spirit Rules, 1971.

(25) “Export” means (a) to take out of any area of the State to which this Act extends to any other area of the State to which this Act does not extend., (b) to take out of the State otherwise than from a Customs Station as defined in Section 2 or the Customs Act, 1962 (Central Act 52 of 1962).

(26) “Indian Made Foreign Liquor” (IFML) means liquor produced, manufactured or compounded in India after the manner of Gin, Brandy, Whisky or Rum imported from foreign countries and include Milk punch and other liquors consisting of or containing any such spirits, but does not include Beer, Wine and Foreign liquor.
(27) “Milk Punch”- means a comforting preparation made up of Rum, Sugar and Milk as well as flavorings herbs and spices.

(28) “Bar” – means the privilege granted under the Act to an establishment where food is served, for sale of Indian Made Foreign Liquor and Foreign Liquor, in loose for consumption on the licensed premises.

(29) “Extra Neutral Alcohol”- means the alcoholic liquid obtained by re-distilling spirits and having the specifications prescribed in these rules.

3.6 Some important provisions of the Act are given below:

1. No import (Section 9) or export (Section 10) of any intoxicant into or from the State is permissible except under a permit obtained from the Excise Department, after payment of the necessary duty/fee.

2. Similarly, intoxicants shall not be transported except under a permit issued by an officer of the Excise Department (Section 11 and 12).

3. Manufacture, collection, cultivation, tapping of excisable articles, construction of distilleries or breweries, bottling of liquors, etc, are prohibited except under licence (Section 13).

4. Possession of excisable articles above the maximum quantities as specified, is prohibited except under a permit or licence.

5. No sale or purchase of excisable article is permissible except under a licence (Section 15).

6. The Establishment of distilleries and breweries and warehouses is permitted with the sanction of Government and licences are granted by the Commissioner under Section 16 of the Act – vide also item 3 above.

7. Manufacturing or supplying or selling any liquor or other intoxicant either in wholesale or retail can be permitted by Government by issuing a lease or licence for a fixed period to any person at any place either jointly or severally on (Section 17 & 23) payment of such sum as may be prescribed by Government in consideration for granting the privilege.

8. Excise duties (levied on excisable articles produced in the State) and countervailing duties (on excisable articles produced elsewhere and imported into the State) are imposed by Government by notification under Section 21.

9. The mode of levying excise and countervailing duties is to be in the form of a tax or fee on the excisable articles manufactured or sold. The tax/fee is to be related to the quantity or strength of the excisable article and in the case of toddy, a tax on the excise tree – vide Section 22.

10. Under Section 24 of the Act, the owner of a tree yielding excisable commodity who is unwilling to have his tree tapped has to intimate (before the notified date) his unwillingness to
the excise Superintendents concerned. The unwillingness can be accepted by the Prohibition & Excise Commissioner only, if it is for one of the three reasons mentioned below.

(i) interference with normal cultivation.
(ii) Injurious to trees.
(iii) situated in a residential locality (see notification No.14, Memo No.1546-71/71-23/Revenue(E), dt.23-5-74).

(11) The tapping of excise trees and extracting of toddy should be done under a licence obtained from the Government. In cases where such excise trees were tapped without licence, duty payable shall be recovered from the person who has tapped the trees or from the occupier of the land, in which the excise trees are standing (Section25).

Under Section 29, the licensee can be required to give security and execute counterpart agreement.

(12) Section 31 provides for cancellations or suspensions of licences or permits for non-payment of duty, breach of conditions of permit or licence, etc., and Section 32 enables the withdrawal of licence for causes other than those specified in the preceding sections, after giving 30 days notice in writing and refund of proportionate licence fee and deposits. In case, however, the licensee himself surrenders the licence (after giving one month’s notice to the Excise Superintendent), no proportionate refund of licence fee is admissible under Section 33.

(13) Section 34 to 50 (except Section 47) are purely punitive provisions which enjoin criminal punishment by imposing fine and/or imprisonment or conviction, confiscation of the seized intoxicants, utensils etc.

(14) Section 47 provides for compounding of offences in terms of the Act on payment of a sum not exceeding ten thousand rupees.

(15) Sections 51 to 62 deal with the arrest of offenders by the Excise Officers, search of premises, etc. Appeals to the Deputy Commissioners, Commissioner and Government, as the case may be, will lie within the period stipulated vide Section s 63-64.

(16) All excise revenue and any amount due to the Government under the Excise Act are recoverable as arrears of land revenue and all such arrears shall bear interest at 18% per annum vide Section 65. (Vide G.O.Ms.No.1142 Revenue (T) Dept. dt.13-9-86) Government hold a lien on the property of the defaulter and can attach the moveable and immovable properties for realisation of dues.

(17) Section 68 empowers Government to grant exemptions and reductions of the excise duty levied under Section 22 on any liquor sold.

(i) for use or consumption by the members of the Armed forces of the Union; or
(ii) for use for bonafide medical, scientific, industrial or such like purpose; and
(iii) exempt any intoxicant from any of the provisions of this Act, other than those of Chapter V, in any specified area or for any specified period or occasion.

(18) Under Section 72, Government is empowered to make rules for carrying out all or any of the purpose of the Act.
CHAPTER 4
THE ANDHRA PRADESH DISTILLERY (MANUFACTURE OF SPIRITS) RULES, 2006

4.1 These rules may be called the Andhra Pradesh Distillery (Manufacture of Spirits) Rules, 2006 and shall extend to all areas where Andhra Pradesh Excise Act 1968 is in force. They shall come into force from the date of issuance of G.O. (G.O.Ms.No.91 Rev (Excise III) Dept. dated.27-1-2007. The Andhra Pradesh Distillery Rules 1970 shall cease to operate on the commencement of these rules.

4.2 Distillery means the manufactory where spirits are manufactured from fermenting sugars or carbohydrates by distillation for potable purpose or for industrial purpose or for both and includes re-distillation of spirits. Fermentative base means molasses or the variety of grain or any other substance containing sugar or carbohydrates as may be notified by the Government from time to time from which manufacture of spirit is allowed. Extra Neutral Alcohol (ENA) is the alcoholic liquid obtained by re-distilling spirits and having specifications prescribed in these rules.

4.3 Alcohol :- The main raw material for production of alcohol is molasses. Alcohol can also be produced from Jaggery, Taploca and Mohwa flowers. But due to non-availability of these raw material in large scale and also due to greater cost of production alcohol is produced chiefly from molasses.

4.4 Fermentation and distillation :- When molasses is allowed to ferment after lapse of few days alcohol is formed in the molasses due to spontaneous change and decomposition. It takes place in the vegetable substance when exposed to air and moisture at ordinary temperature. To quicken the process of fermentation, yeast is added to molasses which acts as a catalyst. But the alcohol so produced by fermentation is generally a weak liquid of a lower strength. In order to obtain pure alcohol the process of distillation is resorted to.

In the process of distillation the fermented molasses is heated through passing of steam. Alcohol being lighter than water the vapours of alcohol emanate first in the process of heating and immediately they are cooled and collected in a receptable.

If such alcohol does not contain moisture or any particles of water it is supposed to be pure alcohol or ethyl alcohol (chemical formula is C2H5OH2) with a strength of about 174.6˚ or 175˚. At this stage the alcohol is not potable because of the high strength. It is generally diluted to make it potable.

4.5 Rectified Spirit :- Rectified spirit is also alcohol but with a lesser strength varying between 150˚ and 166˚. Normally in any distillation process pure alcohol is not produced (pure alcohol is required only for certain industrial and medicinal purposes) but only R.S. of the above strength. Rectified spirit therefore by virtue of its strength contains always some moisture and water particles. These does not make any difference in production of arrack and other I.M.F.L. liquors for which rectified spirit is the basic raw material.

4.6 Proof Strength :- For the purpose of assessment of duty and also for other purposes the proof strength of rectified spirit, arrack and other I.M.F.L. Liquors is required to be ascertained. This proof strength is generally expressed as overproof or underproof of a base standard strength. This is explained in detail in the following paragraphs.
Pure alcohol as mentioned in paras 1 and 2 above contains a proof strength of 175°. For measuring the strength a glass apparatus known as Syke’s Hydrometer is used. When this Hydrometer is dipped into a liquid of pure alcohol the reading in the Hydrometer will be about 175°. When this pure alcohol is diluted with some quantities of water the reading in the hydrometer will come down to say 160°, 140°, etc, depending on more and more quantities of water being added. When the Hydrometer reading touches exactly 100° it is supposed to be a base standard otherwise known as London proof strength. With reference to this base standard of 100° proof, liquids containing varying degree of proof above 100°, are considered as having higher strength and liquids containing less than 100°. Proof are considered as having lower strength or as overproof or underproof respectively. At this state of 100°, 13 volumes of the liquid containing alcohol and water will weight the same as 12 volumes of water. After touching 100° strength if more water is added to the liquid the reading will be say 90° in other words, the strength of this liquid at 90° is expressed as 10° underproof with reference to the base of 100°proof strength mentioned above. Similarly when alcohol is added to a liquid showing 100° strength and the hydrometer reading is say 120° the resultant liquid is expressed as having a strength of 20° O.P.

Arrack is generally an alcoholic liquid with a strength of 30° U.P. or 60° U.P. Similarly all I.M.F.L. liquors like brandy, rum and whisky, etc., have a strength of 25°U.P.

4.7 Bulk litre and proof litre :- Bulk litre always refer to any liquor with a particular proof strength which may be either underproof or overproof. Thus, a given quantity of arrack of 30° strength or 60° U.P. strength and I.M.F.L. of 25° U.P. strength is always expressed as bulk litres. Proof litres corresponds to any quantity of liquor with a strength of 100° proof which is the base standard for determining and expressing one strength of liquors of above 100° or below 100°corresponding to overproof and underproof respectively.

When a quantity of bulk litre is to be converted into a proof litre the formula to be applied is as follows :

\[
\text{Bulk Quantity of the Spirit} \times \frac{\text{Existing strength}}{100}
\]

(1) Thus, if 1000 bulk litres of 30° U.P. is to be converted into proof litres the number of proof litres applying the above formula will be as follows :-

\[
\frac{1000 \times 70}{100} = 700 \text{ P.L.}
\]

Note : If the strength of the arrack is 30 U.P. it is expressed as 70°proof (100° - 30°).

(2) Similarly if 1000 bulk litres of 50°O.P. of rectified spirit is to be converted into proof litres the quantity as per the formula will be as follows :-

\[
\frac{1000 \times (100 + 50)}{100} = 1500 \text{ Proof Litres.}
\]
The conversion of bulk litre into proof litre is important because the duty on IMFL etc. is leviable on proof litre and not on bulk litre.

4.8 Classification of Distilleries:

The provisions of these rules shall apply to the Distilleries for the following purposes:

1. Manufacturing spirits from Molasses as fermentative base for potable purpose (Form D2(PM))
2. Manufacturing spirits from Grains as fermentative base for potable purpose (Form D2(PG))
3. Manufacturing spirits from Molasses and grains or any other fermentative base as notified by the Government from time to time for potable purpose ((Form D2(PMGO))
4. Manufacturing Malt spirit from fermenting malt for potable purpose either for commercial or for captive needs (Form D2(MS))
5. Manufacturing spirits from Molasses as fermentative base for Industrial purposes wholly or partly (Form D2(RM))
6. Manufacturing spirits from Grains as fermentative base for Industrial purposes wholly or partly (Form D2(RG))
7. Manufacturing of spirits from Molasses and Grains or from any other fermentative base as notified by the Government from time to time for industrial purposes wholly or partly (Form D2(RMGO))
8. Manufacturing Extra Neutral Alcohol by re-distilling molasses based Rectified spirit for potable purpose either for commercial or for captive needs (Form D2(EM))
9. Manufacturing Extra Neutral Alcohol by re-distilling Grains bases Rectified Spirit for potable purpose either for commercial or for captive needs (Form D2(EG))
10. Manufacturing Extra Neutral Alcohol by re-distilling Molasses based and Grain based Rectified Spirit or Rectified spirit obtained from any other fermentative base as notified by the Government from time to time either for commercial or for captive needs (Form D2(EMGO)) (Rule 3).

4.9 Account of spirit Bottling:

An account of spirit received and used for bottling is to be maintained in Form D4. An account is to be taken of the licensee’s stocks at such intervals, not exceeding three months and the licensee has to pay to Govt. excise duty at the then existing rates on all spirits which is in deficit (and could not be accounted for satisfactorily) in excess of ½% allowed as wastage. Wastage for the purpose of collection of excise duty on the excess as aforesaid shall be calculated at the end of every twelve months from the date on which the licence comes into force. If the licence is granted for the period of less than 12 months the wastage shall be calculated at the end of such a period.

4.10 Removal of spirit from Distillery:

No spirit or liquor manufactured or stored shall be removed unless the excise duty specified is paid before removal. The spirit is not to be issued in quantities of less than 20 litres and no bottled spirit is to be issued in quantities of less than 70 litres. The removal of any spirit other than bottled spirit is not to be permitted in vessels of less than the capacity of 20 litres. The quantity and strength of the spirit is to be verified by the Distillery Officer before issue. All spiced spirit except unissued spirit, which turns milky white on dilution is to be coloured before issue. On payment of the excise duty supported by Challans a distillery pass in Form D6 for the removal of spirit fit for human consumption is given to a person holding permit issued by the competent authority. If the applicant tenders cash in payment of excise duty the Distillery Officer shall fill up the challan for presentation of cash at the local Treasury and the treasury receipt shall be
affixed to the counterfoil of Form D6. The duplicate of Form D6 is sent to the Prohibition & Excise Superintendent of the district of destination. The price for the current period can be changed by the licensee after giving 24 hours notice to the Excise Superintendent.

The distiller is to issue at the distillery to the Distillery Officer such quantities of spirits, rectified Spirits and denatured as may be intended for by him for supply to such places or persons or institutions, as directed by the Deputy Commissioner. The Distillery will himself collect the cost of the spirits supplied from the persons concerned.

4.11 In the Distillery, the following State Excise receipts are mainly realized.

(a) Collection of excise duty for spirit issued (other than by Bond).
(b) Collection of Excise duty when there is shortage of spirit more than prescribed limit in the store room.
(c) Collection of excise duty on spirit removed for use in the laboratory attached to the distillery, if it is used otherwise than as permitted.

Under the Andhra Pradesh Distillery (Manufacture of Spirits) Rules, 2006, The Government may by notification issued from time to time, withdraw their intention of granting letter of intent for establishment of any new distillery or expansion of the production capacity of an existing distillery for any of the purpose separately. On the notification issued by the Government, any person intending to construct and work such distillery may apply alongwith his scheme to the Government through Commissioner.

Not withstanding any thing contained in sub rules (1) and (2)of Rule 4,, the Government of A.P. may grant letter of intent for establishment of distilleries for the following purposes, on production of sanction or permission from Government of India.

(a) Manufacturing spirits from Molasses as fermentative base for industrial purpose wholly or partly;
(b) Manufacturing of spirits from grains as fermentative base for industrial purpose wholly or partly;
(c) Manufacturing spirits from Molasses and grains or from any other fermentative base for industrial purpose wholly or partly. (Rule 4(3)).

Licence for manufacture of spirits and malt spirits for potable purpose shall be granted when the same is notified and sanctioned under sub rule (1) and (2) of rule 4.

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Establishment of new Distilleries or expansion of the production capacity of an existing distillery</th>
<th>Non-refundable and Non-adjustable Fee</th>
<th>Security Deposit</th>
<th>Annual License Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Initial Investment</th>
<th>Annual Fee</th>
<th>Renewal Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Manufacture of Spirits and malt spirits for potable purpose</td>
<td>Rs.20.00 lakh</td>
<td>Rs.50,000</td>
<td>Rs.20,000</td>
</tr>
<tr>
<td></td>
<td>(The application shall be supported along with original Challan)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Authority: Rule 5 sub-rule 2(b))</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Manufacture of Extra Neutral Alcohol for potable purpose</td>
<td>Rs.20.00 lakh</td>
<td>Rs.50,000</td>
<td>-do-</td>
</tr>
<tr>
<td>3</td>
<td>Manufacture of Spirits for Industrial purpose</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(i) Wholly (exclusively for industrial purpose)</td>
<td>(i) Rs.5.00 lakh</td>
<td>Rs.50,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(ii) Partly</td>
<td>(ii) Rs.20.00 lakh</td>
<td>Rs.50,000</td>
<td></td>
</tr>
</tbody>
</table>

If the holder of the Letter of Intent fails to obtain a licence within a period of Six months or fails to commence production within two years from the date of issue of the Letter of Intent, he forfeits his right over Letter of Intent and on the licence.

The holder of letter of intent have to submit Counterpart Agreement in the prescribed form alongwith security deposit of Rs. 50,000/- in the shape of cash deposit or fixed deposit receipt or bank guarantee from any scheduled bank situated in A.P. for fulfilment of all conditions of licence (Sub-rule 3 of Rule 6).

**4.12 Licence fee Structure:**

(1) The Government shall fix the Production capacity of the Distillery.
(2) The capacity of the equipment and devices of the Distillery shall be according to the production capacity as fixed for the Distillery and shall be as per the specifications and norms as may be prescribed by the Commissioner from time to time.

(3) The annual licence fee shall be in respect of all above category distilleries fixed by the Commissioner basing on the production capacity in accordance with the licence fee structure prescribed here under:

<table>
<thead>
<tr>
<th>Annual Production Capacity</th>
<th>Annual Licence Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Upto 20 lakh Bls</td>
<td>Rs. 4,00,000/-</td>
</tr>
<tr>
<td>2. For every additional 1 lakh Bls or part thereof</td>
<td>Rs. 1,00,000/-</td>
</tr>
</tbody>
</table>

Provided that the production capacity fixed shall not be reduced under any circumstances.

Provided further that in case of new licence granted under rule 6(4)(a), the licensee commences manufacture from such date specified therein and the licence fee shall be prescribed in sub rule (3) proportionately on the production capacity for the remaining period of licence.

Provided also that in case of expansion as granted under Rule 6(4)(a) the licensee manufacture from the expanded production capacity from such date as specified therein and the licence fee shall be paid proportionately as prescribed under sub-rule (3) on such expanded capacity for the remaining period of licence.

(4) Whenever the fixed production capacity is fully utilized by the licensee before the completion of licensed year and if the licensee desires to have additional production during the remaining part of the licence year the licensee shall take special permission from the Government for causing additional production over and above the fixed production capacity by submitting the requirement through Commissioner. On grant of such permission, the licensee shall pay the additional licence fee on such additional as per the rates specified in sub-rule (3).

4.13 Renewal of Licence:

Licence granted under these Rules shall come into force from the date as specified therein. Licence shall ordinarily be for a period of one year. The Licensee shall get his licence renewed before commencement of the licence year by paying the prescribed licence fee otherwise he is neither eligible to go into production nor permitted to transact any business. If he fails to renew licence before commencement of the licence year, he shall pay the licence fee along with late fee specified below for renewal of his licence:

<table>
<thead>
<tr>
<th>Period</th>
<th>Late Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Within six months from the date of commencement of licence year</td>
<td>5% of Annual Licence Fee</td>
</tr>
</tbody>
</table>
2. After six months from the date of commencement of Licence year | 10% of Annual Licence Fee

4.14 Sub-Lease of Distillery:

The Commissioner may, on application made by the holder of a licence issued under these rules, permit sub-letting the whole licensed capacity of his licence proposed to sub-lessee of a distillery.

(a) a sub-lease fee of sum equal to 10% (Ten Percent) of the annual licence fee is remitted in Government treasury.

(b) The licensee keeps a security deposit of an amount equal to 15% (Fifteen percent) of the annual licence fee of the distillery in the shape of Fixed Deposit Receipt or Bank Guarantee from a Scheduled Bank situated in Andhra Pradesh in the name of the Commissioner.

4.15 Shifting of Existing Distillery:

Where the management of a distillery intends to shift the distillery to another place, it shall intimate the same to the Commissioner by an application in Form D-4 after remitting an amount of Rs.50,000 in the Government treasury and enclose the challan in original in support of payment along with the application.

4.16 Transfer of Licence:

(i) No licensee shall, except with the sanction of the Commissioner, transfer his license to any other person. The Commissioner may allow such transfer of license on payment of a fee of Rs.50,000 and on obtaining such undertaking or Bond and such other material or documents to protect the interest of the Government. Where there is a change of 50% or more partners, it shall be construed, as complete change in the ownership, a fee of Rs.50,000 shall be paid. No licensee shall except with prior permission of the licensing authority get any person included as partner to his business or get an existing partner excluded.

(ii) When there are only two partners in the firm holding the licence and one of them withdraws or requires the entity of a firm changes from partnership of propriety land it amounts to transfer of licence.

(iii) Conversion of a proprietary concern into a firm or a company or a firm into a company and vice versa shall amount to transfer of licence.

4.17 Merger of licence:

When two or more existing distilleries desire to merge into one distillery may apply to the Commissioner in Form D4 (M) along with a challan for Rs.50,000. On receipt of such application the Commissioner, if satisfied, may grant such permission after obtaining the orders from the Government for merger of the Distilleries.

4.18 Norms for better yield of Spirit from molasses:
(1) The licensee shall necessarily adopt the technology of continuous fermentation process, which would give more efficient production of Rectified Spirit.

(2) The molasses shall not contain more than 5% of non-fermentable sugars. If on chemical analysis non-fermentable sugars are found to be more than 5%, the same shall be reported to the Commissioner immediately.

(3) The fermentation efficiency shall not be less than 83%.

(4) The distillation efficiency of the distillery shall not be less than 98%.

(5) The alcohol content in the spent wash shall not be more than 0.15%.

4.19 Wastages allowed in a distillery:

The following wastages shall be allowed under the provisions of Rule 28.

<table>
<thead>
<tr>
<th>Nature</th>
<th>Percentage of Wastage</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Transit wastage of molasses</td>
<td>Not exceeding 1% of the quantity transported by weight shall be allowed.</td>
</tr>
<tr>
<td>(2) Storage loss of molasses</td>
<td>Not exceeding 1% by weight of the average quantity stored in the distillery during the year.</td>
</tr>
<tr>
<td>(3) Storage loss of alcohol in respect of RS producing distilleries</td>
<td>0.5% for each period of 3 months.</td>
</tr>
<tr>
<td>(4) Transit loss of spirit transported including losses due to evaporation during transit.</td>
<td>Not exceeding 0.5% of the quantity transported in each consignment.</td>
</tr>
<tr>
<td>(5) Loss of spirit in re-distillation process for production of ENA</td>
<td>Not exceeding 2% of the quantity of re-distilled on each occasion.</td>
</tr>
</tbody>
</table>

Note: The licensee shall pay the excise duties, as per, the then existing rates on deficiencies of spirit in excess of permissible limits i.e. 0.5% to 2% respectively.

4.20 Maintenance of Registers:

The following Registers and appropriate formats are to be maintained which are specified by the Commissioner:

A. Registers to be maintained by D2 (PM)/D2 (PG)/D2 (PMGO)/D2 (RM)/D2 (RG)/D2 (RMGO) Licensed Distillery


B. Registers to be maintained by D2(MS) Licensed Distillery:


C. Registers to be maintained by D2(EM)/D2(EMG)/D2(EMGO) Licensed Distillery:
(1) RS Receipts Register (Molasses/Grain/other fermentative base), (2) RS Stock Register (Molasses/Grain/other fermentative base), (3) ENA Production Register (Molasses/Grain/other fermentative base), (4) ENA Stock Register (Molasses/Grain/Other Fermentative Base), (5) ENA Issue Register (Molasses/Grain/other fermentative base), (6) Impure spirit Stock Register, (7) Sample Register, (8) Distillery Stoppage Register, (9) Distillery Gate pass Register.

4.21 Audit Checks:

The Audit checks will be mainly consist in seeing that the licence fee, security deposit, Annual licence fee, and other additional fee have been collected as per the rates in force from time to time. A check shall be exercised whether the production capacity of the distillery is within the permissible limits, otherwise additional fee as prescribed was levied and collected. Whether they have paid the licence fee and have renewed them, whenever necessary.

The most important duty of audit is however, the check of accounts maintained by the licensees and Distillery Officers as prescribed in the foregoing rules. The Distillery Officer should verify the correctness of the challan payments by reconciliation of the amounts of challans received by him with those accounted for by the Treasury.

Audit should also check that the wastages are within the limits prescribed. If it exceeds such limits, it should be seen that the duties for the wasted quantity in excess of the prescribed limits have been realized as indicated in the table under the Para 4.19.
CHAPTER – 5

THE ANDHRA PRADESH DISTILLERY (MANUFACTURE OF INDIAN MADE FOREIGN LIQUOR OTHER THAN BEER AND WINE) RULES, 2006

5.1 Preliminary:

These rules may be called the Andhra Pradesh Distillery (Manufacture of Indian Made Foreign Liquor other than Beer and Wine) Rules, 2006 and shall extend to all areas where Andhra Pradesh Excise Act 1968 is in force. They shall come into force from the date of issuance of G.O.(G.O.Ms.No.90 Rev (Excise.III) Dept. dt. 27.01.2007. The Andhra Pradesh Distillery Rules 1970 shall cease to operate on the commencement of these rules.

5.2 Definition:

(1) “Distillery” / “Manufactory” means a unit where spirits are compounded, blended, processed, fortified and or diluted to produce Indian Made Foreign Liquor other than Beer and Wine and includes an operation for bottling of such liquor.

(2) “Extra Neutral Alcohol (ENA)” means the Alcoholic liquid obtained by re-distilling spirits and having the specifications prescribed in these rules.

(3) “Fermentation Base” means molasses or the variety of grains or any other substance containing sugar or carbohydrates as may be notified by the Government from time to time from which a manufacture of spirit is allowed.

(4) “Indian Made Foreign Liquor (IMFL)” means liquor produced, manufactured or compounded in India after the manner of Gin, brandy, whisky or Rum imported from foreign countries and includes Milk punch and other liquors consisting of or containing any such spirits, but does not include beer, wine and foreign liquor.

(5) “Rectified Spirit” means spirit having strength of 50% or more over proof.

(6) “Special Spirit” means spirit re-distilled after addition of flavors & spices to plain spirit.

5.3 Classification of Distilleries:

The provisions of these rules shall apply to the manufactories established for the following purposes :-

(a) Manufacture of Indian Made Foreign Liquor utilizing Extra Neutral Alcohol obtained from Molasses as fermentative base.(Form DM-2(M))

(b) Manufacture of Indian Made Foreign Liquor utilizing Extra Neutral Alcohol obtained from Grains as fermentative base.(Form DM-2(G))

(c) Manufacture of Indian Made Foreign Liquor utilizing Extra Neutral Alcohol obtained from both Molasses and Grains or Extra Neutral Alcohol obtained from any other Fermentative base as notified by the Government from time to time.(Form DM-2(MGO)) (Rule 3)
5.4 Bottling :- Operations connected with the filling of bottles with liquors for issue, are to be conducted in bond under the supervision of the Distillery Officer in a separate room called the “Bottling room for liquor” set apart for the purpose within the distillery premises near the spirit store. Bottled spirit is to be stored in separate rooms called the “Bottled Spirit Store for liquor” set apart for the purpose within the distillery premises near the bottling rooms. The bottling rooms and bottled spirit store rooms shall be secured and liquor is to be bottled at the strength specified by the Commissioner from time to time. Bottling is to be done during ordinary working hours. No bottle shall be filled except in the joint presence of the Distillery Officer and a representative of the licensee.

5.5 Procedure to grant licence to a manufactory:

The letter of Intent for establishment of any new manufactory or expansion of the production capacity of any existing manufactory shall be issued only with the previous notification issued by the Government expressing the intention to grant the same from time to time. A notification shall be issued by the Government separately from time to time for grant of Letter of Intent for establishment of new manufactory or expansion of production capacity of an existing manufactory for different purposes mentioned in Rule 3. Government, may also, by notification withdraw their intention of granting Letter of Intent for establishment of new manufactory or expansion of the production capacity of the categories of existing manufactory for any of the purposes separately.

Licence for manufactory shall be granted when the same is notified and sanctioned under sub rule (1) and (2) of rule 4. On the notification issued by the Government any person intending to construct and work such a manufactory or expand the production capacity of the existing manufactory may apply in Form DM(!) along with his scheme to Government through the Commissioner. Applicant has to pay non-refundable and non-adjustable fee and also special fee into Government treasury and challan in original in support of payment is produced at the time of submission of application, as specified below :-

<table>
<thead>
<tr>
<th>Annual Production capacity of the proposed manufactory</th>
<th>Non-refundable and non-adjustable Fee</th>
<th>Special Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto 50 Lakh Proof Litres</td>
<td>Rs. 7 Crore</td>
<td>Rs. 3 Crore</td>
</tr>
<tr>
<td>Above 50 Lakh Proof Litres and up to 100 lakh proof Litres.</td>
<td>Rs. 10 Crore</td>
<td>Rs. 5 Crore</td>
</tr>
<tr>
<td>Above 100 lakh Proof Litres.</td>
<td>Rs. 12 Crore</td>
<td>Rs. 6 Crore</td>
</tr>
</tbody>
</table>

The special fee remitted shall be adjusted towards future licence fee or Excise Duty or both on commencement of production.

When the Government are satisfied of the proposed scheme they may accord the sanction and communicate it in the form of letter of Intent in Form DM(S). This letter of Intent shall be valid
for a period of two years from the date of issue. If the holder of the letter of Intent fails to obtain a licence within a period of six months or fails to commence production within two years from the date of issue he ceases to have any right on the letter of Intent and on the licence. The holder of letter of Intent shall apply in Form DM(1)(A) and the application shall be accompanied by all necessary documents alongwith Counterpart Agreement in Form DM(1)(C), deposit amount of Rs.10.00 lakh in the shape of cash deposit or fixed deposit receipt or Bank guarantee from any scheduled bank situated in Andhra Pradesh, as a security for fulfillment of all the conditions of licence. The licence fee for a new manufactory shall be Rs.20,000/- per annum till the commencement of production or expiry of two years period from the issue of letter of intent, whichever is earlier.

When the Commissioner is satisfied that the applicant for expansion of production capacity of an existing manufactory has fulfilled the conditions, he may endorse the sanction of expansion on the existing licence.

In case the licensee fails to construct or expand and work the manufactory before expiry of two years from the date of grant of letter of Intent, the new licence or the expansion sanctioned shall be liable for cancellation without compensation for any damage or loss.

5.6 Existing licence under A.P.Distillery Rules, 1970:

The A.P.Distillery Rules, 1970 shall cease to operate on the commencement of these rules and all relevant licences granted under A.P.Distillery Rules, 1970 for such purposes as categorised in rule 3 of these rules shall be deemed to have been granted under these rules. Provided that the licence fee in respect of the existing distilleries shall be paid by the licensees proportionately from the date of commencement of these rules.

5.7 Licence fee structure:

(1) The Government shall fix the production capacity of the Manufactory.

(2) The capacity of the equipment and devices for bottling of Indian Made Foreign Liquor of a manufactory shall be according to the production capacity as fixed for the manufactory and shall be as per the specifications and norms as may be prescribed by the Commissioner from time to time.

(3) The annual licence fee shall be fixed by the Commissioner basing on the production capacity in accordance with the licence fee structure prescribed hereunder:

<table>
<thead>
<tr>
<th>Annual Production Capacity</th>
<th>Annual Licence Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Upto 20 lakh Pls</td>
<td>Rs. 20,00,000/-</td>
</tr>
<tr>
<td>2. For every additional one lakh Pls or part thereof</td>
<td>Rs. 1,00,000/-</td>
</tr>
</tbody>
</table>
Provided that the production capacity fixed shall not be reduced under any circumstances and in case of new licence granted under Rule 6(4)(a), the licensee commences manufacture from such date specified therein and the licence fee shall be proportionately on the production capacity for the remaining period of the licence.

Whenever, the licensed production capacity is fully utilized by the licensee before the completion of licensed year and if the licensee desires to have additional production during the remaining part of the licence year, the licensee shall take special permission from the government for causing additional production over and above the fixed production capacity by submitting the requirement through Commissioner. On grant of such permission, the licensee shall pay the additional licence fee on such additional production at the rate of Rs.2/- per proof litre of additional production.

5.8 Renewal of Licence:

Licence shall ordinarily be for a period of one year. The Licensee shall get his licence renewed before commencement of the licence year by paying the licence fee as prescribed in Rules 8 otherwise he is neither eligible to go into production nor permitted to transact any business. If the licensee fails to apply for renewal by paying the specified fee before commencement of the licence year, he shall pay the licence fee along with late fee specified below for renewal of his licence. The right of the licensee to get his licence renewed stands forfeited if the licence is not renewed continuously for period of 3 years.

<table>
<thead>
<tr>
<th>Period</th>
<th>Late Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Within six months from the date of commencement of licence year</td>
<td>5% of Annual Licence Fee</td>
</tr>
<tr>
<td>2. After six months from the date of commencement of licence year</td>
<td>10% of Annual Licence Fee</td>
</tr>
</tbody>
</table>

5.9 Excise Duty:

The Excise duty shall be paid at such rates as may be specified by the Government from time to time. The licensee shall execute an agreement binding himself, his heirs, legal representatives and assignees to observe the conditions of licence, hypothecating the buildings, machinery apparatus together with the stock as security for the payment of money, which may be due to Government.

5.10 Sub-Leasing of manufactory:

The Commissioner on application made by the holder of a licence issued under these rules, permit Sub-leasing the whole or part of the licensed capacity of such manufactory to the proposed Sub-lessee.
(a) a sub-lease fee of sum equal to 10% (Ten Percent) of proportionate license fee on the production capacity proposed for Sub-lease remitted in Government Treasury.

(b) The licensee keeps a security deposit of an amount equal to 15% (Fifteen percent) of the annual licence fee of the Manufactory in the shape of Fixed Deposit Receipt or Bank Guarantee from a Scheduled Bank situated in Andhra Pradesh in the name of the Commissioner.

(c) The Sub-lessee shall be responsible for payment of all dues, taxes and fees etc., payable to the Government pertaining to the period of Sub-lease. In case the Sub-lessee fails the same shall be recovered from the licensee.

(d) The sub-lease granted under sub-rule (1) of Rule 10 is not transferable.

(e) All the outstanding duties, taxes, fees or any other dues payable to the Government shall be recovered from the Sub-lessee and the licensee as if they were arrears of Land Revenue.

(f) The fixed deposit receipt or the bank guarantee produced as security deposit shall be returned to the licensee after the clearance of all the dues to the Government by the sub-lessee and licensee.

5.11 Manufacture of IMFL on Tie-up or Franchise Agreements:

(1) “Tie-up” means an arrangement made between the licensee holding a licence under A.P. Distillery (Manufacturer of Indian Made Foreign Liquor other than Beer and Wine) Rules, 2006 and a person(s)/Firm who desire to manufacture their products jointly.

(2) “Franchise” means an arrangement made between the licensee holding a licence under A.P. Distillery (Manufacturer of Indian Made Foreign Liquor other than Beer and Wine) Rules, 2006 and person(s)/Firm holding trade mark under Trade and Merchandise Mark Act, 1958 to use, manufacture and sale the products of such trade mark holder under Technical Collaboration.

If the licensee desires to undertake manufacture of IMFL brands (other than those of his own brands) pertaining to other distilleries under Tie-up arrangements or on Franchise agreement, he shall apply to the Commissioner for such manufacture. The Commissioner may permit such Tie-up or Franchise arrangement for manufacture of IMFL under the following conditions:

(a) A Tie-up or Franchise fee of sum equal to 10% of the annual licence fee on the proposed production capacity for such Tie-up or Franchise.

(b) The licensee keeps a security deposit of an amount equal to 15% of the proportionate annual licence fee on the production capacity under tie-up/franchise agreement in the shape of fixed deposit receipt or Bank Guarantee issued by any scheduled Bank situated in Andhra Pradesh in the name of the Commissioner.

(c) The licensee and the person holding permission for Tie-up or franchise agreement shall be responsible for payment of all duties, taxes and fees etc., payable to the Government pertaining to the period of Tie-up or Franchise agreements.

(d) The security deposit shall be valid for the licensed period or till dues are paid to the Government whichever is later. All the outstanding duties, taxes and fees or any other dues
payable shall be recovered from the licensee and the Tie-up/ Franchisee agreement holder as if they were arrears of land revenue.

(e) The fixed deposit receipt or the bank guarantee produced as a security deposit shall be returned to the licensee after the clearance of all the dues to the Government by the licensee and the Tie-up or Franchise agreement holder.

5.12 Shifting of Existing Distillery:

Where the management of a distillery intends to shift the distillery to another place, it shall notify the same to the Commissioner by an application in Form DM-3 after remitting an amount of Rs.2.00 lakh in the Government treasury and enclose the challan in original in support of payment along with the application. On receipt of such an application the Commissioner, if satisfied, may grant such permission after obtaining the orders from Government for shifting of the manufactory.

5.13 Change or Alteration of Licence:

Transfer of Licence:

No licensee shall, except with the sanction of the Commissioner transfer his license to any other person. The Commissioner may allow such transfer of license on payment of a fee of Rs.2.00 lakh and on obtaining such undertaking or Bond and such other material or documents to protect the interest of the Government. When there are two partners in the firm holding the licence and one of them withdraws or expire, the entity of firm changes from partnership to proprietary and it amounts to transfer of licence. Conversion of a proprietary concern into a firm or a company or a firm into a company and vice versa shall amount to transfer of licence.

Inclusion or Exclusion of Partners:

No licensee shall except with prior permission of the licensing authority get any person included as partner to his business or get an existing partner excluded.

Death of licensee or incapability of the licensee:

The legal heirs of the deceased licensee, may apply for continuance of the licence in their name to the Commissioner within thirty days of death of the licensee. If the Commissioner is satisfied he may permit the legal heirs to continue the licence in the name of such legal heirs.

Merger of licence:

When two or more existing distilleries desire to merge into one distillery may apply to the Commissioner in Form DM3(M) along with a challan for Rs.2.00 lakh. On receipt of such application the Commissioner may, if satisfied, may grant such permission after obtaining the orders from the Government for merger of the manufactories.

5.14 Labelling of Liquor Bottles:

(1) The licensee shall label each bottle after bottling with a label printed in English or Telugu Language showing the name of the licensed manufactory and the place where the bottling is done.
(2) The labels shall be affixed to the liquor bottles only after such labels are approved by the Commissioner.

5.15 Approval of Labels:

The licensee shall submit an application in Form-DM-5 to the Commissioner and shall enclose with ten copies of each variety of label sought to be approved. The licensee shall remit the label approval fee as specified below and the challan in support of the payment is produced with the application.

(a) Rs.2,00,000/- in respect of each variety of brands of liquor whose basic price is upto Rs.700/-
(b) Rs.50,000/- in respect of each variety of brands of liquor whose basic price is above Rs.700/-

The licensee shall also get the label re-approved for each licensed year by paying the label fee specified as above, provided that if a particular label was approved in a year, the stocks bearing such label are laying unsold in the warehouse, the licensee need not get such label re-approved for the purpose of their release of such stock in the subsequent years. In case of supply of liquor to Canteen Stores Department, the licensee get each variety of label approved separately by paying the label fee as specified above. The label fee once remitted and the label was duly approved it shall not be refunded or adjusted for any reason including withdrawal or cancellation of rate contract by the Andhra Pradesh Beverages Corporation Limited or non-issue of purchase orders.

5.16 Affixture of Excise Adhesive Labels (EAL):

The licensee shall affix each sealed bottle of liquor with the excise Adhesive label supplied by the Excise Officer. No bottle containing liquor without EAL shall be issued from the manufacture.

The Excise Officer shall issue only such number of adhesive labels as are required for affixature on the bottles of liquor produced every day. And he shall maintain an account of EAL in such a form as may be prescribed by the Commissioner from time to time.

5.17 Drawal of samples:

The licensee shall, when required permit samples of the material used or liquor manufactured to be taken for analysis under the orders of the Commissioner or by any officer authorized by him to take samples. Each sample shall be taken in three 750 ml. Bottles or when the material cannot be placed in bottles, in three parcels, in the presence of a representative of the licensee each bottle or parcel shall be immediately and securely sealed in the presence of the excise Officer and the licensee’s representative. One bottle or parcel shall then be made over to the licensee representative, the second shall be sent for analysis and the third be kept by the Excise Officer, pending disposal of the case.

5.18 Wastages allowed:

The following wastages shall be allowed under the provisions of Rule 23

<table>
<thead>
<tr>
<th>Nature</th>
<th>Percentage of Wastage allowed</th>
</tr>
</thead>
</table>
The licensee shall pay the Excise duty at the then existing rate on the deficiencies of spirit in excess of the limits specified above.

### 5.19 Removal of Liquors:

Liquor manufactured or stored otherwise than that under bond shall be removed only after payment of Excise Duty as specified in Rule 10 and cost of Excise Adhesive labels as specified by the Commissioner from time to time. No IMFL shall be issued in quantities of less than 90 litres. On payment of Excise Duty and cost of Excise Adhesive Labels, a transport permit for removal of liquor shall be granted by the Excise Officer in-charge of the unit. Every application for a transport permit for removal of spirit or liquor shall be made in writing to the Excise Officer and shall be accompanied by a challan in original in support of payment of cost of excise adhesive labels at the rate specified by the Commissioner from time to time and the certificate or permit being either a general or a special one for the purpose of a single removal. The licensee shall present the treasury receipt in token of his payment of the excise duty and cost of labels (EAL) to the Excise Officer. The licensee shall be responsible for the correct and full payment of excise duty on IMFL to be removed. But if he is in doubt as to the amount of such excise duty, he may, prior to its payment in the treasury, apply to the excise officer for a revision of calculation.

An application for removal of spirit from the store room to the matured spirit warehouse shall be made in writing to the distillery officer, specifying the serial number of each cask and its full capacity and the quantity and strength of the spirit it contains. No cask of less than 40 litres shall be moved for deposit in the matured spirit warehouse.

### 5.20 Maintenance of Registers:

The following Registers are to be maintained in every IMFL manufactory : (1) ENA Stock registers, (2) Allotment and lifting of ENA Register, (3) Malt spirit stock Register, (4) Grape Spirit/other spirits stock register, (5) Blend Account register, (6) Bottling operations Register, (7) Brand wise stock Register, (8) Consolidated stock Register of finished stock, (9) Issues Register, (10) EAL Stock Register, (11) Utilization of EALs Register, (12) Sample Register, (13) Purchase Order Register, (14) Distillery Gate Pass Register, (15) Excise Duty/user charges Register and (16) Reconciliation Register.

### 5.21 Audit Checks:

1) It should be checked in audit that the prescribed fees and deposits have been made by the licensee and the conditions laid down in the licence have duly observed.
2) It should be verified whether there is any additional production over and above the fixed production capacity. If so, additional licence fee and duties at the prescribed rates on additional production was collected and remitted.

3) It should be verified in the cases of renewals/shifting of premises/change in licensee or sub-leases etc., the requisite fee have been collected and remitted.

4) It should be verified in audit, that, the wastages are within the limit prescribed. If it exceeds such limits, the duties for the wastage quantity in excess of limits are realised.
CHAPTER – 6
FOREIGN LIQUOR AND INDIAN LIQUOR

6.1 The term ‘liquor’ includes spirits of wine, denatured spirits, methylated spirits, rectified spirits, wine, beer, toddy and every liquor consisting of or containing alcohol and any other intoxicating substance which Government by notification declare it to be liquor for the purposes of Andhra Pradesh Excise Act, 1968. There are two types i.e. foreign liquor and Indian liquor.

6.2 Foreign liquors refer to liquors like whisky, brandy, gin, rum and beer, imported into India. Indian Liquor means liquor produced, manufactured or compounded in India after the manner of gin, brandy, whisky or rum imported from foreign countries and includes ‘milk punch’ and other liquors consisting or containing any such spirits but does not include foreign liquor.

The Andhra Pradesh Excise Indian Made Foreign Liquor and Foreign Liquor Rules, 2006

In exercise of the powers conferred by Section 72 read with sections 17, 28 & 29 of the Andhra Pradesh Excise Act 1968 (Act 17 of 1968) and Ordinance 5 of 2005 the Governor of A.P. made the following rules.

(These rules may be called:)


They shall extend to all the areas where the Andhra Pradesh Excise Act, 1968 is in force and come into force from the date of issue of above Government Order.

1. The A.P. Excise (Lease of Right of Selling by Shop and conditions of Licence) Rules, 2005.

6.3 Definitions:

(1) “Auction” means grant of lease by way of inviting sealed tenders from the public.

(2) “Auctioning Authority” means the office authorized to conduct auction and call for tenders under rule 11.
(3) “Auction Purchaser” means the person whose tender is accepted by the Auctioning Authority.

(4) “Dry Day” means a day on which no liquor shall be sold in the licensed premises. The licensed premises shall be closed and no business transacted on the following days declared as dry days:

26th January – Republic Day.
15th August Independence Day
2nd October – Gandhi Jayanthi

Provided that the Licensee shall not be entitled to any compensation whatsoever for the closure of the licensed premises.

(5) “Highest Tenderer” means a person who offers the highest lease amount by tender.

(6) “Lease Amount” means the amount payable in respect of a shop as part of sum in consideration of the grant of lease payable under section 23 read with section 17 of the Act.

(7) “Lease Period” means the period of two years commencing from 1st July, of the year of the period or part thereof.

(8) “Licence” means licence issued to a lease holder under these rules.

(9) “Licensed premises” means where Indian Liquor and Foreign Liquor is permitted to be sold.

(10) “Permit Room” means a Privilege granted under these rules in Form A-4 (B) to a holder of licence in Form A-4 to allow consumption of IMFL & FL in a separate permitted premises adjacent to the A-4 licenced premises.

(11) “Population” means the figure of population as officially published in the latest census.

(12) “Shop” means a privilege granted under these rules for sale of IMFL & FL in sealed or capsuled bottles or packages of tins to an individual in quantities not exceeding the limits as prescribed without permitting consumption of the licensed premises.

(13) “Tenderer” includes his power of Attorney holder.

(14) “Transport Permit” means a permit issued by competent officer for transport IL & FI from Andhra Pradesh Breweries Corporation Limited depot to licensed premises as the case may be.

(15) “Excise Adhesive Label” means the label designed and approved by, printed and supplied under the supervision and control of the Commissioner of Prohibition and Excise, from time to time in different forms for the purpose of its affixature to sealed bottles of different varieties and sizes containing liquor.

6.4 Establishment of Shops through inviting tenders:
The Collector shall be the auctioning authority. However, the Commissioner or Collector may in his discretion authorize the Deputy Commissioner or any other officer not below the rank of Superintendent of Prohibition & Excise Department to conduct auction and accept tender. The Commissioner may authorise any Collector to conduct auction accept tenders in more than one district.

Where it is proposed to grant the lease for sale of IMFL & FL by shop a notice of the proposed auction shall be published at least (7) seven days in advance of the date of auction, by the District Collector in District Gazette.

The Grant of lease of right to sell IMFL & FL by shop shall ordinarily be granted by inviting sealed tenders from the public after due notification. The lease shall be for a period of two years or part thereof.

The tenderers are required to submit the requisite documents alongwith a notarized affidavit in Form A-2 made on non – judicial stamp deed of the requisite value as per the provision of Indian Stamp Act, containing the particulars of his own immovable property and the present market value thereof and encumbrances existing, if any, disclosing all necessary particulars thereof for an amount of not less than five lakh rupees or a Bank Guarantee for an equal amount. The highest tender may be accepted if the lease amount offered is higher than the upset price notified. If any person who is disqualified is found to be holding a lease, the licence thereof shall be withdrawn in accordance with section 32 of the Act and the lease shall be re-auctioned. If such disqualification comes to the notice of the auctioning authority before the lease is granted but after the tender is accepted, the auctioning authority may accept the next highest tender if it is above the upset price or conduct re-auction as the case may be. Every person whose tender has been accepted shall sign in relevant register and auctioning authority shall also obtain signature of next two highest Tenders in a separate register.

6.5 Lease amount to be offered in tenders:

Lease amount shall be offered in the tender for the lease period in respect of a shop put up for auction alongwith declarations in accordance with the Auction Notification published in District Gazette, which should be attached to the exterior of the sealed tender and submitted to auctioning authority on or before the last date and time alongwith a Challan for Rs.5,000/- being non-refundable participation fee and earnest money deposit equal to 5% of up-set price fixed as notified in shape of demand draft from a schedule bank in favour of auctioning authority or Commissioner before opening tenders. Other wise tender for that shop shall be rejected.

When on the opening of the sealed tenders it is found that two or more tenders have quoted the same highest amount, the successful auction purchaser among such tenders shall be selected by drawal of lots.

6.6 Licence to auction purchaser:
The successful auction purchaser shall obtain licence in Form A-4 duly intimating premises where the shop will be located. The following documents shall be submitted by the purchaser.

1. Immovable property in Form -A1 and sureties in Form –A28 as security put together to a minimum of ½ of the lease amount.

2. To execute a Counterpart Agreement on stamp paper of the requisite value in Form A-6.

6.7 Mode of Payment of lease amount:

The lease amount shall be paid in six equal installments. The auction purchaser shall pay first installment sum equal to 1/6th of lease amount immediately on the day of acceptance of the tender. The earnest money deposited may be adjusted towards first installment. Failure to remit 1/6th of lease amount, the shop shall be allotted to next highest tender or be re-auctioned as the case may be, provided, on account of re-auction if the amount is less than up-set price, the original auction purchaser shall be liable to pay resultant loss to the Government besides the amounts already paid shall also be forfeited. The auction purchaser shall be required to submit two fixed deposit receipts or Bank Guarantee each equal to 1/6th of lease amount valid upto 5 and 9 months respectively issued by a scheduled bank situated at Andhra Pradesh within fifteen days of acceptance of tender. The balance 2nd to 6th installments shall be remitted on or before 20th of October, February, June, (of first year), October and February (of second year) respectively along with a fresh bank guarantee valid for 9 months on each occasion. In case of default in payment of any instalment, the amount due shall be adjusted from fixed deposit receipt or the bank guarantee. Interest accruing on fixed deposit receipt shall vest in the Government and amounts due, if any, shall be adjusted and balance returned at end of the lease period.

6.8 Counterpart agreement:

After tendering the deposit and advance amount it shall be the duty of the auction purchaser to execute a counter part agreement in conformity of the tender of the lease in Form A-6 on the required non-judicial Stamp before taking out the licence for the sale of IMFL and FL, it shall come into force with effect from 1st July of the year to which the auction relates and valid for the balance period of the lease.

6.9 Grant of Permit Room Licence:

A holder of the licence in From A-4 may be permitted to have a Permit Room Licence in Form A-4 (B) to serve liquor in loose located in place whose population is 5000 and above, after payment of licence fee of Rs.2,00,000/- calculated proportionately to the whole months of the licence period and a part of the month shall be reckoned as a whole month.

No such permit room will be granted in Municipal Corporations and within a belt area of 5 Kms. from periphery of such Municipal Corporations, Municipalities and within a belt of 2 Kms. from the periphery of such Municipalities and in notified Tourist Centres.

6.10 Shitting of Licensed premises:
The lease holder shall sell the liquor only at the premises specified in the licence and no change, alteration or shifting of premises shall be made. The Commissioner, may permit, shifting of premises on payment of 1% of the lease amount or Rs.25,000/- whichever is higher for valid reasons in notified area in the same mandal or municipality or Municipal Corporation without effecting total number of shops.

6.11 **Death of Auction purchaser:**

In the event of death of Licence holder his heirs shall be entitled to grant of License. If the heirs do not intend to hold the lease, they shall within 15 days from the date of death of lessee communicate the unwillingness to the Prohibition & Excise Superintendent. In such case, alternate arrangement or to re-auction the lease and any loss of revenue sustained by the Government shall be recoverable as arrears of Land Revenue from the property of the original auction purchaser.

6.12 **Inclusion/Exclusion of a Partner:**

A lease holder with the prior permission of the Commissioner, get any other person included as a partner to his business or get an existing partner excluded.

The Commissioner may permit the lease holder at his request to get any person(s) included as a Partner(s) to his business or excluded any existing partner(s) other than the Original auction purchaser on payment of fee of 2% of the lease amount or Rs.50,000 whichever is higher.

**Suspension, Withdrawal or Cancellation of a Lease, License or permit:**

A Lease, licence or permit may be suspended, cancelled or withdrawn in accordance with provisions of Section 31 or 32 of the Act. The lease may be re-auctioned on cancellation or withdrawal.

6.13 **Stocks on cancellation of a Lease or Licence:**

If a lease or licence is cancelled on account or a criminal case, during the currency of the lease period, the whole stock of the IMFL or FL seized from the shop shall be confiscated and sold to any lease holder. The sum, so realised shall be credited to the Government.

6.14 **Bottles for sale to carry labels:**

Every bottle of IMFL or FL in a licenced premises shall carry Excise adhesive label on the top of the bottle in addition to Manufacturer label as approved by the Commissioner.

6.15 **Sale of duty paid liquors:**

The Lease holder shall sell only duty paid IMFL and FL. The lease holder shall purchase IMFL and FL from the allotted deposit depot of APBCL only.

6.16 **Lease holder to maintain accounts:**

The Lease holder shall maintain full and day to day accounts of IMFL and FL received and disposed of in form R-1 the pages of which are machine numbered serially.
6.17 **Stocks on withdrawal of lease or licence:**

If a lease or licence is withdrawn during the currency of lease period under Section 32(1) or clause (c) of the Act, the whole stock of the IMFL/FL shall be seized and sold to any other lease holder. The sale proceeds shall be refunded to the lease holder after deduction of expenses incurred or any other sum due to the Government.

6.18 **No remission allowed for closure:**

The lease holder shall not be entitled for remission of lease amount of compensation on account of closure of licensed premises when the same is ordered to close under Section 20 of the Act.

6.19 **Grant of Godown licence for storage of IMFL/FL:**

A holder of the licence of From A-4 may be permitted to have a Godown Licence for Storage of IMFL/FL in Form A-4G after payment of Licence fee of Rs.1,00,000/- for the lease period. The Godown shall be located in a revenue village/municipality/ municipal corporation limits where the A-4 shop is located.

(II) *The Andhra Pradesh Excise (Grant of License of selling by Bar and Conditions of Licence) Rules, 2005.*

6.20 **Definitions:**

“Bar” means the privilege granted under the Act to an establishment where food is served, for sale of IMFL/FL, in loose for consumption on the licensed premises.

“Licence Fee” means annual licence fee as notified by the Government from time to time and includes proportionate licence fee.

“Licence Period” means a period of 12 months beginning from the 1st July of the year and ending with 30th of June of the succeeding year on part thereof.

“Proportionate Licence Fee” for the purpose of collection of Licence Fee means Licence Fee calculated proportionately to one quarter of the Licence Fee, provided that a part of the quarter shall be reckoned as a whole quarter.

6.21 **Licence:**

A licence in Form-2B, may be granted to an establishment licensed by the local authority to serve food such as a Hotel or Restaurant, for sale of IMFL/FL in glasses or pegs for consumption within the licenced premises but not for sale by removing it out of the licensed premises. Such licence may be granted in Municipalities within a belt of 2 kms. of the periphery area, Municipal Corporation within a belt of 5 kms. of the periphery area and in Tourism Centers (Except places of religious tourism) as notified by the Department of Tourism of the State or Central Government.

6.22 **Procedure for obtaining licence:**
The Commissioner shall be competent to grant prior clearance and Deputy Commissioner shall be competent to grant the privilege of Bar. The Prohibition and Excise Superintendent shall issue the licence in the prescribed Form-2B.

The person intending to establish a Bar, may submit an application in Form-1A to the Commissioner enclosing a challan of Rs.1,000 to get prior clearance in Form-2A. the holder of prior clearance in Form-2A may apply in Form-1B alongwith a challan for Rs.10,000 towards non-refundable application fee for grant of licence for a Bar to the concerned Proh. & Excise Superintendent. The Proh. & Excise Superintendent should examine the suitability of the premises and forward the same to the Deputy Commissioner of Prohibition and Excise of the division who is competent authority to grant such licences. The application before issue of the licence shall be required to execute a counter-part agreement in Form-4B.

The bar Licence shall be valid for one year commencing from 1st July ending with 30th June of the succeeding year subject to a payment of licence fee. The rates of annual licence fee shall be as notified by the Government from time to time and on the basis of population as notified by the Government from time to time at the time of issue of 2-B licence. Licence issued after the 1st July is also valid upto 30th June of the succeeding year or as specified by the licensing authority.

6.23 Renewal of 2B Licence:

The Licensee may apply for renewal of 2B Licence to the Deputy Commissioner before 15 days of its expiry along with a challan for Rs.1,000 towards renewal fee.

Mode of levying and method of payment of licence fee:

The annual licence shall be paid before commencement of the Licence period in one lumpsum or in two equal installments in a manner as notified from time to time.

An additional 10% of licence fee and Rs.10,000/- is payable for each additional non contiguous enclosure for consumption purposes and Rs.10,000/- is payable for extension contiguous licensed premises.

Provided:
(i) that the licence fee in respect of Bar situated within a belt of 5 Kms from the periphery of Municipal Corporation measured in a straight line on the horizontal plane shall also be at the rate of licence fee of Bar situated within the limits of Municipal Corporation:
(ii) that the licence fee in respect of bar situated within a belt of 2 km from the periphery of Municipalities, and notified areas measured in a straight line on the horizontal plane shall also be at the rate of licence fee of bar situated within the limits of such Municipalities and notified areas.
(iii) where Bar falls within the belt area of a Municipal Corporation as well as a Municipality and Notified area the licence fee payable shall be the fee applicable to the Bar situated in the belt area of the Corporation.

As per provision of Rule 3(a), the annual licence fee shall be paid before commencement of the licence period in one lumpsum or in two equal instalments or in a manner as notified from time to time. Where the licence is issued before 1st July the 1st instalment, i.e., half of the annual licence fee shall be paid into Government Treasury through challan along with a fixed deposit receipt or a Bank guarantee from a Schedule Bank situated in Andhra Pradesh for an equal amount to half of the annual
licence fee. The bank guarantee is valid for a period of seven months. The Balance of 2\textsuperscript{nd} instalment of annual licence fee shall be paid on or before 20\textsuperscript{th} December of the same year, failing which the licence shall stand cancelled automatically on the expiry of such date.

The Licesees were also be permitted to pay 1/3\textsuperscript{rd} of annual licence fee together with a fixed deposit receipt or a Bank Guarantee for an amount equal to 2/3\textsuperscript{rd} of annual licence fee. The 2\textsuperscript{nd} and 3\textsuperscript{rd} instalments of the annual licence fee of 1/3\textsuperscript{rd} each shall be remitted on or before 20\textsuperscript{th} September and 20\textsuperscript{th} December respectively, subject to payment of interest @ 18\% per annum on 1/6\textsuperscript{th} of annual licence fee from 1\textsuperscript{st} July to 20\textsuperscript{th} September of the licence period.

The annual licence fee in respect of licences granted during the currency of licence period and mode of payment shall be on the following scale:

<table>
<thead>
<tr>
<th>Licence granted between</th>
<th>Licence fee</th>
<th>Mode of payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1\textsuperscript{st} July and 30\textsuperscript{th} September</td>
<td>Full Annual Licence fee</td>
<td>In accordance with provisions of Rule 3 (a)</td>
</tr>
<tr>
<td>1\textsuperscript{st} October and 31\textsuperscript{st} December</td>
<td>3/4\textsuperscript{th} of Annual Licence fee</td>
<td>50% of licence fee shall be remitted before issue of licence together with a fixed deposit receipt or bank guarantee for balance</td>
</tr>
<tr>
<td>1\textsuperscript{st} January and 31\textsuperscript{st} March</td>
<td>½ of Annual licence fee</td>
<td>One lumpsum before issue of licence</td>
</tr>
<tr>
<td>1\textsuperscript{st} April and 30\textsuperscript{th} June</td>
<td>1/4\textsuperscript{th} of Annual licence fee</td>
<td>One lumpsum before issue of licence</td>
</tr>
</tbody>
</table>

All the deposits / bank guarantees shall stand forfeited to the Government in the following events:

Failure to remit the installments on the due dates (the licence shall stand cancelled).

Surrender of licence in the middle of licence period.

Cancellation of suspension of licence for violation of rules and conditions of licence (either in full or part depending upon the nature of violation). In case the licence fails to make good the extent of forfeited deposit/Bank Guarantee within the time fixed, the licence automatically stands cancelled.

In case a licence is refused, the fee paid shall be refunded.

6.24 Sale permitted at the licensed premises only:

The Licensee shall sell the liquor only at the premises specified in the licence. No change or alteration of the licensed premises shall be made during the licence period without prior approval of the concerned Deputy Commissioner.

Extension of the licensed premises by adding contiguous enclosures to the existing permitted enclosures for consumption may be permitted by the Deputy Commissioner subject to payment of an extension fee of Rs.10,000.
Extension of the licensed premises by adding separate enclosures having no contiguity with the existing permitted enclosures may be permitted by the Deputy Commissioner subject to payment of additional licence fee at the rate of 10% of licence fee for each such separate enclosures and on payment of extension of Rs.10,000.

No shifting of the licensed premises shall ordinarily be permitted during the licence period from one location to another. However, the shifting of the licenced premises may be considered by the Commissioner subject to payment of Rs.10,000 as shifting fee, if the shifting of the original licensed premises of Hotel and Restaurant is permitted by the local authority.

6.25 Transfer of Licence:

No licence shall be transferred to any person without sanction of Commissioner, provided, no cases involving contravention of Excise Act and Rules pending and on payment of prescribed fee and on production of clearance certificates from Sales Tax and Income Tax.

Provided that instead of permitting a licence to be transferred, the Commissioner may require the transferee to take out a fresh licence on payment of fees.

(i) The fee payable by any licensee for the privilege of having the transfer of his licence to any other person shall be 10% of the fee chargeable for grant of such licence.

(ii) Mere change in name and keeping the entity intact does not amount to transfer of licence. In such cases, the Commissioner may allow change in trade name on payment of Rs.1,000/- and on production of required certificates.

(iii) When there are only two partners in the firm holding the licence and one of them withdraws or expires, the entity of the firm is changed from partnership to proprietary, it amounts to transfer of licence. Conversion of proprietary concern into a firm or a company or a firm into a company and vice versa shall amount to transfer of licence.

(iv) No licence shall except with prior permission of the licensing authority get any person included as partner to his business or get an existing partner excluded so long as the partnership nature of the business does not change.

Provided that where there was dissolution of partnership, it shall be notified to the Commissioner.

(III) The Andhra Pradesh (Grant of Licence of Selling by in-house and conditions of licence) Rules, 2005:

6.26 Procedure for obtaining licence for sale by In-house.
The Commissioner of Prohibition & Excise may grant the following Category in-house licenses and permits to sell IMFL/FL in Glasses or Pegs for consumption within the licensed premises run by it. The application for the purpose of grant of such licences may be submitted to the Prohibition & Excise Superintendent of the District concerned in the prescribed proforma. The Prohibition & Excise Superintendent after examining the suitability of the premises and fulfillment of the conditions for granting licences, he may forward the same to the Commissioner through Deputy Commissioner of the Prohibition and Excise. The application shall execute a counter part agreement in Form CG-1 before issue of licence. The period of licence shall be valid for one year from 1st July, ending with 30th June, of the succeeding year subject to payment of licence fee in lumpsum before commencement of lease year to which it relates except in the case of event permit. The licences issued after 1st July shall be valid upto 30th of the succeeding year.

If a licence is refused, the fee paid shall be refunded. The licence stands cancelled or suspended for violation of rules and conditions and surrendered during the licence period, no fee shall be refunded, in such cases

6.27 Category of licences:

The following category of licences for sale of Foreign liquor and Indian liquor by In-house and the licence fees are payable as per the rates prescribed by Government from time to time based on the population as per latest census as detailed.

<table>
<thead>
<tr>
<th>Category of Licence</th>
<th>Population of Municipal Corporations/Municipality/Notified areas/Hamlets</th>
<th>Licence fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. In-House licence in form TD-1 for sale all kinds of IMFL/FL to be consumed in the guest house run by APTDC Ltd</td>
<td>Below 300000 Lakh</td>
<td>Rs.3,00,000/- per year.</td>
</tr>
<tr>
<td></td>
<td>Above 300000 lakh</td>
<td>Rs.6,00,000/- per year.</td>
</tr>
<tr>
<td>2. In-house Beer pub in Form TD-2 for sale of Beer in Guest house run by APTDC.</td>
<td></td>
<td>Rs.2,00,000/- per year.</td>
</tr>
<tr>
<td>3. Canteen Stores (in-house Storage &amp; Supply) for sale of IMFL/FL for non-consumption in Form CS-3.</td>
<td>Below 10000</td>
<td>Rs.3,000/- per each day.</td>
</tr>
<tr>
<td></td>
<td>Above 10000 &amp; below 50000</td>
<td>Rs.3,500/- each day.</td>
</tr>
<tr>
<td></td>
<td>Above 50000 &amp; below 300000</td>
<td>Rs.4,500/- per each day.</td>
</tr>
<tr>
<td>4. a) Event Permit in Form EP-</td>
<td>Below 10000</td>
<td>Rs.3,000/- per each day.</td>
</tr>
<tr>
<td></td>
<td>Above 10000 &amp; below 50000</td>
<td>Rs.3,500/- each day.</td>
</tr>
<tr>
<td></td>
<td>Above 50000 &amp; below 300000</td>
<td>Rs.4,500/- per each day.</td>
</tr>
<tr>
<td></td>
<td>Above 300000 and below 700000</td>
<td>Rs.5,200/- per each day.</td>
</tr>
<tr>
<td></td>
<td>above 700000</td>
<td>Rs.6,000/- per each day.</td>
</tr>
</tbody>
</table>
5) a) In-house club licence in Form C-1 for sale of IMFL/FL to the members of the club to be consumed on the premises of the club.

<table>
<thead>
<tr>
<th>Licence Fee</th>
<th>Rs.3,00,000/- per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 300000 Lakh</td>
<td>Above 300000 Lakh</td>
</tr>
<tr>
<td>Rs.6,00,000/- per year</td>
<td></td>
</tr>
</tbody>
</table>

5. b) In House consumption in military canteen in Form CS-I, for sale of IMFL.

<table>
<thead>
<tr>
<th>Licence Fee</th>
<th>Rs.1,000/- per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 10000</td>
<td>Above 10000 &amp; Below 50000</td>
</tr>
<tr>
<td>Rs.1,500/- per year</td>
<td></td>
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<tr>
<td>Above 50000 &amp; below 300000 lakh</td>
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<tr>
<td>Rs.2,500/- per year</td>
<td></td>
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<tr>
<td>Above 300000 lakh</td>
<td></td>
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</tbody>
</table>

5) c) In-house sale of IMFL & FL in Military Canteen for non-consumption in Form CS-2.

<table>
<thead>
<tr>
<th>Licence Fee</th>
<th>Rs.1,000/- per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 10000</td>
<td>Above 10000 &amp; Below 50000</td>
</tr>
<tr>
<td>Rs.1,500/- per year</td>
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<tr>
<td>Above 50000 &amp; below 300000 lakh</td>
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<tr>
<td>Rs.2,500/- per year</td>
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<tr>
<td>Above 300000 lakh</td>
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</table>

Airport transit lounge licence (in Form AL-1) for possession and sale of FL and Beer to International Air Passengers.

<table>
<thead>
<tr>
<th>Licence Fee</th>
<th>No fee.</th>
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</table>

Provided that:-

The Licence fee in respect of clubs situated within a belt are of 5 Kms from the periphery of Municipal Corporation shall be at the rate of licence fee of such corporation and rate of licence fee for clubs situated within a belt area of 2 Kms from periphery of Municipalities/notified areas shall be limited to such areas.

The service clubs attached to public Institutions and professional Associations where membership is restricted and the consumption does not exceed 3000 Quarts of IML, and 10000 bls of Beer per licence year, the fee shall be Rs.62,500/- provided such clubs falls within the belt area of a corporation/municipality/notified are, the fee shall be the fee applicable to club situated in corporations.

Note: The above conditions apply to Sl.No.5(a), 5(b) & 5(c) only

6.28 Privilege Fee:

Whenever Indian Made Foreign Liquor and Foreign Liquor is supplied to licence in form TD-1, TD-2, C-1 and EP-1 a privilege fee @ 10% in excess of sale price that charges by APBCL to holder of A-4 licence (Shops) shall be levied.

(IV). Import, Export and Transport of IMFL & FL
6.29 Import of Foreign and Indian Liquor: A holder of a wholesale licence for sale of Indian Liquor and Foreign Liquor desiring to import the same from outside the State has to apply to the Collector for an import permit. Application will be in Form F.L.1 with a court fee stamp of Rs.2. On receipt of the application, the Collector may, after such enquiry as he may consider necessary and on being satisfied that there has no objection to issuing the permit, will require the applicant to permit to pay the countervailing duty in case he is not having a bonded warehouse for the quantity of liquor to be imported. On production of the challan in support of the payment at the rates in force, the Collector will grant the import permit. If the applicant is a licensee of a bonded warehouse, the import permit will be granted by the Collector without pre-payment of countervailing duty but subject to the provisions of the Andhra Pradesh Indian Liquor (Storage in Bond) Rules, 1969. The Prohibition & Excise Superintendent will issue the permit order over his signature. The Import permit in Form F.L.2 will be issued in five copies. The first copy will be retained in Excise Superintendent’s Office, the second copy will be sent to the Excise authorities of the State from where the liquor is imported or the Collector of Customs if imported from abroad, the third copy will be handed over to the importer and fourth copy will be sent to the Excise Officer having jurisdiction over the place and the fifth copy to the exporting unit. On arrival of the liquor, the permit holder will intimate within 3 days the fact in form F.L.3 to the Excise Officer to whom the fourth copy has been sent. The Excise Officer will verify the consignment, record a certificate indicating the results of his verification as provided in the aforesaid form and send it to the Excise Superintendent who has issued this permit. The liquor should be brought by the route authorised.


These rules shall apply for the import, export and transport of IMFL & FL but not for the manufacture, production, compounding blending, rectifying, flavouring, colouring fortifying, diluting, bottling or sale.

6.30 Definitions:

“Distillery or Brewery Permit” means a permit issued by the Distillery or Brewery officer, as the case may be, for release of IMFL or Beer there from.

“Permit” means a permit issued under these rules and includes a pass and an authorization.

“Through transport permit” means the permit for the transport from a place outside the State to any other place outside it through the intervening area of the State whether by way of consignment or otherwise.

Import Permit: IMFL shall be permitted to be imported in bottles affixed with only those labels which have been approved by the Commissioner of Prohibition and Excise.

Manufactures of IMFL or Brewery of other States Military canteen stores and APBCL, are only eligible to apply for such labels under these rules. The application shall be in form L-1 duly affixed with court fee stamp of requisite value and shall be enclosed with 50 copies of each variety of label sought to be approved and a challan for Rs.2.00 lakh towards non-refundable fee in respect of brands of IMFL whose basic price is up to Rs.700/- and of Rs.50,000 in respect of brands of IMFL whose basic price is above Rs.700/- for each such variety of label and for re-approval the fee payable shall be Rs. 2.00 lakh for each variety of lable. The applicant shall also get label re-approved every year by paying Rs. 2.00 lakh and Rs. 50,000 respectively in respect of brands of IMFL as in the manner stated above. In case of Beer the fee so payable shall be Rs. 2.00 lakh for each variety of label. Further in
case of wine, either Grape-based or other fruit-based which should not contain more than 42% proof spirit, the label approval fee shall be Rs.10,000. The label shall be approved for each Excise Year after collecting the same fee applicable for approval. The import shall be done only through the Andhra Pradesh Bewerge Corporation Limited which has been vested with exclusive privilege of import.

6.31 Procedure for payment of Excise Duty:

On receipt of an application, Prohibition & Excise Officer not below the rank of the Assistant Prohibition & Excise Superintendent authorised by the Commissioner may after such inquiry and on satisfaction shall issue import permit in Form L.2. After verifying that the applicant has credited the entire countervailing duty leviable on the liquor to be imported at the rates in force, that the applicant has credited import fee at the rate of Rs.2/- per bulk litre in respect of Beer, Cider, Ale, Stout, Porter or other Fermented Liquor usually Malt, Grape, Plain, High Bouquet Spirits, etc. or Foreign Liquor and any other IMFL Further the labels of each variety of IMFL and FL sough to be imported by the applicant or those approved by the Commissioner.

The Import of IMFL & FL shall be from and to any particular place or premises and through the route mentioned in the import permit. If the permit holder has more than one licensed premises separate import permits shall be obtained therefor. The IMFL or FL covered by the import permit shall be brought to its destination within the period of validity and permit holder shall send the intimation of arrival of IMFL or FL to that prohibition and Excise Superintendent. When it is not possible the permit holder shall intimate the fact to the authorized officer for extension of the period of validity, three days in advance of the expiry of the validity of the permit, specifying the reasons necessitating for extension of the validity period of the import permit. Where the IMFL/FL despatched by the exporting Distillery/Brewery within the validity period of import permit and reached the AP State Border Check post of Prohibition & Excise Department within the validity period of the permit but reached at the destination after expiry of the validity of the permit for the reasons beyond the control of the permit holder, shall apply to the Commissioner of Prohibition and Excise for revalidation of the permit explaining the reasons for delay through the Excise Supervisor Officer. The Commissioner of Prohibition & Excise will revalidate the permit without forfeiting the countervailing duty (CVD) and the import fee on being satisfied with the reasons putforth by the permit holder. Otherwise the CVD and import fee are liable for forfeiture. Where the import to IMFL or FL is not made within the validity of the import permit or within the extended period of the permit under Rule 9(3) or revised import permit obtained under rule 9(4) the CVD and the import fee paid shall accrue to the Government on expiry of the validity specified if the import permit. The CVD and the import fee once paid shall not be refunded in any case.

Export Permit:

6.32 Export of Indian liquor and Foreign liquor: Any holder of a wholesale licence for sale of Indian liquor and Foreign liquor or of Distillery or Brewery licence for manufacture of Indian liquor or beer and desiring to export the liquors outside the State will apply to the Commissioner for granting the issue of an export permit. The application in Form F.L.4 will bear a court fee of Rs.2. It will be supported by an import permit granted by the Excise authorities of the importing State. If the Commissioner is satisfied that there is no objection to issue the export permit applied for, he will issue the permit subject to the following conditions, namely.

that the applicant has paid and produced the challan in original in token of having credited into the Government Treasury the Excise duty at the rates in force for the quantity of Indian liquor proposed to be exported; or that he has furnished a suitable bank guarantee
covering the entire excise revenue due on the consignment to the satisfaction of the Commissioner and

(ii) that the applicant has paid and produced the challan in original in token of having paid the export fee at the prescribed rates.

6.33 The permit will be issued in Form F.L.5 in quadruplicate. The first copy will be in the Commissioner’s Office, the second copy will be sent to the Excise authority of the State to which the liquor is exported, the third copy will be given to the applicant and the fourth copy will be sent to the Excise Officer in-charge of the distillery or brewery or the place within whose jurisdiction the licensed premises of the applicant is situated. The applicant, after paying the export fee and the excise duty or furnishing the bank guarantee in lieu of the excise duty and obtaining the export permit in Form F.L.5 will apply to the Excise Officer to whom the fourth copy of the permit has been sent, to issue the export pass in Form F.L.6. The export should be made by the routes authorised. The person who exports should obtain a verification report from the Excise Officer at the destination point and furnish it to the authority who issued the export permit within 21 days after the expiry of the validity of the export permit failing which the Excise Duty if already paid or bank guarantee if given shall be appropriated to the Government.

IMFL Shall be permitted to be exported in bottles affixed with only those labels which have been approved by the Commissioner of Excise in accordance with these rules.

Manufacturers of IMFL or Breweries within the State shall be eligible to apply for approval of such labels under these rules. Any holder of D2 licence or B2 licence for manufacture of IMFL or beer as the case may be desiring to export IMFL and Beer outside the State from his licensed premises shall apply to the Commissioner through the APBCL for grant of issue of an export permit. The application has to be made in form L-4 and shall be enclosed with 50 copies of each variety of labels and a challan for Rs.2.00 lakh towards in respect of brands of IMFL whose basic price is upto Rs.700/- and Rs.50,000/- in respect of brands of IMFL whose basic price is above Rs.700/- for each and variety of label sought to be approved. In case of Beer the fee so payable in Rs.2.00 lakh for each variety of label. The applicant should also get the label re-approved for each excise year by paying a fee of Rs.2.00 lakh and Rs.50,000/- respectively as in the manner stated in above para. In case of Beer the fee so payable for re-approval shall be Rs.2.00 lakh for each variety of label provided that the label fee once remitted shall not be refunded or adjusted for any reason including non-issue of export permit, when once the label was approved and registered.

In case of export of IMFL to CSD each variety of label shall be approved separately after collecting a non-refundable fee of Rs.2.00 lakh and Rs.50,000/- as stated in para supra. In case of Beer the fee so payable is Rs.2.00 lakh for each variety of label. And in case of Wine. Either Grape or fruit based which contains 42% of proof spirit, the fee shall be Rs.10,000/-.

The application shall be accompanied by an import permit granted by the excise authority of the State to which the liquor has to be exported alongwith a court fee stamp or requisite value. On receipt of an application, the Commissioner of Prohibition & Excise may after enquiry and upon satisfaction that the excise duty at the rates in force for the IMFL proposed to be exported has been paid or furnished a suitable bank guarantee from a Schedule Bank situated in Andhra Pradesh, issue the export permit.

The exporter shall obtain a verification report from the Prohibition and Excise Officer at the destination of the consignment and furnish it to the authority who issued the export permit, within
twenty one days after expiry of the validity of the export permit, failing which the excise duty paid, shall accrue to the Government or the Bank guarantee furnished shall be invoked and encashed amount adjusted towards Government revenue. If the Officer in-charge of the importing State makes a report of short receipt in the consignment in his verification report, the export permit issuing authorities of exporting State shall collect Excise duty at the prevailing rate on short receipt of consignment. If the duty is not paid within three days, the same may be collected by invoking the Bank Guarantee before issuing fresh permit. The export of liquor shall be from and to any particular place or premises and through the route mentioned in the export permit. The consignment of liquor shall not be disposed of in transit or exported otherwise than authorized in the export permit. If the permit holder has to export consignments at different places, separate export permits shall be obtained therefor. It shall be ensured that the applicant has paid and produced original challan in token of having credited into the Government treasury export fee @ Rs.2/- per bulk litre in respect of Beer, Cider, Ale, Stout, Proter or other fermented liquor, Malt, Spirit/Grape Spirit any other IMFL as the case may be.

The export shall be done only through the APBCL which has been vested with exclusive privilege of export.

6.34 Transport Permit : Transport permit may be issued authorizing movement of IMFL and FL within the state in the following cases:

From one unit of the APBCL to another unit of the APBCL.
From the APBCL to Military Canteen Stores licence in form CS-3
From the licenced premises of Military Canteen Stores in form CS-3 to the licenced premises of Military Canteen licences in Form CS-1 and CS-2
From units of the APBCL to the licenced premises of Licenses in Forms A-4 or 2-B or C-1 or licenced premises of EP-1 or licenced premises of TD-1 and TD2 or SW-1
(5) From the Distillery/Brewery to the APBCL units.
(6) From any of the licenced premises permitted to sell IL & Fl under the Act to any of the units of APBCL or from any of the units of APBCL to a Distillery/Brewery licensed under the Act.

The applications shall be in form L-7 or L-7(B) as the case may be with a requisite value of court fee stamp and the requisite applications are to be made to the following officer who are authorised by the Commissioner of Prohibition & Excise.

one APBCL unit to another APBCL

(if they are in the same Dist) – Prohibition & Excise Superintendent.

(If they are in different Districts) _ Proh. & Excise Superintendent from which the IMFL and FL is to be transported or a Proh. & Excise Officer from which the liquor is transported.

from APBCL to licensed premises in From A-4 (by Shop) 2-B (By Bar), C-1 (Club) and CS-3 (Military Canteen Stores), TD-1 (in-house), TD-2 (Beer-pub), EP-1 and SW-1 premises – Proh. & Excise Superintendent of the Dist. or a Proh. Excise Officer.

Officer not below the rank of Assistant Prohibition & Excise Superintendent shall issue transport permit in Form L-8 on payment of excise duty duly retaining the original permit and copies endorsed to concerned to which liquor is transported.
Where the transport is from Distillery or Brewery to the APBCL or Canteen Stores, the Officer in charge will issue pass on prepayment of excise duty in Form CS-3 which shall be deemed as a Transport permit.

In case of any discrepancy in consignment shall render the transport without permit and any un-utilised permit shall be surrendered to issuing authority within 24 hours of the expiry of its validity.

The Commissioner of Prohibition & Excise may issue permit for transport of the liquor through A.P. State in Form L-8(A) after satisfying himself that the movement of the liquor in not in contravention of any law for the time being in force.

The transporter shall be liable for penalty under the provisions of the Act.

The transport permit holder shall intimate the receipt of consignment to the concerned Excise Officer in Form L-9.

Transport should be authorised.

1. To the authorised premises through permitted route and carry transport permit which contains vehicle number, way bill number, date of transportation etc., a consignment without these details will be viewed as unauthorised.

2. Separate transport permits for different premises.

3. the details of vehicle number, date, time of departure should be intimated in Form L 10-(A) at least one hour before actual departure.

4. APBCL Should submit a return in Form L-10(B) to concerned Prohibition & Excise Superintendent after despatch of each consignment.

5. Diversion of route due to natural calamities/breaks down of vehicle, an endorsement on the permit from concerned Prohibition & Excise Superintendent or his nominees shall be obtained.

6. A vehicle passing through check-post of Excise Department or CT department shall get the transport permit and way bill stamped, failure to do so shall be treated as unauthorized transportation.

A permit may be suspended, cancelled or withdrawn in accordance with the provisions of Section 31 or 32 of the Act.

6.35 Records to be maintained : (1) D.D. Register (for application fee & tender form), (2) Auction Register (attendance of auctioneers) for accounting of EMD/FDR, Bank Guarantee etc., (3) Highest Tender Bid Register, (4) Second Highest Tender Bid Register, (5) Confirmation Register (important), (6) IML (Licence & instalment register-SHO-wise), (7) Independent files, (8) E-2 Station-wise register (crime register containing 1 to 10 statements) and (9) Chitta/Challans (reconciliation registers).

6.36 Audit Checks :- 1) It should be seen in audit that all the applications are duly received alongwith DD/Challan for Rs.5,000/- non-refundable fee towards application fee. While
participating in the auction the tenderers should participate alongwith DD for 1/3rd of lease amount relating to EMD/FDR/BGR portion. This amount should be noted in the auction register. The selected highest tenderer should remit the remaining 1/3rd amount of 1/6th of lease amount at auction hall itself. It should be verified that all these amounts are remitted to government through challans and reconciled before commencement of the lease year. The successful tenderer is liable to pay instalment amounts as per the scheduled due dates otherwise penal interest @ 18% should be collected for belated payments.

The Audit checks in regard to the Excise duty/countervailing duty/export fee/licence fee, etc. will consist in seeing as to whether proper licence has been taken by the licensees, whether they have paid the licence fee and have renewed them, whenever necessary, whether proper permits have been obtained for import/export and transport of Indian liquor and the Excise duty/countervailing duty (or a bank guarantee) and export fee have been paid correctly at the rates in force for the quantity imported/exported.

To this end the registers in E.S. Office/Commissioner Office may be examined with the relevant files of licences issued, permits issued, challans, etc. The reconciliation of the challans with the Treasury figures by the department has to be checked.

The verification reports of the Excise Officers may be correlated and whether any follow up action was taken by the Excise Officer, (when discrepancy is found during their verification) has also to be checked.

In case of exports, it should be ensured that the verification reports of actual arrival of consignments in the other State are received from the Excise Officer in other State.

In cases where exports were made outside the State it should be seen that verification reports are received within 25 days failing which it should be pointed out that the duty must be paid or adjusted towards bank guarantee.
CHAPTER 7
RECTIFIED SPIRIT AND DENATURED SPIRIT

7.1 Rectified Spirit means liquor containing undenatured alcohol of a strength not less than 50% overproof and includes absolute alcohol in other forms and Extra Neutral Alcohol (ENA) but does not include arrack issued in varying degrees of concentration for potable purposes vide Rule 2(K) of the Andhra Pradesh Rectified Spirit Rules 1971. Denatured spirit is rectified spirit rendered unfit for human consumption by addition to it denaturants like Ethyl Formate, Ethyl Ether, Ethyl Chloroform etc. Rectified Spirit and denatured spirit are required for bonafide medical, scientific, educational, research and industrial purposes. Rectified spirit is required for production of Arrack also.

7.2 The use of rectified spirit and denatured spirit and the issue of licences therefore are governed by the following rules.


Licences have been prescribed under the Rules for use of Rectified spirit and denatured spirit for bonafide medical, scientific, educational research and industrial purposes. Denatured spirit is used by Industries for manufacture of French polish, metal polish, soaps and as a solvent in the processing of certain industrial products.

While possession of denatured spirit, methylated spirit methyl alcohol upto 3 bulk litres by any one is permitted without a licence, the possession of Rectified Spirit in any quantity requires a licence (Methylated spirit and methyl Alcohol are defined in Rule 2 of A.P.Denatured Spirituous Preparations Rules).

Rectified Spirit-categories of licences- Under the Andhra Pradesh Rectified Spirit Rules, 1971, the following categories of licences are given.

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Category of Licences</th>
<th>Nature of licence</th>
<th>Annual licence fee</th>
<th>Authority competent to give the licence</th>
<th>Account to be maintained</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>R.S.I.Rules 5 of R.S.Rules</td>
<td>For possession of Rectified Spirit for any bonafied medical purposes.</td>
<td>Rs.10/-</td>
<td>Prohibition and Excise Commissioner.</td>
<td>R.G.II and III.</td>
</tr>
<tr>
<td>2.</td>
<td>R.S.II Rules 6 of R.S.Rules.</td>
<td>For possession and use of Rectified Spirit for Medical, Scientific, Educational Research and Laboratory purposes.</td>
<td>Rs.25/-</td>
<td>Prohibition and Excise Superintendent (Commissioners powers were delegated to the PES vide Cr.N.20056/Ex/70/ B2 dt. 23-11-71).</td>
<td>---Do-----</td>
</tr>
</tbody>
</table>
R.S.III Rules 10 of R.S.Rules
For possession and use of R.S. for industrial purposes.
Rs.500/-
Prohibition and Excise Commissioner

The licensees at items 2 and 3 above have to execute a counterpart agreement in Form R.S.IV undertaking to pay the excise duty and to observe the provisions of the Act and the rules, etc., made thereunder and the conditions of licence, such as maintenance of accounts, etc. The important conditions of R.S.III licence are as follows:

(1) As per condition 6, in Form R.S.III, actual shortage not exceeding 1/2% towards the storage loss shall be allowed on the total quantity of R.S. handled in a year under the licence. No other allowance towards wastages or manufacture shall be allowed.

(2) As per condition 9, the licensee shall pay money at the prescribed rate for each day of the visit of the local Sub-Inspector of Excise for release of rectified spirit and supervision of manufactures. The amount is to be credited into the treasury for credit to “State Excise”.

(3) As per condition 13, the licensee has to maintain the registers and accounts mentioned therein, viz. (1) Register of indent for alcohol in Form R.G.I (2) Register of transactions in rectified spirit (Form R.G.II) and (3) Register of operations in the manufacture (in form R.G.III).

The above mentioned licences are issued for a period of one year commencing from October and ending in the following September.

**General conditions for R.S.III licences and permits**

(1) Under Rule 13(1)(a) of R.S.Rules, 1971, an applicant for licence should deposit as security for the fulfilment of all the conditions of the licence, an amount fixed by Government from time to time.

(2) Rectified spirit can be imported only under the permits issued by the Prohibition and Excise Commissioner vide Rule 14 (i) ibid.

(3) Rectified Spirit can be exported only under permits issued by the Prohibition and Excise Commissioner. The applicant shall also pay an export permit fee fixed by Government and also pay the excise duty on the quantity covered by the consignment vide Rule 15 (1), 15(3) (i) and (ii) ibid.

(4) If the licensee or permit-holder is guilty of the breach of any rules he is liable for punishment, which can be compounded vide Rule 18(I) ibid.

(5) The licence is to be renewed at least one month before the commencement of the year for which the renewal is required. The applicant shall pay the prescribed fee and enclose the original challan to the application vide Rule 20(1) & (2) ibid.

(6) Licence shall be granted or renewed to the concerned applicant only and can not be transferred. If the licensee sells or transfers his business, the purchaser should take a fresh licence after making the payment of the fee again vide Rule 24(i) and (ii) ibid.

(7) The licensee should maintain accounts particularly in Form R.G.2 and 3 and render other periodical returns vide Rule 33 ibid.
7.4 Concessional Rates of Duties on Rectified Spirit - Concessional duty at the rates fixed by Government from time to time is levied on Rectified Spirit supplied for Industrial purposes. This will apply to such industries where:

(1) Alcohol is destroyed or converted chemically into other products and the end-product does not contain any alcohol; and

(2) Alcohol is used as solvent or a processing agent and the end-product does not contain any alcohol.

In all other cases the full excise duty is leviable on alcohol or Rectified Spirit supplied to those industries in which alcohol appears in the final product to some extent whether or not such a product is capable of being used or misused as an intoxicant vide G.O.Ms.No.1046 (Revenue Department) dated 14-10-1968. The full excise duty at the rate fixed from time to time per proof litre is collected on rectified spirit issued for bonafide medical, scientific, educational, research and laboratory purposes and on rectified spirit supplied for bonafide medicinal dispensing purposes-(vide G.O.Ms.No.1025, dated 30-9-1968).

The concessional rate is subject to the condition that is applicable only in respect of rectified spirit manufactured or produced in the state and sold for bonafide industrial use and actually utilised for industrial purposes. Any loss, wastage, or other deficit or misuse is liable to the excise duty at the normal rate. The countervailing duty on the rectified spirit manufactured, or produced elsewhere in India and imported into the State for bonafide industrial use is levied at the rates fixed by Government from time to time. It is also subject to the condition that the rectified spirit is actually utilised for the industrial purposes and any loss, wastage, deficit or misuse is liable for tax at the normal rate.

The Prohibition and Excise Superintendent will issue permits for transport of rectified spirit from a warehouse or a distillery within the State in the licenced premises of the transporter. The Excise Commissioner grants permits for import of Rectified Spirit from outside the State. The Excise duty is levied on imported rectified spirit also at the same rates as mentioned above. Indian Liquor Manufacturers of potable liquors are permitted to lift rectified spirit on submission of bank guarantee to cover the countervailing duty. They have to execute a personal bond indemnifying Government against all losses at the normal rate exceeding the admissible limit of 0.5% towards transit wastages.

The Prohibition and Excise Commissioner grants permit for export of rectified spirit by the distilleries in the State to places outside the State on payment of export permit fee.

7.5 Denatured Spirit-category of Licences:- Under the Andhra Pradesh Denatured Spirit and Denatured Spirituous Preparations Rules. 1971, the categories of licences issued are DS VII, DS IX, DS XI, DS XIA, XIII and DS XIV. The rules relating to the issue of these licences and the accounts to be maintained by the licensees and the fees payable are contained in Rule 10-14 of the AP Denatured Spirit and Denatured Spirituous Preparations Rules 1971.

The above mentioned licences are issued for a period of one year commencing from October, and ending in the following September.

A gallonage fee at the rates fixed by the Government is leviable per bulk litre purchases by the licensee as fee for purchase of the right of monopoly of Government for possession of denatured spirit (Vide Rule 3 of the Rules ibid).
A gallonage fee at the rates fixed by the Government is leviable per bulk litre of denatured Spirit, methylated spirit and menthol alcohol from outside the State of Andhra Pradesh after collecting import pass fee at the rate prescribed by the Government.

The Prohibiton and Excise Commissioner issues permits for export of denatured spirit by the distilleries in the State to areas outside the State on payment of export pass fee.

The export permit will be issued on a no objection certificate to be furnished from the importing state excise authority.

Apart from fixing the rate of excise duty the price of rectified spirit conforming to I.S.I. standard is also fixed by the Government from time to time under the Enthyl Alcohol Price Control Order 1971.

7.6. Audit Checks:- The Audit checks will mainly consist in seeing that the rectified spirit and denatured spirit licences have been issued or renewed after payment of the prescribed licences fees and application fees, etc., and that no alcohol is contained in the end products and, if contained, duty for alcohol has been paid at the full rates as per analysis reports and records maintained, and that the production had been closely supervised by the Officers of the Excise Department.

The more important duty of audit is, however, the check of the accounts maintained by the licensees and Prohibition and Excise Officers as prescribed in the foregoing rules.
CHAPTER 8
THE ANDHRA PRADESH BREWERY RULES, 2006

8.1 "Brewery" means a building where Beer is manufactured, stored or issued.

8.2 These rules may be called the Andhra Pradesh Brewery Rules, 2006 and extended to all the areas where the Andhra Pradesh Excise Act, 1968 is in force. They shall come into force from the date of issue G.O.Ms.No.92, Revenue (Excise-III), dated 27th January 2007.

The Andhra Pradesh Brewery Rules 1970 shall cease to operate on the commencement of these rules.

8.3 Definitions:

(1) "Act" means the A.P. Excise Act, 1968.

(2) "Brewery" means a manufactory where beer is manufactured and includes every place where beer is stored or issued.

(3) “Beer” includes ale, stout, porter and all other fermented liquors usually made from malt.

(4) “Vessel” in which worts are fermented by action of yeast is called Fermenting Vessel, whereas Mashtum means any vessel in which malt or grain is exhausted in the course of brewing.

(5) “Brewery Officer” means an Excise Officer appointed by the Commissioner to be in-charge of a Brewery and includes Assistant Brewery Officer.

(6) “Maximum Retail Price (MRP)” means the price to be indicated by the Andhra Pradesh Beverages Corporation Limited or any other agency authorized by the Government for declaration on in each variety of Label by the Brewers as required under Section 39 of the Standards of Weights and Measures Act, 1976.

Procedure for obtaining the licence from Government:

8.3 A notification shall be issued or withdrawn by the Government separately from time to time for grant of Letter of Intent for establishment of any new Brewery or expansion of the production capacity of an existing Brewery. Licence shall be granted, if the same is not notified and sanctioned under Sub-rules (1) and (2) of Rule 3 and sanctioned under Rule 4(2)© of these rules.

A holder of letter of intent fails to obtain a licence within a period of six months from the date of issue of letter of intent, he ceases to have any right on the letter of intent or fails to commence production within two and half years from the date of issue of letter of intent, he forfeits his right over letter of intent and on the licence.

On notification by the Government, a person who intended to construct and work such a Brewery or expand the production capacity of the existing Brewery should apply in Form-B (1) alongwith scheme to Government through Commissioner enclosing the challan in original in support of payment of a non-refundable and non-adjustable fee paid into Government treasury as specified below:

<table>
<thead>
<tr>
<th>Annual Production capacity of the proposed Brewery</th>
<th>Non-refundable and non-adjustable Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto 200 lakh Bulk Litres</td>
<td>Rupees One Crore</td>
</tr>
<tr>
<td>Above 200 Lakh Bulk Litres</td>
<td>Rupees One Crore Twenty Five Lakh.</td>
</tr>
</tbody>
</table>

A special fee as specified below shall also be paid into Government treasury and the challan in original in support of payment is produced alongwith application:

<table>
<thead>
<tr>
<th>Annual Production capacity of the proposed Brewery</th>
<th>Special fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto 200 lakh Bulk Litres</td>
<td>Rupees One Crore</td>
</tr>
<tr>
<td>Above 200 Lakh Bulk Litres</td>
<td>Rupees One Crore Twenty Five Lakh.</td>
</tr>
</tbody>
</table>
8.5 Grant of Licence:

The holder of letter of intent shall obtain licence from the Commissioner, within six months from the date of sanction of the Government. Applicant has to deposit an amount of Rs.5,00,000 in the shape of a cash deposit or fixed deposit receipt or Bank guarantee from any scheduled bank situated in Andhra Pradesh as a security for fulfillment of all the conditions of licence and enter into a counterpart agreement in Form-B(1)(C) for grant of licence. The licence fee for a new Brewery shall be Rs.1,00,000/- per annum till the commencement of production or expiry of two and half years period from the issue of letter of intent which ever is earlier.

8.6 In case the licensee fails to construct or expand and work the brewery before expiry of two and half years from the date of letter of intent, the new licence or the expansion sanction shall be liable for cancellation without compensation for any damage or loss.

8.7 Licence Fee Structure :

(1) The Government shall fix the Production capacity of the Brewery.
(2) The capacity of the equipment and devices for bottling of Beer shall be according to the production capacity as fixed for the Brewery and shall be as per the specifications and norms as may be prescribed by the Commissioner from time to time.
(3) The annual licence fee shall be fixed by the Commissioner basing on the production capacity in accordance with the licence fee structure prescribed under:

<table>
<thead>
<tr>
<th>Annual Production capacity</th>
<th>Annual Licence fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Upto 200 lakh Bulk Litres</td>
<td>Rs.50,00,000</td>
</tr>
<tr>
<td>2. For every additional 100 lakh Bls or part thereof</td>
<td>Rs.25,00,000</td>
</tr>
</tbody>
</table>

Provided that the production capacity once fixed shall not be reduced under any circumstances.

Provided further that in case of new licence, as granted under Rule 5(4)(a) the licensee commences manufacture from such date specified therein and the licence fee shall be paid as prescribed under sub rule (3) proportionately on the production capacity for the remaining period of licence.

Provided also that in case of expansion granted under Rule 5(4)(c) the licensee shall pay the licence fee as prescribed under sub rule (3) proportionately from the date of erection of expanded capacity for the remaining period of licence.

If the licensed production capacity is fully utilized by the licensee before the completion of licensed year and desired to have additional production during the remaining part of the licence year, the licensee is required to pay the additional licence fee on such additional production at the rate of 0.50 paise (fifty paise only) per bulk litre of additional production after permission from the Government for such additional production over and above the fixed production.

8.8 Renewal of Licence :

Licence shall ordinarily be for a period of one year from the date as specified therein. The licensee shall get his licence renewed before the commencement of the Licence Year, by paying the licence fee as prescribed in rule 7. If the licensee fails to apply for renewal, he shall pay the licence fee alongwith late fee specified below for renewal of his licence.
<table>
<thead>
<tr>
<th>Period</th>
<th>Late Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Within six months from the date of commencement of licence year</td>
<td>5% of the Annual Licence Fee</td>
</tr>
<tr>
<td>(2) After six months from the date of commencement of Licence year.</td>
<td>10% of the Annual Licence Fee</td>
</tr>
</tbody>
</table>

Provided, if the licensee does not apply for renewal of licence within the licence year, he shall pay the annual licence fee for the entire period for which he does not have his licence renewed alongwith the late fee as specified above, subject to the condition laid down in sub-rule (7). The right of the licensee to get his licence renewed stands forfeited if the licence is not renewed continuously for a period of 3 years.

8.9 Excise Duty:

(1) The Excise duty shall be paid at such rates as may be specified by the Government.

(2) The licensee shall execute an agreement binding himself, his heirs, legal representatives and assignees to observe the conditions of licence, hypothecating the buildings, machinery, apparatus together with the stock as security for the payment of money, which may be due to the Government.

8.10 Sub-Leasing of Brewery:

The Commissioner may, on application made in Form-B1 (SL) by the holder of a licence, permit sub-leasing the whole of the licensed capacity of such brewery to the proposed sub-lessee. A sub-lease fee of sum equal to 10% of the annual licence fee is to be remitted into Government treasury. The licensee shall also have to keep a security deposit of an amount equal to 15% of the annual licence fee of the brewery in the shape of Fixed Deposit Receipt or Bank Guarantee issued by any scheduled Bank situated in A.P.in the name of Commissioner. The sub-lease permitted shall be for a period of one year or part thereof and such sub-lease holder shall not have any claim for renewal of such sub-lease. If the original licence is suspended or cancelled for any reasons, the sub-lease shall also stand automatically suspended or cancelled as the case may be. The sub-lease granted under Rule 10(1) is not transferable.

8.11 Shifting of Existing Brewery:

(1) Where the management of a Brewery intends to shift the Brewery from the place to another place, it shall notify the same to the Commissioner by an application in Form-B3 after remitting an amount of Rs.2.00 lakhs in the Government treasury and enclose the challan in original in support of payment alongwith the application.

(2) On receipt of such an application the Commissioner if satisfied, may obtain such undertaking or Bond and such other material or documents to protect the interest of the Government as he may deem fit, may grant such permission after obtaining the orders from Government for the shifting of the Brewery.

8.12 Change or Alteration of Licence:

(1) Transfer of Licence: Sanction of the Commissioner for transfer of licence to any other person is essential. When there are only two partners in the firm holding the licence and
one of them withdraws or expire the entity of firm changes from partnership to proprietary
and it amounts to transfer of licence. The Commissioner may allow such transfer of licence
on payment of prescribed fee of Rs.2.00 lakh and on obtaining such undertaking or Bond
and such other material or documents to protect the interest of the Government as he may
decide fit. Where there is a change of 50% or more partners, it shall be construed as complete
change in the ownership, a fee amounting to 10% of the licence fee shall be paid.
(2) Inclusion or exclusion of partners: For inclusion of any person as a partner to business or
get an existing partner excluded, prior permission of the licensing authority is essential.
(3) Death of licensee or incapability of the licensee: Legal heirs of the deceased may apply
for continuance of the licence in their name to the Commissioner within thirty days of death
of the licensee.
(4) Merger of licence: When two or more existing Breweries desire to merge into one Brewery
may apply to the Commissioner in Form-B3(M) alongwith a challan for Rs.2.00 lakh.

8.13 Labelling of Beer Bottles:

(2) The licensee shall label each bottle after bottling with a label printed in English or Telugu
Language showing the name of the licensed Brewery and the place where the bottling is
done.
(3) The labels shall be affixed to the liquor bottles only after such labels are approved by the
Commissioner.

8.14 Approval of Labels:
The licensee shall submit an application in Form-B4 to the Commissioner and shall enclose with
ten copies of each variety of label sought to be approved. The licensee has to remit the label
approval fee of Rs.2,00,000 and the challan in support of the payment is produced with the
application. In case of supply of Beer to Canteen Stores Department, each variety of labels shall
be approved separately after collecting a non-refundable fee of Rs.2,00,000/- . The label shall be
re-approved for each Excise year after collecting the same fee applicable for approval. The label
fee once remitted and the label was duly approved it shall not be refunded or adjusted for any
reason including withdrawal or cancellation of rate contract by the Andhra Pradesh Beverages
Corporation Limited or non-issue of purchase orders.

8.15 Removal of Beer:
Beer manufactured or stored otherwise than that under bond shall be removed only after payment
of Excise Duty as specified in Rule 9(a) as specified by the Commissioner from time to time. No
Beer shall be issued in quantities of less than 30 litres. On payment of Excise Duty, a transport
permit for removal of Beer shall be issued by the Excise Officer in-charge of the unit. The
licensee requires Beer for the use in the laboratory attached to the Brewery, he shall be entitled to
remove it to the laboratory without payment of any excise duty, to the extent of 5 liters per month.

8.16 The Brewery Excise Officer is responsible to see that no loss is caused to Government
and, for this purpose, his supervision should be continuous from the manufacturing stage to the sales
stage. All the produce in mashtums and fermenting vessels shall be gauged and measured and noted. The licensee will keep a brewing book in Form B-3, make necessary entries therein and send notice of his intention to brew 48 hours before such brewing takes place. The Excise Officer will take to account the produce and works or grains mixed during the process of brewing.

The duty on beer at the specified rate shall be charged on the total quantity actually brewed as entered in the brewing book by the licensee or as ascertained and accounted for by the Excise Officer, whichever is higher, less an allowance to 10% for wastage. The duty on Beer shall become due immediately after the account of brewing has been taken by the Excise Officer or at the end of each month, whichever is latter and the time for its payment shall not be late than the fifteenth day succeeding the month in which the duty was charged, provided that no stock of beer shall be removed from the brewery, except on prepayment of duty specified in Rule 7 and under a valid indent lawfully issued in Form B-4. If the duty payable by the licensee remains unpaid beyond the period specified in this regard the sum guaranteed by the Bank, and either the whole or any part of the security deposit furnished by him will be forfeited to Government by the Commissioner.

8.17 Registers to be Maintained:

The following registers are to be maintained in a Brewery:

(1) Raw material Stock registers, (2) Brew Account Register, (3) Bright Beer Stock Account (Tank-wise), (4) Bottling operations Register, (5) Brand wise stock Register, (6) Consolidated stock Register of finished stock, (7) Issues Register, (8) Draught Beer Issue Registers, (9) Sample Register, (10) Purchase order Register, (11) Brewery Gate pass Register, (12) Excise duty Register and (13) Reconciliation of remittances Register.

8.18 Audit Checks: The B3 and B4 register/file should be checked in audit alongwith other registers and records maintained by the Excise Officer in charge of Brewery.

In audit, it should be seen that the Excise duty has been fully paid on the quantity of production as entered in the account books. No excess over 10% for wastage should normally be permitted and in case the excess is over 10%, duty on such excess should be realized. All the other audit checks similar to those required to be carried out in the case of I.M.F.L. Distilleries should also be carried out in this case. It should be seen that the Excise Officer in-charge of the Brewery verifies the correctness of the challans received by reconciling the figures with those of the Treasury.
CHAPTER – 9
TODDY POLICY

9.1 Toddy is juice extracted from Palmyrah tree. However, in a wider sense it refers to fermented or unfermented juice containing alcohol drawn from coconut, palm or date begani Sago, Sendhi or any of the Spices of palm or palmyrah tree.

9.2 Production, distribution and sale of toddy is controlled by the Government. Toddy is extracted from the trees. The Commissioner of Prohibition & Excise is empowered to grant the lease of right to sell in retail toddy through the Toddy Co-operative Societies/Tree For Tappers Scheme shops.

The Andhra Pradesh Excise (Grant of Licence to Sell Toddy, Conditions of Licence and Tapping of Excise Trees) Rules, 2007

9.3 Preliminary:

Government in G.O.Ms.No.1228, Revenue (Ex-II) Department, dated 19.09.2007 have issued new rules called the A.P. Excise (Grant of Licence to Sell Toddy, Conditions of Licence and Tapping of Excise Trees) Rules, 2007. These rules will come into force with effect from 20.09.2007. The existing rules pertaining to Toddy/Arrack cease to operate with effect from 01.10.2007 and all the licences issued to Toddy Shops under old rules and in pursuance of policies issued from time to time as indicated below cease to be in-force with effect from 01.10.2007 vide G.O.Ms.No.1229, Revenue (Ex.II) Department, dated 19.09.2007.

Notification: Where it is proposed to grant the licence for sale of toddy to TCS/TFT, a notification shall be published by the District Collector in the District Gazette.

The District Collector shall ascertain from the field i.e. the Prohibition and Excise Superintendent that the availability of excise trees (within 50 KMs. as specified in Rule 3(2)) such as species, number, Survey Number, Village details etc. On the basis of the same, the toddy shop proposals in Form-A & B statements giving all the details alongwith proposal for new shops depending upon the requirement, availability of trees within 50 Kms. should be taken into consideration. While proposing the new shops, preference shall be given to TFTs. New TFTs shall be proposed only in rural areas and a minimum distance of 2 KMs. to an already existing shop shall be observed while proposing New Toddy Shop.

As far as possible, there shall be one Society for one village and one shop for one Society. Splitting and bifurcation of existing toddy shoppers co-operative society, groups are permitted wherever warranted subject to the provisions of A.P. Co-operative Societies Act 1964, and rules made thereunder.

Whenever a TCS is constituted, such a society shall have a minimum of 80% of tappers as defined in the rules. The TCS may give a self certification to such tappers.
The existing rate per tree i.e. Not exceeding Rs.50/- per tree in urban areas and not exceeding Rs.25/- per tree in rural areas shall be continued as per the Government Order.

In case of new TCS/TFT the following procedure shall be followed for fixation of Annual rental.

A. TCS :

1. Rural Shops : Mandal Average rate per Tree or District average rate per tree whichever is higher (not exceeding Rs.25/- per tree.) multiplied by ration in terms of date Trees.
2. Urban Shops : Mandal Average rate per Tree or District average rate per tree whichever is higher (not exceeding Rs.50/- per tree.) multiplied by ration in terms of date Trees.

C. TFTs:

Mandal Average Rate (Rural Shops) per tree or District average rate per tree whichever is higher (not exceeding Rs.25/- per tree.) multiplied by ration in terms of date Trees.

TFT can be proposed with minimum of one tapper as per Rules who is able to climb excise tree and prepare proper rough and smooth face and tap it.

9.4 Definitions :

(i) “Act” means the A.P. Excise Act 1968.

(ii) “Excise Tree” includes the tree of mohwa, coconut, palm, palmyrah, date, bagani, sago, sendhi or any tree of the species of palm or palmyrah from the fermented or unfermented juice of which toddy or liquor can be prepared.

(iii) “Excise year” means the period of twelve months commencing from the 1st October of the year and ending with the 30th September of the succeeding year.

(iv) “Licence” means a licence granted for the tapping of excise trees or drawing of toddy there from or the sale of toddy in retail under the Act and the term ‘Licensee’ means the holder of such licence.

(v) Licence period means period of five (5) excise years or part there of commencing from the 1st October of the excise year or from the date of grant of licence during the first year of the five year Licence period ending with the 30th September of the Fifth consecutive excise year.
(vi) “Incidental tapper” means the person incidental to tapping, sale of toddy and includes disabled tapper, professional tapper who is above 65 years of age and widow of a tapper who died while engaged in tapping.

(vii) “Licenced Premises” means any specified place and premises where toddy is authorized to be stored and sold on a licence issued by the competent authority of the State Government;

(viii) “Neera” means the juice known as sweet toddy drawn from excise trees into receptacles and treated so as to prevent fermentation.

(ix) “Rental” means the annual rental which includes tree tax payable for a shop or group of shops as part of sum in consideration of the grant of Licence payable under Section 23 read with Section 17 of the Act.

(x) “Toddy” means fermented or unfermented juice drawn from an excise tree containing alcohol.

(xi) “Tapper” means a person who is a major and engaged in the profession of tapping and who can climb and draw toddy from an excise tree.

(xii) “Toddy Co-operative Society” means a society formed as per the provisions of the Andhra Pradesh Co-operative Societies Act, 1964 consisting of not less than 80% of the tappers as defined in clause (xi) above, and not exceeding 15% of persons incidental to tapping and sale of toddy and not exceeding 5% of the following categories:-
   a) Disabled Tappers;
   b) Professional tappers who are above 65 years of age; and
   c) Widows of tappers who died while engaged in tapping;

(xiii) “Tree owner’s rent” means the sum payable as rent under Section 26 of the Act.

(xiv) “Tree Tax” means the duty leviable under Section 22 of the Act as tax on excise trees from which toddy is drawn.

(xv) “Dry Days” means the days declared as dry days and the licenced premises shall be closed and no business transacted on the following days.
   (a) 26th January (Republic Day), (b) 15th August (Independence Day), (c) 2nd October (Gandhi Jayanthi)
   Provided that the licensee shall not be entitled to any compensation whatsoever for the closure of the licensed premises.

9.5 **Grant of Licence :**

Under the provisions of Rule 3(1), the right to sell toddy shall ordinarily be granted by assigning the Toddy Shops to “Tappers Co-operative Society” or to individual tappers under “Tree for Tappers Scheme”. The licence shall be for a period of five excise years.
Provided that where the Commissioner considers it necessary to grant the Licence for selling toddy in any other manner he shall do so with the prior approval of the Government.

Provided further that the Toddy shops in Scheduled areas shall be assigned to Schedule Tribes only.

As per Rule 3(2), the Commissioner shall be competent before the publication of the notification under Rule 4 having due regard to requirement, Public Order, health, safety, availability of trees in topes within 50 KMs. from the area of the shop and other factors as he thinks fit, to fix the number of toddy shops to be established in an area, their location, assignment of trees for tapping.

“Area” means the Village, Town, Municipality or Municipal Corporation. The specified distance to the tope shall be measured from the location of the proposed shop in the area along the nearest motorable road.

9.6 Formalities to be completed by TCS/TFT Scheme:

Where a toddy shop is allotted to a Tappers Co-operative Society, the society shall pay 10% of the annual rental as earnest money together with one month rental, on or before the date prescribed for completion of formalities. The society shall also be required to execute a counter part agreement in conformity with the tenor of the licence in Form TS-2 on a requisite value stamp paper.

9.7 Licence for sale of Toddy:

The licence for the sale of toddy granted to a Tappers Co-operative Society or to a tapper under “Tree for Tappers” scheme, shall not take effect until the society or the tapper, as the case may be, obtains a licence after completing the formalities.

Every application for the grant of licence for sale of toddy shall be accompanied by a treasury challan for fifty rupees as licence fee for issue of licence. The boundaries of the toddy shop premises shall be indicated in the licence. The tope/area along with Number of trees allotted to shop shall be indicated in the licence.

The Prohibition and Excise Superintendents may grant B shop licence as a satellite shop to the existing shop subject to condition that the B Shop shall be within 2 KMs from the main shop and it shall be 2 KMs away from other neighbouring toddy shop.

9.8 Fixation of Rental:

(i) The rental for TCS or tapper under “Tree for Tappers” scheme shall be arrived at by multiplying the rate per tree with the ration in terms of Dates.

(ii) The Government may notify the maximum rate per tree separately in Rural areas and in urban areas from time to time. The rate per tree includes tree tax.

(iii) The method of arriving rate per tree shall be communicated by the Commissioner from time to time.

(iv) The Prob. & Excise Superintendent will fix the rental of the shop accordingly.

Payment of Rental: -
(1) The Toddy Co-operative Society or tapper under Tree for Tappers Scheme shall remit the annual rental fixed for the shop or group in twelve equal monthly installments commencing from October or from such other dates as the Government may specify in this regard.

(2) Rental of the shop shall be remitted by the Licensee into the Government Treasury of the Mandal/District in which the shop is situated and the receipted Xerox copy of challan submitted to the Prohibition & Excise Officer concerned. Payment of monthly rental shall start from the month of October of every excise year. The monthly rental shall be remitted by 20th of the month, if due date or the next day of the due date happens to be a holiday, the rental shall be remitted on the next working day. In case the monthly rental is not remitted by the due date the licence shall be liable for suspension or cancellation after giving an opportunity to the holder thereof of making his representation within seven days against the action proposed.

(3) In the case of tapping of an excise tree or drawing toddy from any such tree without remitting the rentals by due date, his licence is liable for suspension or cancellation.

9.10 Renewal of Licence:

In the case of Licence granted to TCS or individual tapper under Tree for Tapper Scheme for retail sale of toddy, such licence may be renewed after expiry of the period of licence for a further period of five years. The licensee shall, however, observe all other conditions that are existing and those that may be prescribed by the Commissioner in this regard from time to time.

9.11 Licence to be surrendered to the licensing authority on expiry:

Every licence granted under these rules shall be deemed to have been granted either jointly or severally to the Licensees named therein, and shall on its expiry, be surrendered by the Licensee to the licensing authority.

9.12 Death of TFT Licensee:

In the case of death of licensee of a TFT, the legal heir of the deceased licensee, if he so desires he may be permitted to continue the licence if he is eligible to hold the TFT licence.

9.13 Adjustment of earnest money and deposits:

The earnest money and deposits made by TCS at the time of grant of licence shall be adjusted towards the rentals of the last month(s) of the licence period, subject to the condition that the Licensee is not in arrears of rentals or other amounts payable as on the date of adjustment.

9.14 Tree Tax and Tree Owners Rent:

Tree tax and Tree Owner’s rent shall be at the following rates:

<table>
<thead>
<tr>
<th>Variety of Excise Tree</th>
<th>Tree Tax (in Rs.)</th>
<th>Tree Owners Rent per tree (in Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sendhi (Date)</td>
<td>15.00</td>
<td>15.00</td>
</tr>
<tr>
<td>Palmyrah (Toddy)</td>
<td>18.00</td>
<td>18.00</td>
</tr>
<tr>
<td>Date Palm (Khajoor)</td>
<td>28.00</td>
<td>28.00</td>
</tr>
<tr>
<td>Sago</td>
<td>34.00</td>
<td>34.00</td>
</tr>
<tr>
<td>--------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Coconut</td>
<td>28.00</td>
<td>28.00</td>
</tr>
</tbody>
</table>

The tree tax shall be included in the Rate per Tree and Tree Tax is not collected separately but the licensee shall pay separately tree owners rent to the owner or other person in possession of the Excise Tree. Provided that no tree owner’s rent shall be collected in respect of excise tree standing on Government lands and allotted to Tappers Co-operative Societies and to individual tappers under “Tree for Tappers Scheme”.

9.15 Payment of Tree Owner’s Rent:

The Licensee shall pay the rent prescribed in sub rule (1) direct to the tree owner or other person in possession of excise trees, and obtain receipt in triplicate therefor, duly attested by the Village Assistant or Panchayath Secretary.

9.16 Suspension of licence:

In case of default of any dues by a Licensee, the licence may be suspended. The suspension of the licence may be revoked if the defaulter pays the entire dues.

9.17 Cancellation of Licence:

In case of cancellation of licence for default of payment of any dues, the order of cancellation of licence of the shop(s) may be revoked by the Collector after satisfying himself that the defaulter has paid the entire dues together with interest payable thereon as per rules.

Provided:

(i) if the license of toddy shop of TCS is found indulging in adulteration, for the first time, the members of managing committee will be disqualified and removed from the primary membership and the society may be continued with eligible tapper/members by imposing fine as prescribed by the Commissioner of Prohibition & Excise.

(ii) If the licensee of toddy shop of a TCS is found indulging in adulteration for second time the toddy shop licence shall be cancelled after following due procedure. In case there are any eligible tappers in such society after cancellation of shop license of TCS, licenses may be granted under tree for tapper scheme and the members of the managing committee will be disqualified in getting any license under these rules. In case of Tree for tapper scheme, when a license is cancelled due to adulteration, the tapper shall be disqualified in getting a licence in future or becoming a member of any Tappers Co-operative Society.

9.18 Forfeiture of deposits:

Where a licence is cancelled, for violation of licence conditions or due to adulteration, the deposit and earnest money made by the licensee may be forfeited to Government either in whole or in part.

9.19 Recovery of sums due to Government:

Without prejudice to any other mode of recovery, all moneys due from a Licensee to the Government may be deducted from the deposit amount or earnest money, if it has not been already forfeited to Government. In the event of deduction from the deposit or earnest money, the licensee shall be bound to replenish the deposit or earnest money to the extent of the deduction within fifteen (15) days of notice to that effect served on him by the Prohibition & Excise Superintendent.

9.20 Shifting of Shops/Depots:
The Licensee shall not shift the Shop/Depots from one place to another within the notified area during the currency of the licence. In special circumstances, the Commissioner or any officer authorised by him in this behalf may permit such shifting after collecting Rs.250/- as shifting fee.

9.21 Licensee not entitled to claim compensation:

Where a licence is withdrawn or a shop is ordered to be closed by or under provisions of the Act, otherwise than by cancellation or suspension, no demand of rental or for the period during which it was withdrawn or shop is closed, as the case may be made. The Licensee shall have no right to claim any damage or compensation on that account except to the refund of the proportionate licence fee.

9.22 Allotment of Excise Trees:

Every Licensee who sells toddy shall be allotted a specified number of excise trees not less than (30) trees per tapper in terms of dates of tapping and drawing of toddy there from, for supply to his shop;

Provided:

(i) in case of allotment of both sendhi and toddy trees to a tapper, conversion formula of 3 toddy trees as being equal to (4) sendhi trees and one coconut tree as being equal to 2 toddy trees shall be followed for this purpose.

(ii) It shall be the duty of the Licensee to ascertain as to the availability of trees allotted to the shop and where any shortage in the number of trees available for tapping out of the trees allotted to the shop is noticed by the Prohibition & Excise Superintendent or the Deputy Commissioner as the case may be, he shall allot excise trees to make up the shortage on being pointed out by the Licensee, but no remission of rentals shall be entertained in lieu thereof.

The Licensee shall tap not less than 75% of the trees allotted for the shop regularly. He shall ensure that toddy is available in the shop every day for sale. If he fails to do so the Licence shall be liable for cancellation.

Excise trees in excess of the quota shall not ordinarily be allotted during the course of the year. The Collector within the concerned District and Deputy Commissioner of Prohibition & Excise within the Division subject to availability of trees may, in special circumstances, allot extra trees after collecting rate per tree on the extra trees allotted to the TCS and TTS subject to a maximum of 160 sendhi trees or 48 toddy trees per member who is actually engaged in tapping.

9.23 Transport and Stock of toddy in excess of permissible quantity prohibited:

The Licensee shall not transport toddy more than 10% in excess of the entitled quantity. If toddy is found in excess of this limit at the time of inspection, the excess quantity shall be confiscated to Government and released in favour the Licensee on payment of its cost which shall be determined in accordance with prevailing retail price, if found fit for consumption or otherwise it shall be destroyed under panchanama.

The Licensee shall not keep either at the Depot or shop, toddy more than 10% in excess of the toddy drawn from the excise trees meant for the shop(s). Toddy found fit for consumption and in excess of this limit at the time of inspection, shall be confiscated to Government and released in favour of the Licensee on payment of the cost, which shall be determined in accordance with prevailing retail price, if found fit for consumption or otherwise it shall be destroyed under panchanama.

9.24 Records to be maintained:

A Khata or Demand, Collection, Balance (D.C.B) Register will be maintained in the Prohibition & Excise Superintendent’s Office to watch the realization of monthly rentals. The monthly rentals are credited through challians. The demand is independently worked out from the particulars available in the rental register and other connected records like challan register, register of fines and penalties etc. So also the records of the Circle Inspector (Executive Staff) will indicate the present position and the stage of action taken to realise the revenue representing rentals fines and penalties, Tree Tax, Tree Owners Rent, etc.

9.25 Audit Checks:
Verification of Register of Admission of Toddy Shops, Register of Tappers under TCS/TFT scheme and the watching of payment of rental to tree owners, tree tax etc., Chitta, Challans, DCB Register, Register of allotment and consumption of the shop-wise trees and verification of Statement-A & B, Crime occurrence register.

Statement-A: individual shops (for TCS/TFTs) maintained by the PES for proposals of establishment of shops normally prepared in April and sent to the Commissioner through the Deputy Commissioner. In audit a comparison with the approved list of shops by the Commissioner and verify whether all shops have been approved. Reasons thereof are indicated for non-approval of shops. It has to be verified that all the approved shops have been allotted to TCS/TFTs concerned. If not, the reasons therefor are also given.

Statement B – Tope-wise provision and allotment made to the shops. It should be seen that they have been approved by the Commissioner and this should be checked with the licence and the payment of Tree tax and Tree owners rent made for the number of trees. It should be seen from the rental register that monthly rentals, Tree Tax etc. are paid on the specified date and in case of delay prescribed rate of interest levied and collected. The licence issue register should be checked whether all the licences have paid licence fee as per the prescribed rates and renewed the licences periodically after paying the renewal fee. It should also be seen from Khata Register that it is maintained properly and action taken to recover the arrears from defaulters and other dues from the concerned TCS/TFTs. A register viz. 28 Column register maintained to watch the realization of the recovery of Excise arrears. It should be seen that they are maintained properly and adequate action is taken.
CHAPTER 10
PHARMACIES, MEDICINAL AND TOILET PREPARATION UNITS

10.1 The levy of duty on Medicinal and toilet preparations containing alcohol, opium and Indian Hemps or other narcotic drug or narcotics falls within the legislative purview of the Parliament vide entry number 82 of the Union List embodied in the Seventh Schedule of the Constitution of India. The Government of India have enacted the Medicinal and Toilet Preparation (Excise Duties) Act, 1955, to provide for the levy and collection of duties of Excise on medicinal and toilet preparations containing alcohol, opium, Indian hemp or other narcotic drug or narcotics. The Act is in force throughout India. The entire amount is appropriated by the State. The Central Government have issued rules in 1956 for regulating the provisions of the Act.

10.2 Licensing :- No dutiable goods can be manufactured without an appropriate licence granted in accordance with Section 6(1) of the Act. However, the manufacture of medicinal and toilet preparations which do not contain alcohol but contain Narcotic drugs or Narcotics and fall within the definition of ‘Dangerous Drugs’ as given in the Dangerous Drugs Act, 1930, has been exempted from the purview of the Medicinal and Toilet Preparations Act. The licences for the manufacture of dutiable goods are issued on furnishing the necessary security and on payment of prescribed fee. The following four categories of licences are issued under the Medicinal and Toilet Preparations Act in the State. The currency of all the licences is from the first of April to the end of March of the following year.

The different types of licences are as follows:

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>L.1 Units</td>
<td>Licence to manufacture medicinal and toilet preparations containing alcohol, narcotic drugs and narcotics under bond for payment of duty.</td>
</tr>
<tr>
<td>2.</td>
<td>L.2 Units</td>
<td>Licence to manufacture medicinal and toilet preparations containing alcohol, narcotic drugs and narcotics purchased at concessional rates of duty or free of duty.</td>
</tr>
<tr>
<td>3.</td>
<td>L.3 Units</td>
<td>Licence of ayurvedic practitioners to manufacture of Ayurvedic preparations containing self-generated alcohol for dispensing and not for trade purposes.</td>
</tr>
<tr>
<td>4.</td>
<td>L.4 Units</td>
<td>Licence for bonded warehouses.</td>
</tr>
</tbody>
</table>

All these licences have to be obtained after payment of prescribed fee.

10.3 Under the Act, excise duties are levied at specified rates on all dutiable goods manufactured in India. The duty is levied in the State in which goods are released from a
bonded warehouse for home consumption and, where goods are not manufactured in bonds, in the State in which goods are manufactured. Provision has been made to allow rebate on duty of alcohol, etc., supplied for manufacture of dutiable goods when the duty on the finished product is less than the duty already collected on alcohol as an ingredient in that product. Recovery of sums due to Government can be effected from any sums due to the licensee under Section 5.

The Prohibition & Excise Commissioner administers the Act in the State as per the powers vested in him under Section 19 of the Act and is assisted by the Director of Distilleries and Breweries. The definitions of the terms ‘alcohol’, ‘Excise Officer’, Indian Hemp’, ‘manufacture of medicinal preparations’, ‘Narcotic drug’, or ‘narcotic’, ‘opium’ and ‘toilet preparations’ are given below:

(i) **Alcohol** means methyl alcohol of any strength and purity having the chemical composition C2H5OH.

(ii) **Dutiable Goods** means the medicinal and toilet preparations specified in the Schedule as being subject to the duties of Excise levied under the Act.

(iii) **Collecting Government** means the Central Government or as the case may be, the State Government which is entitled to collect the duties levied under this Act.

(iv) **Excise Officer** means an Officer of the Excise Department of any State or any other person empowered by the collecting Government to exercise all or any of the powers of an Excise Officer, under the Medicinal and Toilet Preparations Act, 1955.

(v) **Indian hemp** means (I) the leaves, small stalks and flowering or fruiting tops of the Indian hemp plant (Canabis Sativas) including all forms known as Bhang, Sidhi, or Ganja (ii) Charas, that is the resin obtained from the Indian hemp plant, which has not been submitted to any manipulation other than those necessary for packing and transport and (iii) any mixture with or without neutral materials of any of the above forms of hemp or any drink prepared there from and any extract or tincture of any of the above forms of Indian hemp.

(vi) **Manufacture** includes any process incidental or ancillary to the completion of the manufacture of any dutiable goods.

(vii) **Medicinal Preparation** includes all prescription prepared for internal or external use of human beings or animals and all substance intended to be used for or in the treatment, mitigation or prevention of diseases in human beings or animals.

(viii) **Narcotic drug or narcotic** means a substance which is coca leaf or coca derivative, opium, or derivatives of opium or Indian hemp and shall include any other substance capable of causing or producing in human beings dependence, tolerance and withdrawal syndromes and which the Central Government, may be notification in the official gazette declare to be a narcotic drug or narcotic.

(ix)(a) **Opium** means (i) the capsules of Poppy (Papavar Somniferum L) whether in their original form or cut, crushed or powdered, and whether or not juice has been extracted therefrom (ii) the spontaneously cogulated juice of such capsules which has not been submitted to any manipulations other than those necessary for packing and transport and (iii) any mixture, with or without materials
of any of the above forms of Opium but does not include any preparation containing not more than 0.20 per cent morphine;

(b) **Derivative of Opium means** (i) medicinal opium, that is opium which has undergone the processes necessary to adapt it for medical use (ii) prepared opium, that is, any product of opium obtained by any series of operations, designed to transform opium into an extract suitable for smoking and the drops or other residue remaining after opium is smoked, (iii) morphine, that is, the principal alkaloid of opium having the chemical formula C17H19NO3 and its salts, and its derivatives.

(x) (a) **Coca derivative means** (i) Crude cocaaine, that is any extract of coca leaf which can be used, directly or indirectly for the manufacture of cocaine, (ii) coganine, that is laevoecgonine having the chemical formula C9H15N03H20 and all the derivatives of laevoecgonine from which it can be recovered and cocaine, that is methyl-benzyel-leaevoeconine having the chemical formula C17H21NO4 and its salts.

(b) **Coca leaf means** (i) the leaf and young twigs of any coca plant, that is, of the Erythroxylon coca (Lank), and Erythexylon nova-granatense (Hierm) and their varieties, and of any other species of this genus which the Central Government may by notification in the official gazette, declare to be coca plants for the purposes of this Act and (ii) any mixture thereof, with or without.

(xii) **Toilet Preparations** means any preparation which is intended for use in the toilet of the human body or in perfuming apparel of any description or a substance intended to change, improve or alter the complexion, shine, hair or teeth and includes deodorants and perfumes.

10.4 The products manufactured by the Medicinal and Toilet Preparations Units include Allopathic, Homoeopathic and Ayurvedic toilet preparations. On the basis of the recommendations of the Drug Controller, each licenced unit is allowed to manufacture its authorised preparations under the above rules and alcohol allotted is released accordingly.

10.5 **Import of alcohol :-** Under Rule 18 of the Medicinal and Toilet Preparations (Excise Duties) Rules, import of alcohol from outside the State is permissible. For this purpose, the licensees have to fulfil the following two conditions (vide G.O.Ms.No.301, Revenue (F) Department dated 6-3-1975 of the Sate Government of Andhra Pradesh).

(i) The licensees shall be required to produce Bank guarantee at the prescribed rate for importing from outside the State, from any of the Scheduled Banks to cover the countervailing duty.

(ii) They have to tender a personal indemnity body to indemnify Government by payment of full duty at the prescribed rate for all losses by way of theft or otherwise, over and above the admissible limit of 0.5% towards transit wastages.

10.6 **Rates of Excise Duties :-** According to Section 3 of the Medicinal and Toilet Preparations Act, 1955, the State Governments are empowered to levy and collect duties on the goods manufactured under the said Act in accordance with the rates communicated by the Government of India. The rates and duties are revised from time to time by the Government of India and the rates in force at the time of audit have to be applied by the local audit staff.

10.7 **Manufacture in bond :-** (i) Where the medicinal and toilet preparations are manufactured in bond, the Excise duty is leviable in State in which such goods are released from a
bonded warehouse for home consumption whether such State is a State of Manufacture or not.

According to the instructions issued by the Director of Distilleries, and Breweries, Hyderabad in Cr.C2/13736/81/DDB/Ex, dt.14\textsuperscript{th} December, 1981 Excise Officer in charge of the unit should release finished products only after receipt of analysis reports and after payment of excise duty at the rates prescribed by the Government of India.

10.8 Manufacture not in bond :- Where the medicinal and toilet preparations are not manufactured in bond, the duty is leviable in the State in which such goods are manufactured.

10.9 Classification determined by Central Government :- For the purposes of levy of duty, the Medicinal preparations have been classified into two categories Restricted Preparations and Unrestricted Preparations (i.e. not capable of being consumed as ordinary alcoholic beverages). On restricted preparations, the rate of duty is higher than that on unrestricted preparations.

The classification of medicinal and toilet preparations into restricted and unrestricted preparations is done by the Central Government. However, all medicinal preparations other than official allopathic preparations which are manufactured in India on or after 1-4-1957 are brought under restricted preparations.

10.10 Bonded Pharmacies obtain rectified spirit without payment of duty from the distilleries for use in the preparations of the Medicines and are required to pay duty on the resultant medicinal or toilet preparations containing alcohol, as and when the issues of medicines are taken from the manufactory.

10.11 Duty Free issues :- Duty free issues of medicinal preparations are allowed from bonded factories/or warehouses under Rule-7 of the Medicinal and Toilet Preparations (Excise Duties) Rules, 1958, to the following institutions :

(a) Hospitals and dispensaries working under the supervision of the Central or any State Government.

(b) Hospitals and dispensaries subsidized by the Central or State Government.

(c) Charitable Hospitals and dispensaries under the administrative control and management of local bodies.

(d) Medical Stores Depots of the Central or any State Government and

(e) Every other institution certified by the Principal Medical Officer of the District in which such institution is situated as supplying medicines free to the poor.

10.12 The duty or charge short levied or erroneously refunded is recoverable from the person from whom the duty was short charged or to whom the refund was erroneously made within six months from the date on which duty was paid or from the date of making the refund, as the case may be (Rule 11).

10.13 No refund of duties or charges erroneously paid is allowable unless a written claim is preferred within six months from the date of such payment (Rule 12).
10.14 Exports: The medicinal and toilet preparations are exported out of India in two ways (i) either under bond (i.e. without prepayment of duty) or (ii) after the payment of duty. In the latter case, the exporter will be entitled for a rebate of duty on his furnishing proof of export (Rule 14).

10.15 Manufacture: Rectified Spirit is supplied to a manufacturer from a distillery or a Spirit Warehouse in the State or is permitted to be imported from outside the State. Wastages in transit of rectified spirit can be waived if it is bonafide and not due to negligence or connivance of the manufacturer. The manufacture of medicinal and toilet preparations containing alcohol is done either in bond or outside bond. If it is done under bond, alcohol on which duty has not been paid, can be used under the Excise Department’s supervision. If it is done outside bond, then alcohol on which duty has been paid alone should be used.

10.16 Manufacture in Bond: For use of rectified spirit without payment of duty earlier, the manufacturer should enter into bond in form B-1 with sufficient security, as provided under Sn.96 for the due payment of duty and observance of the conditions. There shall be separate rooms for storing rectified spirit, opium, Indian hemp and other Narcotic drugs and Narcotics received for manufacture of Medicinal and toilet preparations and for storing the finished products. All the vessels and other apparatus shall be entered in R.G. 1 Register. Rectified spirit required for manufacture is obtained on indents in Form I D1 duly countersigned by the Officer-in-charge. Consignments of rectified spirit received in bond shall be verified for volume and strength and the receipt of such supply shall be entered in Form R.G.II. Duty shall be paid on all wastages on demand by the Officer-in-charge subject to the provision that the loss is not due to the negligence of the party concerned. Rectified spirit is to be issued for laboratory purposes on a requisition in Form R.Q.I and will be issued in such quantities as are in conformity with the formula laid down. For the medicinal and toilet preparations the required quantity will be issued by the Officer-in-charge from the rectified spirit store and will be added to the other materials immediately in the presence of the Officer-in-charge. Finished materials may be transferred to the finished goods store of the factory.

10.17 Indents for opium, Indian hemp and other narcotic drugs and narcotics: The Indent for opium shall be made in Form D1 to the nearest sub-treasury or Government Opium Factory, Ghazipur or to the warehouse of or the place of storage approved by the State Government. The supply of the Indian hemp and other Narcotics shall be indented for from the nearest Government Warehouse in the same form after obtaining a permit. There should be a permit for the supply. The receipt in the Bonded Warehouse should be verified and accounted for in R.G.II. It will be issued for purposes of manufacture on indents in the same form.

10.18 Manufacture of dutiable goods: Each preparation will be registered and shall bear a number, which shall be known as its Batch Number in the Register, in Form R.G.III. The alcoholic strength of the preparations as declared by the licensee shall be entered by the licensee in R.G.III Register. Again, immediately after declaration by the licensee of the alcoholic strength of a finished preparation and before such preparation is removed to the store, the licensee shall make proper entries in the R.G.III Register. The quantity produced shall also be entered in R.G.III Register. Necessary note of the samples taken by the Excise Officer-in-charge may also be entered by the licensee in R.G.III Register. This Register shall also show the receipt and disposal of all alcohol issued to the laboratory from the Spirit Store and the quantity of finished Medical Preparations manufactured there from. As soon as a preparation is manufactured, it shall be removed to the finished store where after it has been carefully-measured, it shall be stored in vessels provided for the purpose and accounted for in the Register in R.G.IV.
10.19 **Storage of finished products:** The medicines or toilet preparations shall on completion of products be stored in bulk in jars or bottles each containing not less than 80 fluid ounces. When it is ready for issue, it may be filled in bottles or containers not less than 2 fluid ounces.

10.20 **Deficiency noticed in the finished store:** All deficiencies in bulk content of any finished medicinal or toilet preparations in Store should be entered in Form R.G.IV by the Officer-in-charge. If no satisfactory explanation is forthcoming from the licensee for this shortage in store, it shall be subject to the levy of duty on the quantity lost at penal rates not exceeding double the rates of duty prescribed. The physical balance at the close of the month is also taken to find out the storage shortage. Excise duty may be remitted by the Excise Commissioner if he is satisfied that the deficiency was due to natural or unavoidable causes and that the alcoholic preparation has not gone into consumption. The actual sub-standard preparations can be destroyed and destruction should be entered in R.G.IV Register or they can be reprocessed with the permission of the Excise Commissioner. No duty is to be levied on the Alcohol content of the preparations destroyed. An account of alcohol recovered in the course of production of medicinal or toilet preparations or distilled separately from such a preparation in a recovered alcohol vat, shall be maintained by this Officer-in-charge in Form R.G.II. No rebate of duty is allowed on recovered alcohol found unfit and destroyed.

10.21 **Wastage in manufacture:** The State Government may time to time fix the percentage of wastage in the production of a particular medicinal and toilet preparation. Rule 38 of M&TP. Rules 1956 any wastage that exceeds the allowable limit and is not properly accounted for shall be charged with the duty together with such penalty not exceeding the duty leviable thereon as the Excise Commissioner may deem fit. If the percentage consist of pure alcohol in a preparation is found by the chemical Examiner to exceed the highest allowable limit by more than 1.75% by volume units or to be below the lowest allowable limit its issue from the bonded manufactory shall be withheld.

When an excess of more than 1.2% by volume units over the pure alcohol content declared by the licensee of any batch of preparation is found by the Chemical Examiner the tune percentage of pure alcohol content as ascertained by the chemical Examiner shall be entered in Batch Account and the excess duty due from the licensee shall be realized.

10.22 **In case of any accidental loss of alcohol in a Bonded Manufactory otherwise than by theft,** the Officer-in-charge should ascertain the reasons for the loss, and if it is beyond the control of the licensee, the Excise Commissioner can exempt the levy and payment of the tax.

10.23 **Issues of alcoholic preparations can be made from Bonded Manufactory Store on payment of Excise duty.** The licensee shall present an application in Form A.R.II signed by him or his authorised representative before the Officer-in-charge who shall after checking the entries realise the duty payable and allow the required quantities to be removed by issuing a permit. The duty is paid through challans by the parties into the bank and the challans produced to the Officer-in-charge alongwith the request for removal of the finished goods. If the removal is from one bonded warehouse to another, the payment of the Excise duty is not necessary but this is permissible only under proper security for which appropriate rules have been framed separately (vide Govt. of India notification dt.1-3-81).

10.24 **The licensee shall maintain accounts in the forms and registers prescribed and render a return,** to the officer-in-charge, by the 5th of each month of the transactions in respect of the preceding month in the Form R.T.I. The officer-in-charge shall maintain account in the prescribed forms and shall take steps to ensure that the licensee also maintain simultaneously similar accounts. These
separate accounts shall be written up daily by the officer-in-charge and licensee or his authorised person and compared and reconciled before the manufactory is closed at the end of each day’s transactions. The officer-in-charge shall be responsible for the correct and prompt collection of duty and penalty before the preparation are permitted to leave the bonded manufactory.

10.25 Audit checks :- In audit of bonded pharmacies, it should be seen that the excess wastage statements have been prepared and duty has been levied and charged correctly in transit and storage wastage.

When any batch of medicine is prepared, a declaration is made by the Bonders as to the strength of alcohol contained therein. A sample from the Batch is at the same time, sent to the Chemical Examiner for analysis after, analysing the spirit or medicaments and issue of the adjusted batch of preparation shall be allowed only when the Chemical Examiners report has been found to be satisfactory.

The account of samples sent to the Chemical Examiner and his reports are kept in B.M.3 “Register of samples sent to the Chemical Examiner”. If however, the alcohol strength of preparation is found by the Chemical Examiner to exceed the highest allowable limit by more than 1.75% by volume unit or to be below the lowest allowable limits, its issue from the bonded Manufactory is to be withheld. The account of finished products, i.e., medicines is kept in R.G.4 Register of finished products. All the medicines manufactured are entered in this Register and the Issue and Closing balance shown here. The monthly stock taking of medicine is also done by the officer-in-charge and, if any shortage of medicine is noticed, duty is levied on that shortage at penal rates not exceeding double the rates of duty prescribed. The register should be checked in audit.

If the licensees want to maintain an account current with Government, they deposit the amount of duty in advance in lumpsum, the account of which is kept in B.M. 6 Register of advance Accounts. As and when medicines are issued from the manufactory, duty on these issues are calculated and adjusted against the advance deposit of the bonder. The issues from the Bonded Manufactory are made on presentation of an application in Form A.R.II. This register should be checked in audit. In addition to the above checks, it should be seen while auditing the accounts of Bonded Pharmacies –

(i) That the medicines manufactured have been correctly classified into restricted or unrestricted category and that correct rates of duty are being charged as prescribed in the Schedule to Section 3 of the Medicinal and Toilet preparations Act.

(ii) that in the case of medicinal preparations other than official allopathic preparations manufactured on or after 1st April 1957, duty is being charged at the prescribed rate unless these have already been categorized by the Central Government as unrestricted preparations.

(iii) That the deposit of duty in advance deposit account has been correctly entered in the Register with reference to Treasury Challans and deductions on account of duty levied with reference to application of issue of medicines in Form A.R.2 and Register of daily issue of medicines in B.M.4 has been correctly made.

(iv) That all the receipts and issues of spirits have been correctly taken into account.

(v) That necessary action has been taken to charge the duty in case of variation of strength of spirit on the higher side noticed as a result of Chemical Examiner’s Report.
(vi) That all the medicines shown as manufactured in R.G.III Register have been taken to R.G.IV Register of finished Products and all issues of medicines as per B.M.4 and A.R.II are correctly posted and closing balance correctly worked out.

(vii) In case of issue of duty free preparations the manufacturer must produce to the Officer-in-charge a receipt signed by the Principal medical Officer acknowledging the Receipt of each consignment within three months of the date of despatch.

If it appears that any such consignment was not received by the consignee, the case needs to be reported to the Excise Commissioner and pending the receipt of his orders duty free issues to that consignee are to be stopped. In case a shortage is discovered at the destinations the manufacturers are liable to pay duty on such shortage at the rate prescribed for rectified spirit when used for medicinal purposes.

(viii) that in case of failure of the manufacturer to furnish proof of export of dutiable goods, the duty, leviable on such goods and penalty, if any is recovered from the manufacturer.

(ix) the figures as disclosed in returns of sales tax Income tax wherever available may be correlated with a view to seeing that no part of the turnover has escaped from payment of duty fee etc. The relevant figures collected may be passed on to the audit parties of sales tax and Income tax for cross check.

(x) The excess wastage statements should be examined in order to see that duty has been correctly charged on such wastage.

10.26 Homoeopathic Preparations :- All homoeopathic preparations containing alcohol shall be classified as capable of being consumed as ordinary alcoholic preparations and shall fall under the category of Restricted preparations.

10.27 Preparations containing opium, Indian hemp and other narcotic drugs and narcotics :- Ayurvedic preparations containing self-generated alcohol in which alcohol content has not exceeded 2% proof spirits shall be deemed to be non-alcoholic and no duty shall, therefore, be leviable on such preparations. Where the percentage of proof spirit is in excess of 2% duty will be leviable under item 2 (iii) or 2 (i) of the schedule to the Medicinal and Toilet Preparations Act 1955 according as the preparations are capable of being consumed as ordinary alcoholic Beverages or not. For purposes of duty, Ayurvedic preparations made by distillation or to which alcohol is added at any stage of manufacture shall be treated as alcoholic preparations capable of being used as ordinary Alcoholic beverages.
CHAPTER 11

Verification of credit and reconciliation of figures and miscellaneous items of check

11.1 General :- It is an important audit check to verify the correctness of the assessment of the demand and its realization and credit to Government Account. The verification of facts of remittance of the sums realized as taxes, duties, fees, penalties etc., into the treasury and the reconciliation of the treasury figures relating to such remittances with the departmental figures is essential to ensure that Government amounts are properly accounted for. Audit should, therefore, verify for the marked months that the proceeds of the taxes, duties etc., are actually remitted into the treasury and entered into the treasury accounts with reference to the relevant records and that the remittances have correctly been classified under the proper heads of the account.

11.2 It is the primary duty of the Excise department to ensure that the figures of the remittances made as per treasury accounts are reconciled month after month with its own figures as per books of account kept by it. Such a reconciliation will not only facilitate rectification of errors in accounting such as mis-classifications but will also serve to detect serious errors due to fraud, defalcations and the like. There have been instances where due to omission in this respect, misappropriation of the tax and duty collection, presentation of bogus challans and drafts, fraudulent tampering with records etc., have occurred. Though the prevention of fraud and misappropriation is the primary look out of the department, audit should ensure that the system and machinery adopted by department contain the inherent checks.

11.3 Verification of credits in the office of the Prohibiton & Excise Superintendent :- The audit parties have to verify the credits in the books of the treasuries in respect of all the following items for the marked months :

1. Credits appearing in the Prohibiton & Excise Superintendent’s records (Cash book, receipt book etc.).

2. Credits appearing in the Circle/Range/Cash books/Receipt books marked for detailed check.

3. Credits appearing in the Taluk Ledger towards rental, etc., for the marked taluk.

11.4 In addition to the credits appearing in the marked month in respect of the above records a test check of few more audits in other months has also to be done.

11.5 Verification of two months credits :

Besides seeing that the reconciliation of departmental figures of receipts with those appearing in treasury accounts, two months credits as appearing in the departmental records may also be checked with the original records of that treasury wherever possible so as to ensure that the money received, have actually been credited into the treasury. The certificate of verification of credits for two months selected should be specifically recorded in the memorandum forwarding the Local Audit Report.

11.6 All the field parties are instructed to include a para at the end of the report under the heading “Records not produced and records not maintained” showing both the categories separately,
as two sub-paras in the last para in local audit report (circular No.17 dt.16-11-73 of SRA (Hq)). The particulars of records seen in local audit may be indicated in separate list to be forwarded to the receipt audit headquarters section for use.

11.7 All field parties should maintain an audit note-book. This is intended to record the list of important circulars issued by the C&AG and SRA/Hq and also important interesting points noticed during local inspection. This book should be handled over alongwith circular files, codes etc., to the successor officer for their guidance and continuity. The receipt audit officer are requested to see that audit note books are maintained by the field parties (Circular No.17 dt.16-11-73) of SRA Hq.

11.8 The allocation of work among the members of the field parties prescribed by the C&AG vide circular No.6 of 1984/No.252 Rec-A-IV-3(1-84/Gr.I dt.28-2-84) is given below:

ALLOCATION OF AUDIT WORK AMONG MEMBERS OF STATE RECEIPT AUDIT PARTIES

STATE EXCISE DUTIES:

I. Senior Audit Officer/Audit Officer.
   1. Review of items marked with asterisk and discussion of the outstanding local audit Report paras.
   2. Review of the challans audited by Asst. Audit Officer/Section Officer.
   3. Review of Auction files (with a view taking objections and increasing percentage of review, if needed, for generation of audit report material).
   4. Audit of license of foreign liquor shops involving revenue of Rs.30,000 or more per year, country liquor licence for Rs.one lakh or more per year and Ganja and Drug licences for Rs.50,000 or more per year. Review of 10 per cent of licences for foreign liquors and country liquor which are audited by Asst. Audit Officer./Section Officer.
   5. Review of 20 per cent of Refunds and remission cases audited by AAOs/Section Officers with a view to taking audit objections.
   6. Files on auction cases, supply contracts and interstate movements in Commissioners’ Office.
   7. Audit of warehouse records, records in distilleries and pharmacies (subject to allotment of suitable work by audit officer to AAO/Section Officer).

II. ASST. AUDIT OFFICER/SECTION OFFICER:
   1. Check of 20% of challans for payment of duty audited by the auditor with a view to taking audit objections.
   2. Audit of auction files.
   3. Audit of all licences issued for foreign liquor shops not audited by Audit Officer.
4. Audit of all licences for Ganja/Drug licence between Rs.30,000 to Rs.50,000. Review of 10% of licences for Ganja/Drug audited by Auditor.

5. Review of 20% of other licences, permits and papers and miscellaneous receipts audited by Auditor.

6. All cases of refunds and remission of Revenue in excess of Rs.1,000/- and 10 per cent of other cases selected at random.

7. Other important register and connected files.

III. Sr.Auditor/Auditor :

1. Audit of challans for payment of duty.

2. 25 per cent of other categories of licences, permits and passes relating to Revenue/duty/fee and miscellaneous receipts (10 per cent selected by reference to value and 15 per cent selected by random).

3. Other Registers and connected files including those relating to payment made to distilleries from recovery made on ex-bond clearances (other than those checked by Asst. Audit Officer/Section Officer.)

12.9 In order to help the field parties in their work a questionnaire is given in Appendix I.
CHAPTER 12
Preparation and issue of local audit reports

12.1 The form of local audit report is the same followed for other receipts. This comprises, three parts viz., Part-I containing introductory para indicating the scope of audit and personnel in charge of the office inspected, unsettled objections from previous reports, and persistent irregularities and Part-II containing major irregularities and other irregularities. Section-I of Part-II covers objections valued at Rs.50,000/- and more and Section-B covers those valued at Rs.5,000/- and more but less than Rs.50,000/-. This part also contains other important aspects of taxation and tax administration for which action at higher levels may be required, part-III viz., test Audit Note containing minor irregularities and omissions the financial effect of which does not exceed Rs.5,000/- and which should be complied with by the departmental officers and compliance shown to the next audit.

12.2 The local audit report should be written up by the Revenue Audit Officer himself in all cases where he supervises the party on the closing day. In other cases, the A.A.O. Section Officer may write the report. In the paras all the relevant facts should be brought out clearly arranged in a logical sequence. Proper references to section/rule or order quoted in the para and cross references between the paras and the half margins should be made by the field parties. Annexures should be serially numbered giving reference in each Annexure to the relevant para. Reasons for dropping any objections during discussion etc., should invariably be recorded.

12.3 In cases where objections are based on correspondence & instructions issued by higher authorities on court judgements etc., copies of such papers should invariably be enclosed to the inspection report as these may not be available in the main office.

12.4 Headquarters Section :- The local audit reports should be edited at the Headquarters and issued within 3 weeks of the completion of local audit, duly approved by the group officer. The approved report should be sent to the Head of the Office inspected with a copy to his Controlling Officer. Replies to the reports should be received through the concerned Controlling Officer within one month from the date of issue of the report. Important cases of irregularities should be brought to the notice of Government by special letters. A reply to Part-III of the report is not required to be watched in Central Audit; it is enough if the disposal is checked during the next audit.
## APPENDIX 1

(Refer to Chapters 5 to 7)

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<th>Registers to be seen</th>
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<td><strong>Distilleries (Alcohol)</strong></td>
<td></td>
</tr>
<tr>
<td>1. Collection of fees and Deposits</td>
<td>It should be seen that payment of all the prescribed fees and deposits have been made by the licences and conditions laid down in the Rules have been duly observed.</td>
</tr>
<tr>
<td>2. Spirit out turn</td>
<td>From the registers and accounts it should be seen that the Spirit out turn is commensurate with the wash send in for distillation and that the wash is thoroughly exhausted of spirit.</td>
</tr>
<tr>
<td>3. Realisation of various Duties at correct rates</td>
<td>It is to be seen that duty Import pass fee/countervailing duty etc. on the issues have been realized at the correct rates in force from time to time.</td>
</tr>
<tr>
<td>4. Wastages</td>
<td>It should be seen that the wastages are within the limits prescribed.</td>
</tr>
<tr>
<td>5. Maintenance of Register</td>
<td>The Registers in Form D3 to D7 and in Form D9 should be checked carefully.</td>
</tr>
<tr>
<td><strong>Breweries</strong></td>
<td></td>
</tr>
<tr>
<td>1. Register and files</td>
<td>The B3 and B4 registers/Files should be checked in audit along with other registers and the records maintained by the Excise Officer in charge of Brewery.</td>
</tr>
<tr>
<td>2. Collection of Duty</td>
<td>It should be seen that the Excise Duty has been fully paid on the quantity brewed as entered in the account books.</td>
</tr>
<tr>
<td>3. Wastages</td>
<td>No excess over 10% for wastage should be permitted and in case the excess is over 10% duty on such excess should be realized.</td>
</tr>
<tr>
<td>4. Reconciliation</td>
<td>It should be seen that the Excise Officer in-charge verified the correctness of the challans received with those of the Treasury.</td>
</tr>
<tr>
<td>5. Other checks</td>
<td>All the audit checks similar to those carried out in case of Indian Manufactured Foreign Liquor distilleries should be carried out here.</td>
</tr>
<tr>
<td><strong>Rectified Spirit and Denatured Spirit</strong></td>
<td></td>
</tr>
<tr>
<td>1. Renewal of licences and collection of licence fees</td>
<td>It is to be seen that the rectified spirit and denatured spirit licences have been issued or renewed. After payment of the prescribed licence fees and application fees etc; and that the end product does not contain alcohol. If contained, it is to be seen that excise duty has been paid at full rates as per analysis reports.</td>
</tr>
<tr>
<td>2. Accounts</td>
<td>The various accounts maintained by the licensees and Excise Officers have also to be checked.</td>
</tr>
<tr>
<td><strong>Indian Made Foreign Liquor</strong></td>
<td></td>
</tr>
<tr>
<td>1. Licence and Permits</td>
<td>The checks in regard to the Excise duty countervailing duty, Excise fee, Licence Fee etc. consist in seeing that proper licence has been taken by the licensees. Whether they have paid the licence fees and have renewed licences whenever necessary and whether proper permits have been obtained for import/export and transport of Indian Made Foreign liquor etc. The registers in Excise Superintendent Office,Commissioner Office have to be examined with the relevant files of licences issued, permits issued, challans etc.</td>
</tr>
<tr>
<td>2. Reconciliation</td>
<td>It should be ensured that the reconciliation of the departmental figures with the Treasury figures has been done.</td>
</tr>
<tr>
<td>3. Verification Reports</td>
<td>The verification reports of the Excise Officers may be correlated and it may be ensured that follow up action has been taken by the Excise Officers when discrepancy is found during their verification.</td>
</tr>
<tr>
<td><strong>Pharmacies, Medicinal and Toilet preparation units</strong></td>
<td></td>
</tr>
<tr>
<td>1. Transit and Storage Wastages</td>
<td>It should be seen that the excess wastage statements have been prepared and duty has been levied and charged correctly on transit and storage wastages.</td>
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2. Sending samples to the chemical Examiner and collection of differential duty

It should be seen that the samples have been sent to the chemical examiner regularly from each batch and the Chemical Examiner’s reports have been received without any delay. If the strength as declared by the Chemical Examiner is more than 2 degrees than that declared by the manufacturer, it should be seen that differential duty on the balances released prior to the receipt of the Chemical Examiner’s report is realized. It is to be seen whether the true strength as declared by the Chemical Examiner is entered in R.G.III register.

(b) If the alcohol strength of the preparation as declared by the Chemical Examiner exceeds the higher allowable limit by more than 3 proof degrees or to be below the lowest allowable limits it should be seen in audit that its issue from the bonded factory is withheld.

(c) The account of finished products kept in R.G.4 (Register of finished goods). All the medicines manufactured are entered in this register and the issue and closing balance are shown here.

3. Monthly stock taking

It is to be seen whether the monthly stock taking has been done and if any shortage of medicine is noticed, duty is levied on that shortage at penal rates not exceeding double the rates of duty prescribed.

4. Maintenance of Account current are issued

It should be seen from BM 69 (Account register) that as and when medicines from the factory, duty on these issues is calculated and adjusted against the advance deposit of the licence. It should be seen that the licensee recoups the amounts adjusted well in time.

5. Classification of medicines

It should be seen that the medicines manufactured have been correctly classified into restricted or unrestricted category (vide schedule to section 3).

6. Preparations other than official allopathic preparations

It should be seen in respect of preparations other than official allopathic preparations manufactured on or after 1-4-57 whether duty is being charged at the rates prescribed unless these have already been categorized by the Central Government, as unrestricted preparations.

7. Receipts and issues

It is to be seen that all the receipts and issues of spirits have been correctly taken into account.

8. Duty Free preparations

It should be seen that in case of issue of duty free preparations, the manufacturer has produced to the Officer-in-charge a receipt duly signed by the Principal Medical Officer acknowledging the receipt of each consignment within 3 months of the date of despatch.

9. Proof ofExport of dutiable goods

It should be seen that in case of the failure of the manufacturer to furnish proof of export of dutiable goods whether the duty leviable on such goods and penalty if any is recovered from the manufacturer.


The figures as disclosed in the returns of Sales Tax/Income Tax may be correlated with the issue of finished products with a view to seeing that no part of the turn out has escaped from payment of licence fee etc.
Office of the Accountant General
(Audit-II)

Andhra Pradesh, Hyderabad

Motor Vehicle Tax Manual
(Third Edition)

Issued by
The Accountant General
(C&RA)
Andhra Pradesh, Hyderabad
PREFACE

The audit of receipts of motor vehicles tax of the Government of Andhra Pradesh was undertaken from 1st July, 1973. This manual was first issued in 1982. The present one is a revised edition incorporating the amendments and changes up to the end July, 2007. This manual has been prepared in accordance with the directions contained in paragraph 54 of the Comptroller and Auditor General’s Manual of Standing Orders (Administration) Volume I and keeping in view the law the procedure applicable to the levy of various kinds of fees and taxes on motor vehicles, for the guidance of the officers and staff conducting Local Audit. The relevant provisions of the Law and procedure for assessment and collection of taxes have been set out brieferly for an efficient performance of local audit. The taxes and fees leviable under the Act and Rules are reviewed by the Government from time to time. The rates in force at the time of audit has to be looked into by the audit parties. The instructions in this manual are to be treated as supplementary to those contained in the codes and manuals issued by the Comptroller and Auditor General of India. The provisions of this manual should not be quoted as authority in support of audit objections raised. The provisions of the relevant Acts and Rules as well as departmental instructions accepted in audit should be the basis of objections.

The State Receipt Audit (Headquarters) Section will be responsible for keeping the manual up-to-date.

Suggestion for improvement of this manual are welcome from members of the office.

Errors or omissions in the manual may be brought to the notice of the State Receipt Audit Headquarters Section.

Date

ACCOUNTANT GENERAL
(C&RA)
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INTRODUCTION

Constitutional responsibility of the Comptroller and Auditor General of India, Article 151 of the Constitution of India

1.1 Article 151 of the Constitution of India lays down that the Reports of the Comptroller and Auditor General of India relating to accounts of the Union and of the State shall be submitted to the President or the Governor of a State, as the case may be, who shall cause them to be laid before each House of the Parliament or Legislature. The Audit Reports thus relate to the totality of the accounts of the Union or State and this totality would include receipts also. The audit of receipts is thus included in the powers of the Comptroller and Auditor General of India.

1.2 Further, Section 16 of the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971, specifically enjoins upon the Comptroller and Auditor-General to audit all receipts of the Union and of the States and to satisfy himself that the rules and procedures in that behalf are designed to secure an effective check on the assessment collection and proper allocation of revenue. For that purpose, the Comptroller and Auditor-General is authorised to undertake such examination of the accounts, as he thinks fit and to report, thereon.

1.3 AUDITING STANDARDS: Auditing Standards prescribe the norms of principles and practices, which the Auditors are expected to follow in the conduct of Audit. They provide minimum guidance to the Auditor (it means the Auditing Institutions represented by the Field Audit Party) that helps determine the extent of auditing steps and procedures that should be applied in the audit and constitute the criteria or yardstick against which the quality of audit results are evaluated.

The norms of Principles and Procedures to be followed by Audit are prescribed in "Auditing Standards" (2nd Edition, 2002) which, inter-alia, include the following:

A) Basic Postulates: The basic postulates for auditing standards are basic assumptions, consistent premises, logical principles and requirements which held in developing auditing standards and serve the auditors in forming their opinions and reports, particularly in cases where no specific standards apply.

The Basic Postulates are:
1) The Supreme Audit Institution of India (SAI) should comply with the International Organisation of Supreme Audit Institutions (INTOSAI) auditing standards in all matters that are deemed material.
2) The SAI should apply its own judgement to the diverse situations that arise in the course of Government auditing.
3) With increased public consciousness, the demand for public accountability of persons or entities managing public resources has become increasingly evident so that there is a need for the accountability process to be in place and operating effectively.
4) Development of adequate information, control, evaluation and reporting systems within the Government will facilitate the accountability process. Management is responsible for correctness and sufficiency of the form and content of the financial reports and other information.

5) Appropriate authorities should ensure the promulgation of acceptable accounting standards for financial reporting and disclosure relevant to the needs of the Government, and audited entities should develop specific and measurable objectives and performance targets.

6) Consistent application of acceptable accounting standards should result in the fair presentation of the financial position and the results of operations.

7) The existence of an adequate system of internal control minimises the risk of errors and irregularities.

8) Legislative enactments would facilitate the co-operation of audited entities in maintaining and providing access to all relevant data necessary for a comprehensive assessment of the activities under audit.

9) All audit activities should be within the SAIs audit mandate.

10) SAIs should work towards improving techniques for auditing the validity of performance measures.

11) SAIs should avoid conflict of interest between the auditor and entity under audit.

B) General Standards:

1) The general auditing standards describe the qualifications of the auditor and the auditing institution so that they may carry out the tasks of field and reporting standards in a competent and effective manner. These standards apply to all types of audit for both auditor and audit institutions. While auditing, the auditor should be independent, competent and due care should be taken in planning, specifying, gathering and evaluating evidence and in reporting findings, conclusions and recommendations.

2) The legal mandate provided in the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971 provides for full and free access for the CAG and his auditors to all premises and records relevant to audited entities and their operations and provides adequate powers to the CAG to obtain relevant information from persons or entities possessing it.

3) The audit department seek to create among audited entities an understanding of its role and function, with a view to maintaining amicable relationships with them. Good relationships can help the SAI to obtain information freely and frankly and to conduct discussions in an atmosphere of mutual respect and understanding.

C) Field standards (1): The purpose of field standards is to establish the criteria or overall framework for the purposeful, systematic and balanced steps or actions that the auditor has to follow. These steps and actions represent the rules of investigation that the auditor, as a seeker of audit evidence, implements to achieve a specific result.

(2) The field standards establish the framework for conducting and managing audit work. They are related to the general auditing standards, which set out the basic requirements for undertaking the tasks covered by the field standards. They are also related to reporting standards, which cover the communication aspect of auditing, as the results from carrying out the field standards constitute the main source for the contents of the opinion or report.

(3) The field standards applicable to all types of audit are:

a) The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.

b) The work of the audit staff at each level and audit phase should be properly supervised during the audit; and a senior member of the audit staff should review documented work.

c) The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control.
i) Planning: The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out without wastage of resources in an economic, efficient and effective way in a timely manner.

1) the following planning steps are normally included in an audit:

a) Collect information about the audited entity and its organisation in order to assess risk and to determine materiality.
b) Define the objective and scope of the audit.
c) Undertake preliminary analysis to determine the approach to be adopted and the nature and extent of enquiries to be made later.
d) Highlight special problems foreseen when planning the audit.
e) Prepare a budget and a schedule for the audit.
f) Identify staff requirements and a team for the audit, and
g) Familiarise the audited entity about the scope, objectives and the assessment criteria of the audit and discuss with them as necessary.

ii). Supervision: The work of audit staff at each level and audit phase should be properly supervised during audit, and a senior member should review documented work.

1. The following paragraphs explain supervision and review as an auditing standard.
2ler.

A. Supervision is essential to ensure the fulfillment of audit objectives and the maintenance of the quality of the audit work. Proper supervision and control is therefore necessary in all cases, regardless of the competence of individual auditors.

B. Supervision should be directed both to the substance and to the method of auditing. It involves ensuring that:

a. The members of the audit team have a clear and consistent understanding of the audit plan.
b. The audit is carried out in accordance with the auditing standards and practices of the SAI.
c. The audit plan and action steps specified in that plan are followed unless a variation is authorised.
d. Working papers contain evidence adequately supporting all conclusions, recommendations and opinions
e. The auditor achieves the stated audit objectives and
f. The audit report includes the audit conclusions, recommendations and opinions, as appropriate.

2. All audit work should be reviewed by a senior member of the audit staff before the audit opinions or reports are finalised. It should be carried out as each part of the audit progresses. Review bring more than one level of experience and judgement to the audit task and should ensure that:

a. All evaluations and conclusions are soundly based and are supported by competent, relevant and reasonable audit evidence as the foundation for the final audit opinion or report.
b. All errors, deficiencies and unusual matters have been properly identified, documented and either satisfactorily resolved or brought to the attention of a more senior SAI officer, and
c. Changes and improvements necessary to conduct of future audits are identified, recorded and taken into account in later audit plans and in staff development activities.

3. This standard emphasises the importance of involvement of each higher level of supervision and does not in any way absolve the lower levels of audit staff carrying out field investigations from any negligence in carrying out assigned duties.
iii) Study & Evaluation of Internal Control: The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control and depends on the objectives of the audit and on the degree of reliance intended. Where accounting or other information systems are computerized, the auditor should determine whether internal controls are functioning properly to ensure the integrity, reliability and completeness of the data.

iv) Compliance with Applicable laws and regulations: In performance audit an assessment should be made of compliance with applicable laws and regulations when necessary to satisfy the audit objectives. The auditor should provide reasonable assurance to detecting illegal acts that could significantly affect audit objectives and should be alert to situation or transaction that could be indicative of illegal acts that may have an indirect effect on the audit reports.

The following paragraphs explain compliance as an auditing standard.

1. Reviewing compliance with laws and regulations is especially important when auditing government programmes because decision-makers need to know if the laws and regulations are being followed, whether they are having the desired results, and, if not, what revisions are necessary. Additionally government organisations, programmes, services, activities, and functions are created by laws and are subject to more specific rules and regulations.

2. Those planning the audit need to be knowledgeable of the compliance requirements that apply to the entity being audited. Because the laws and regulations that may apply to a specific audit are often numerous, the auditors need to exercise professional judgement in determining those laws and regulations that might have a significant impact on the audit objectives.

3. The auditor also should be alert to situations or transactions that could be indicative of illegal acts that may indirectly impact the results of the audit. When audit steps and procedures indicate that illegal acts have or may have occurred, the auditor needs to determine the extent to which these acts affect the audit results.

4. In conducting audits in accordance with this standard, the auditors should choose and perform audit steps and procedures that, in their professional judgement, are appropriate in the circumstances. These audit steps and procedures should be designed to obtain sufficient, competent, and relevant evidence that will provide a reasonable basis for their judgement and conclusions.

5. Generally, management is responsible for establishing an effective system of internal controls to ensure compliance with laws and regulations. In designing steps and procedures to test or assess compliance, auditors should evaluate the entity’s internal controls and assess the risk that the control structure might not prevent or detect non-compliance.

6. Without affecting the SAI’s independence, the auditors should exercise due professional care and caution in extending audit steps and procedures relative to illegal acts so as not to interfere with potential future investigations or legal proceedings. Due care would include considering the concerned laws and relevant legal implications through appropriate forum to determine the audit steps and procedures to be followed.

v) Audit Evidence: Competent, relevant and reasonable evidence should be obtained to support the auditor’s judgment and conclusions regarding organization, programme, activity or function under audit.

The following paragraphs explain audit evidence as an auditing standard.

1. The audit findings, conclusions and recommendations must be based on evidence. Since auditors seldom have the opportunity of considering all information about the audited entity, it is crucial that the data collection and sampling techniques are carefully chosen. When
computer-based system data are an important part of the audit and the data reliability is crucial to accomplishing the audit objective, auditors need to satisfy themselves that the data are reliable and relevant.

2. Auditor should adequately document the audit evidence in working papers, including the basis and extent of the planning, work performed and the findings of the audit. Working papers should contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditor's significant findings and conclusions.

3. Adequate documentation is important for several reasons, It will:
   a. Confirm and support the auditor's opinions and reports
   b. Increase the efficiency and effectiveness of the audits.
   c. Serve as a source of information for preparing reports or answering any enquiries from the audited entity or from any other party.
   d. Serve as evidence of the auditor’s compliance with Auditing Standards
   e. Facilitate planning and supervision.
   f. Help the auditor’s professional development.
   g. Help to ensure that delegated work has been satisfactorily performed, and
   h. Provide evidence of work done for future reference.

4. The auditor should bear in mind that the content and arrangement of the working papers reflect the degree of the auditor’s proficiency, experience and knowledge.

vi). Analysis of Financial Statements: In all types of audit when applicable auditor should analyse the financial statement to establish whether applicable accounting standards for financial reporting and disclosure are complied with and should perform to such degree that a rational basis is obtained to express an opinion on financial statements.

a. The auditor should thoroughly analyse the financial statements and ascertain whether:
   b. financial statements are prepared in accordance with acceptable accounting standards;
   c. Financial statements are presented with due consideration to the circumstances of the audited entity;
   d. Sufficient disclosures are presented about various elements of financial statements; and
   e. The various elements of financial statements are properly evaluated, measured and presented.

The methods and techniques of financial analysis depend to a large degree on the nature, scope and objective of the audit, and on the knowledge and judgement of the auditor.

2. Where the SAI is required to report on the execution of budgetary laws, the audit should include:
   a. For revenue accounts, ascertaining whether forecasts are those of the initial budget, and whether the audits of taxes, rates and duties recorded, and imputed receipts, can be carried out by comparison with the annual financial statements of the audited activity;
   b. For expenditure accounts, verifying credits to assist budgets, adjustment laws and, for carryovers, the previous year’s financial statements.

3. Where the SAI is required to report on systems of tax administration or systems for realising non-tax receipts, along with a systems study and analysis of realization of revenue/receipts, detection of individual errors in both assessment and collection is essential to highlight audit assertions regarding the system defects and comment on their efficiency to ensure compliance.

D) Reporting Standards:
1. On the completion of each audit assignment, the Auditor should prepare a written report setting out the audit observations and conclusions in an appropriate form; its content should be easy to understand, free from ambiguity and supported by sufficient, competent and relevant audit evidence and be independent, objective, fair, complete, accurate, constructive and concise.

2. With regard to fraudulent practice or serious financial irregularities detected during audit or examined by audit, a written report should be prepared. This report should indicate the scope of audit, main findings, total amount involved, modus operandi of the fraud or the irregularity, accountability for the same and recommendations for improvement of internal control system, fraud prevention and detection measures to safeguard against recurrence of fraud/serious financial irregularity.

3. The audit report should be complete. This required that the report contains all pertinent information needed to satisfy the audit objectives, and to promote an adequate and correct understanding of the matter reported. It also means including appropriate background information.

4. In most cases, a single example of a deficiency is not sufficient to support a broad conclusion or a related recommendation. All that it supports is that a deviation, an error or a weakness existed. However, except as necessary, detailed supporting data need not be included in the report.

5. Accuracy required that the evidence presented is true and the conclusions be correctly portrayed. The conclusions should flow from the evidence. The need for accuracy is based on the need to assure the users that what is reported credible and reliable.

6. The report should include only information, findings and conclusions that are supported by competent and relevant evidence in the auditor’s working papers. Reported evidence should demonstrate the correctness and reasonableness of the matters reported.

7. Correct portrayal means describing accurately the audit scope and methodology and presenting findings and conclusions in a manner consistent with the scope of audit work.

8. Objectivity required that the presentation throughout the report be balanced in content and tone. The audit report should be fair and not be misleading and should place the audit results in proper perspective. This means presenting the audit results impartially and guarding against the tendency to exaggerate or over emphasis deficient performance. In describing shortcomings in performance, the Auditor should present the explanation of the audited entity and stray instances of deviation should not be used to reach broad conclusions.

9. The tone of reports should encourage decision-makers to act on the auditor’s findings and recommendations. Although findings should be presented clearly and forthrightly, the auditor should keep in mind that one of the objectives is to persuade and this can best be done by avoiding language that generate defensiveness and opposition.

10. Being convincing requires that the audit results be presented persuasively and the conclusions and recommendation followed logically from the facts presented. The information presented should be sufficient to convince the readers to recognise the validity of the findings and reasonableness of audit conclusions. A convincing report can help focus the attention of management on matters that need attention and help stimulate correction.

11. Clarity requires that the report be easy to read and understand. Use of non-technical language is essential. Wherever technical terms and unfamiliar abbreviations are used, they should be clearly defined. Both logical Organisation of the material and precision in stating the facts and in drawing conclusions significantly contribute to clarity and understanding. Appropriate visual aids (such as photographs, charts, graphs and maps etc..) should be used to clarify and summarise complex material.

12. Being concise requires that the report is not longer than necessary to convey the audit opinion and conclusions. Too much of details detracts from the report and conceals the audit opinion.
and conclusions and confuses the readers. Complete and concise reports are likely to receive greater attention.

13. Being constructive requires that the report also includes well thought out suggestion, in broad terms, for improvements, rather than how to achieve them. In presenting the suggestions due regard should be paid to the requirements of rules and orders, operational constraints and the prevailing milieu. The suggestions should be discussed with sufficiently high level functionaries of the entities and as far as possible, their acceptances obtained before these are incorporated in the report.

14. Timeliness requires that the audit report should be made available promptly to be of utmost use to all users, particularly to the auditee organisations and/ or Government who have to take requisite action.

1.4 Audit of receipts often involves interpretation of the related statutes and rules, notifications and orders issued thereunder. Interpreting the law, rules, notifications etc., the following points have to be borne in mind.

Where a particular term has been defined in the Act, that definition is to be followed. In the absence of any such definition, if any, in enactment’s which are perimateria may be followed. For example, in interpreting terms not defined in the Andhra Pradesh Motor Vehicles Taxation Act, 1963, definition in the Motor Vehicles Act, 1988, can be followed. If the terms have not been defined in the Acts, which are perimateria, definitions in the Andhra Pradesh General Clauses Act are to be taken as the guideline.

If there is judgement of the Andhra Pradesh High Court that judgement is binding unless it is over–ruled by the Supreme Court. Audit therefore, has to go by case law if any, on the subject.

If a particular section lends itself to two or more inter-pretations, interpretation consistent with the other sections of the Act may be taken. If a section has doubtful or ambiguous meaning, it must be resolved in favour of the tax-payer.

Since the laws which revenue is collected provide for judicial remedy or judicial interpretation, the activity of audit should be limited to those matters which are not subject to judicial process.

This manual is intended primarily to lay down certain guide-lines for the revenue audit parties, auditing the offices of the Transport Department. For the efficient discharge of their duties, all members of the audit parties should be thoroughly conversant with the procedure of levy, collection,
remittance, refunds, etc., of tax adopted by the Motor Vehicles Department and also with the relevant statutes, rules and case laws.

1.5. General principles of receipt audit have been set forth in Sales Tax Revenue Audit Manual Chapter-I. For a study of these principles, reference may be made to that Manual.

1.6. In the subsequent chapters of this manual, the basic provision of law and the rules governing the levy and collection of fee and taxes on the motor vehicles are set out.
CHAPTER 2
HISTORICAL AND LEGISLATIVE BACKGROUND

2.1 The First Act Government of India
The First Act of 1914 was in vogue from 1-4-1915. The Act laid down the general principles mainly intended to regulate and Control Motor traffic in India and authorised the then provincial Governments to prescribe the required rules. The Act (Act IV of 1939) was passed by the Government of India. This Act was brought into effect uniformly throughout India from 1-4-1951.

“This Act was replaced by the “The Motor Vehicles Act, 1988” which was brought into force from 1July 1989. Central Motor Vehicles, 1989 were also brought into force from 1July 1989. The Rules provide for various aspects like licensing of drivers of motor vehicles, licensing of conductor, registration of motor vehicles, control of transport vehicles including State Transport Undertakings, insurance of vehicles against third party, constitution of Motor accidents Claims Tribunal, powers of Police etc.

Central Act of 1939

2.2 While the Motor Vehicle Act, 1988, is a Central Act, and applicable to the whole of India, the power to administer this Act and also to make rules under the Act in order to carry out the purposes of the Act, within the territorial jurisdiction of the State is vested with the concerned State Government. This Act merely regulates various matters such as licensing of drivers of motor vehicles, control of traffic insuring of vehicles fees for driving licence fees for registration, fees for permits etc., and also offences and penalties for contravention of the provisions of the Act. The Act does not envisage levy of taxes which however falls within the legislative jurisdiction of the State Government under the power vested in the State Government under the seventh schedule to the Constitution mentioned below.

Constitutional provisions

2.3. According to Article 265 of the Constitution no tax shall be levied or collected except under the authority of law and hence levy and collection of vehicle tax are governed by the Acts passed by the parliament/State Legislatures. Under the Constitution the following are within the Legislative jurisdiction of the States:
1. Taxes on goods and passengers carried by road or in-land waterways
2. Taxes on vehicles whether mechanically propelled or not suitable for use on road, including tram cars, subject to the provisions of entry 35 of list III of the Seventh Schedule to the Constitution (Items 56 and 57 of the II List).

(Item 35 of List III refers to “Taxes on mechanically propelled vehicles” which in the concurrent list and on which both Central and State Governments have jurisdiction).

2.4 Position obtained in the State

Prior to 1931 tolls and taxes on motor vehicles, were levied by local bodies. The levy of tax on motor vehicles by State Government was first introduced by the former presidency of Madras, with the passing of the Madras Motor Vehicles Taxation Act, 1931. This Act was later adopted by the Andhra State. In the former Hyderabad State, the Motor Vehicles of 1354 Fasli was replaced by the Hyderabad Motor Vehicles Taxation Act from 1-4-55. With the formation of Andhra Pradesh State, the Acts in force in Andhra and Telangana areas were merged and a single consolidated Act viz., Andhra Pradesh Motor Vehicles Taxation Act, 1963, was brought into force from 1-4-63 dealing with the levy and collection of tax on various categories of motor vehicles used or kept for use in the public places in the State. The State Government also framed rules under the central Act, called the Andhra Pradesh Motor vehicles Rules, 1964. These rules replied by the Andhra Pradesh Motor Vehicle Rules 1989 with effect from 1-9-89. (G.O.Ms.No 238(TR II)Dt.1-9-89) Both the taxation Act and Rules, brought uniformity in the matter of levy of tax on passengers and goods throughout the A.P. State.

CHAPTER 3
ORGANISATIONAL SET-UP

3.1 The Transport Department is entrusted with the implementation of the provisions of the Central Act viz., the Motor Vehicles, Act, 1988 and the state Act, viz., Andhra Pradesh Motor Vehicles Taxation Act, 1963, and the rules framed there under.
3.2. The Transport Department under the Transport Commissioner is responsible for collection of taxes, registration of vehicles, licensing of conductors and drivers, etc, and for enforcing the provisions of the Motor Vehicles Act and the rules framed thereunder. He is assisted by an additional Transport Commissioner five Joint Transport Commissioners (of whom one acts as the Secretary of the State transport Authority), One Deputy Transport Commissioner (Headquarters), Four Assistant secretaries and one Regional Transport Officer with supporting ministerial and executive staff. There are also the Transport Authorities Statutory bodies created under section 44 of the Motor Vehicles Act, 1988 at the State level and others at the regional levels for each region which are responsible for the grant of permits for plying vehicles on specified routes and other allied matters.

State Transport authority: -

3.3. “The State Transport Authority (STA) is constituted under section 68 of the Motor Vehicles Act, 1988. Government of Andhra Pradesh, with Principle Secretary to Government, TR&B department as Chairman, Transport Commissioner as Member, Joint Transport Commissioner and Secretary, STA as Member Secretary and two non-official members, reconstituted the STA for the state of Andhra Pradesh from 13.11.2003 for a period of 3 years. Its main function is (i) to co-ordinate and regulate the activities and policies of the Regional Transport Authority, (ii) to settle all disputes and decide all matters on which difference of opinion arise between RTAs and Government to formulate routes for plying Stage Carriages and (iii) to function as the sole Transport Authority in respect of routes which exceed 160 kms on the trunk roads and also in respect of inter-state and inter-district routes for which stage carriages permits are to be issued. The office of the State Transport Authority forms part of the office of the Transport Commissioner.


3.4. There are 17 Deputy Transport Commissioners and one Joint Transport Commissioner. The functional jurisdiction of each of the Deputy Transport Commissioner extends over the district as shown below

<table>
<thead>
<tr>
<th>Dy. Transport Commissioner</th>
<th>Districts under his jurisdiction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Visakhapatnam</td>
<td>Visakhapatnam and Vizianagaram</td>
</tr>
<tr>
<td>2. Srikakulam</td>
<td>Srikakulam</td>
</tr>
<tr>
<td>3. Kakinada</td>
<td>East Godavari</td>
</tr>
<tr>
<td>4. Eluru</td>
<td>West Godavari</td>
</tr>
<tr>
<td>No.</td>
<td>City 1</td>
</tr>
<tr>
<td>-----</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>5</td>
<td>Vijayavada</td>
</tr>
<tr>
<td>6</td>
<td>Gunture</td>
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<tr>
<td>7</td>
<td>Nellore</td>
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<tr>
<td>8</td>
<td>Chittoor</td>
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<tr>
<td>9</td>
<td>Kurnool</td>
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<tr>
<td>10</td>
<td>Warangal</td>
</tr>
<tr>
<td>11</td>
<td>Karimnagar</td>
</tr>
<tr>
<td>12</td>
<td>Hyderabad (Rangareddy district)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Nizamabad</td>
</tr>
<tr>
<td>14</td>
<td>Joint Transport Commissioners,</td>
</tr>
<tr>
<td></td>
<td>Hyderabad</td>
</tr>
</tbody>
</table>
3.5. In the districts of Visakhapatnam, Krishna, Guntur, East Godavari, West Godavari, Medak and Chittoor, the Deputy Transport Commissioner/Regional Transport Officers are assisted by Additional Regional Transport Officers.

3.6. The Deputy Transport Commissioners are ex-officio members of the Regional Transport Authorities in their respective districts. In the districts where the head quarters of the Deputy Transport Commissioner exists, the Deputy Transport Commissioner acts as Member-Secretary of the respective Regional Transport Authority.

Regional Transport Authorities

3.7 Regional Transport Authorities are constituted under section 68 of the Motor Vehicles Act, 1988, consisting of a Chairman and other members, being not less than two in number. In this state the Collector of each revenue district is the ex-officio Chairman of the Regional Transport Authority and the Deputy Transport Commissioner or Joint Transport Commissioner of the region and the Superintendent of Police are usually the official members. One non-official member is also included in Regional Transport Authority. The Regional Transport Authority is assisted by a Secretary who is the Deputy Transport Commissioner/Joint Transport Commissioner/Regional Transport Officer. The Secretary exercises such powers and discharges such duties as specified in Rule 143 of the Andhra Pradesh Motor Vehicles Rules 1989 e.g., grant of permits to transport vehicles, opening of routes, compounding of offences, altering in seating capacity, etc.

3.8. UNIT OFFICES

With a view to decentralise administration and to be nearer to the public, 32 Unit Offices headed by Motor Vehicle Inspectors have been created in the districts as follows.

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Name of the DTC/RTO</th>
<th>Names of Unit Offices</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>DTC. Viskhapatnam</td>
<td>1. Gajuwaka</td>
</tr>
<tr>
<td>2</td>
<td>RTO, Rajahmundry</td>
<td>1. Amalapuram</td>
</tr>
<tr>
<td>4</td>
<td>RTO, Bhimavaram</td>
<td>1. Tanuku</td>
</tr>
</tbody>
</table>
The unit offices attend to the work pertaining to Registration of non-transport vehicles, issue of driving licences in additional to the regular work of MVIs.

3.13 Seventeen check posts have been established in the state at following places with a view to control the operation of inter state vehicle and for enforcement of provisions of the Motor Vehicle Act, A.P motor Vehicle Taxation Act and the rules made there under.

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Name of the Check Post</th>
<th>District.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Purushottapuram</td>
<td>Srikakulam</td>
</tr>
<tr>
<td>2.</td>
<td>Bheemuni varipalem</td>
<td>Nellore</td>
</tr>
<tr>
<td>3.</td>
<td>Narahari pet</td>
<td>Chittoor</td>
</tr>
<tr>
<td>4.</td>
<td>Adilabad</td>
<td>Adilabad</td>
</tr>
<tr>
<td>5.</td>
<td>Kattipudi</td>
<td>East Godavari</td>
</tr>
<tr>
<td></td>
<td>Place Name 1</td>
<td>Place Name 2</td>
</tr>
<tr>
<td>---</td>
<td>--------------</td>
<td>--------------</td>
</tr>
<tr>
<td>6</td>
<td>Renigunta</td>
<td>Chittoor</td>
</tr>
<tr>
<td>7</td>
<td>Palamaneru</td>
<td>Chittoor</td>
</tr>
<tr>
<td>8</td>
<td>Penukonda</td>
<td>Anantapur</td>
</tr>
<tr>
<td>9</td>
<td>Shapur</td>
<td>Rangareddy</td>
</tr>
<tr>
<td>10</td>
<td>Zaheerabad</td>
<td>Medak</td>
</tr>
<tr>
<td>11</td>
<td>Saloor</td>
<td>Nizamabad</td>
</tr>
<tr>
<td>12</td>
<td>Madnoor</td>
<td>Nizamabad</td>
</tr>
<tr>
<td>13</td>
<td>Kamareddy</td>
<td>Nizamabad</td>
</tr>
<tr>
<td>14</td>
<td>Bhainsa</td>
<td>Adilabad</td>
</tr>
<tr>
<td>15</td>
<td>Wankidi</td>
<td>Adilabad</td>
</tr>
<tr>
<td>16</td>
<td>Paloncha</td>
<td>Khammam</td>
</tr>
<tr>
<td>17</td>
<td>Kothuru</td>
<td>krishna</td>
</tr>
</tbody>
</table>

The check posts at SI.No.1to4 are Integrated Check Posts and under the administrative control of the Deputy Commercial Tax Officers of Commercial Tax Department.

**Motor Vehicle Inspectors**

3.10 The technical work of the department relating to inspection of vehicles is looked after by Motor Vehicles Inspectors and Assistant Motor Vehicles Inspectors. The functional jurisdiction of the Motor Vehicle Inspector and Assistant Motor Vehicle Inspectors is normally fixed on the basis of the vehicular strength and area comprising one or more contiguous taluks with headquarters at an important and convenient place in that area.

3.11 Consequent on the passing of Central Amendment Act 56 of 1969, Sections 64 and 64-A of the Motor Vehicles Act, 1939, dealing with appeals and revisions, respectively, have undergone major changes. A separate judicial tribunal known as “State Transport Appellate Tribunal” has been constituted with effect from 1-4-1971 with an officer of the rank of District Judge to be assisted by one Secretary of the rank of Regional Transport Officer with the supporting staff. (The central Motor Vehicle Act 1939 was replaced by Motor Vehicle Act 1988).
3.12. The State Transport Appellate Tribunal will entertain and dispose of all appeals against the orders of the Regional Transport Authorities and State Transport Authority. To represent the State before the Tribunal, a State representative of the rank of a Regional Transport Officer has been appointed with effect from July 1973 with supporting staff.

In accordance with Section 96 of the Motor vehicles Act, 1988, State Government prescribed “Andhra Pradesh State Transport Appellate Tribunal Rules, 1989” for the conduct and hearing of appeals that may be preferred, the fee to be paid in respect of such appeals and in refund of such fee and the forms to be used for these purposes.

3.14. Government have also appointed a State Representative in the cadre of Deputy Transport Commissioner with supporting staff to represent before the State Transport Appellate Tribunal on behalf of the State Transport Authority and the Regional Transport Authorities and their respective secretaries.
CHAPTER –4

DEFINITIONS

4.1. The State Governments have been empowered under Section 28, 38, 65, 111, 138 and 176 of the Motor Vehicles Act, 1988 to make suitable rules. It is under these powers that the State Government have framed known as the Andhra Pradesh Motor vehicles Rules, 1989.

4.2. The important provisions of the Motor Vehicles Act, 1988, with reference to the Rules framed thereunder in so far as they are relevant for the purpose of audit are discussed below.

4.3. The various terms used in the Motor vehicles Act, 1988 have been defined in Section 2 of the Act. Some of the definitions have been elaborated by judicial pronouncements. A few of the most important definitions as interpreted by case laws are given below:

(i). Contract Carriage: - “Contract carriage” means a Motor vehicle which carries a passenger or passengers for hire or reward under a contract expressed or implied for the use of the vehicle as a whole at or for fixed or agreed rate or sum-
   a). On a time basis whether or not with reference to any route or distance, or
   b). from one stop to another, and in any other case without stopping to pick up or set down passengers not included in the contract anywhere during the journey, and includes-
      i). a maxi cab; and (ii) a motor cab notwithstanding the separate fares are charged for its passengers;
   (Section 2(7) of M.V.Act 1988)

(ii). Stage Carriage: “Stage Carriage” means motor vehicle carrying or adapted to carry more than six persons excluding the driver which carries passengers for hire or reward at separate fares paid by or for individual passengers either for the whole journey or for stages of journey..

(iii). Omnibus: - “Omnibus” means any motor vehicle constructed or adapted to carry more than six persons excluding the driver.
(iv). **Permit**: “Permit” means a permit issued by a State or Regional Transport Authority or an authority prescribed in this behalf under the Act authorising the use of a motor vehicle as transport vehicle;
(Section 2(31) of the Act)

(v). **Motor Vehicle**: “Motor Vehicle” or “Vehicle” means any mechanically propelled vehicle adapted for use upon roads whether the power of propulsion is transmitted thereto from an external or internal source and includes a chassis to which a body has not been attached and a trailer, but does not include a vehicle running upon fixed rails or a vehicle of a special type adapted for use only in a factory or in any other enclosed premises or a vehicle having less than four wheels fitted with engine capacity of not exceeding twenty-five cubic centimeters (Section 2(28) of the Act).

The machineries not adapted for use on roads and not having any purpose to serve on the roads have been held to be not motor vehicles (AIR1968). Whether a particular vehicle is a motor vehicle has to be decided on the facts of each case bearing in mind its use and suitability for use on the roads. Trailer is a motor vehicle even when drawn by a tractor (ILR 1958).

Excavators and road rollers were motor vehicles for the purpose of the M.V. Act and that they were registered under that act, as they were suitable for use on roads. Merely because a motor vehicle was put to specific use such as being confined to enclosed premises would not render the same to be a different kind of vehicle (Bose Abraham Vs State of Kerala – AIR 2001 SC 834).

(vi). **Public Place**: “Public place” means a road, street, way or other place, whether a through fare or not, to which the public has a right of access, and includes any place or stand at which passengers are picked up or set down by a stage carriage (section 2(34) of the Act). The criterion is whether the public have a right of access to the place and not merely that the public have access (Rajamal 1970 ACJ 44 Mad;).

(vii). **Public Service Vehicle**: “Public Service Vehicle” means any motor vehicle used or adapted for use for the carriage of passengers for hire or reward and includes a maxi cab, a motor cab, contract carriage and stage carriage. A private motor car carrying passengers for hire or reward without licence amounts to use of a car as public service vehicle (A.I.R 1966). A company hiring cars for carrying its own staff on company’s business does not amount to use of cars of public service vehicles
sine the staff of the Company cannot be said to be passengers (A.I.R. 1964). Similarly hoteliers using car for carrying customers from station to hotel and back with out any extra charge does not amount to use of a car as a public service vehicle. It is not the class of vehicle under which a motor vehicle is registered but it is the actual use of the vehicle at the relevant time or use for which it is actually adapted which determines the question for purpose of tax (A.I.R. 1967).

(viii). **Goods Carriage:** - “Goods Carriage” means any motor vehicle constructed or adapted for use solely for the carriage of goods, or any motor vehicle not so constructed or adapted when used for the carriage of goods; (Section 2(14) of the Act).

(ix). **Laden Weight:** - in relation to a motor vehicle or a trailer attached to it means of a permit is issued to the motor vehicle under the Motor vehicles Act, 1988 (hereinafter referred to as Motor Vehicles Act), the maximum laden weight specified for the motor vehicle or the trailer in the certificate of registration of the motor vehicle, and in case such weight is not specified in such certificate, the maximum laden weight of the motor vehicle or the trailer determined in such manner as may be prescribed; vide section 2(b) of the Andhra Pradesh Motor vehicles Taxation Act.

(x). **Unladen Weight:** - “Unladen Weight” means the weight of a vehicle or trailer including all equipment ordinarily used with the vehicle or trailer when working, but excluding the weight of a driver or attendant; and where alternative parts or bodies are used the unladen weight of the vehicle means the weight of the vehicle with the heaviest such alternative part of body; - vide section 2(48) of the Motor Vehicles Act.

(xi). **Gross Vehicle Weight:** - “Gross Vehicle Weight” means in respect of any vehicle the total weight of the vehicle and load certified and registered by the registering authority as permissible for that vehicle; vide 2(15) of the Motor Vehicles Acts.

(xii). **Private Service Vehicle:** - Private Service Vehicle means a motor vehicle constructed or adapted to carry more than six persons excluding the driver and ordinarily used by or on behalf of the owner of such vehicle for the purpose of carrying persons for, or in connection with, his trade or business other wise than for hire or reward but does not include a motor vehicle used for public purposes: (Section 2(33) of the Act).
(xiii). “Public Service Vehicle”:- “Public Service Vehicle” means a motor vehicle used or adapted to be used for the carriage of passengers for hire or reward, and includes a maxi cab, a motor cab, contract carriage, and state carriage; (Section 2(35) of the Act).

(xiv). “Town Service”:- For the purpose of taxation a town service route shall mean route as prescribed under rule 258 of the Andhra Pradesh Motor vehicles Rules and determined as such by the Transport Authority Rule 258 runs as under:-

the Regional Transport Authority shall subject to the following restrictions, determine which are town service routes:-

i). At least one terminus of every town service shall lie within the limits of municipality or any built up place notified in the Andhra Pradesh Gazette as town for this purpose by the Regional Transport Authority concerned, with the prior concurrence of the State Transport Authority;

ii) No route of town service shall extend more than 8 kilometers beyond the limits of the municipality or town from which it starts provided that this restriction shall not apply to any town service routes which were in existence on the date of coming of these rules into force (or in respect of those routes for which specific permission of the Transport Commissioner is obtained);

iii) No route shall be determined as both town and mofussil service routes.

“Express Service” shall mean, in so far as buses plying on town service routes are concerned a service on town service route as prescribed in rule 258 of the Andhra Pradesh Motor Vehicles Rules and permitted to ply with limited halts as prescribed by the Transport Authority.

In so far as express buses plying on mofussil routes are concerned, express service shall have the same meaning of express stage carriage as defined under the rule 2 (1)(c) of the Andhra Pradesh Motor Vehicles Rules which runs as under:

“Express Stage Carriage” means,

(i) A carriage plying on city and town routes ‘Non stop or with limited halts’ as may be prescribed by the transport authority; or

(ii) A carriage plying non-stop on mofussil routes of short distances as may be prescribed by the transport authority; or

(iii) A carriage plying on mofussil routes with limited halts, as may be prescribed by the transport authority”.

(G O Ms.No.319 Transport R&B (TRVII) dt.28-10-1981.)
(xv). “Maxi cab”: - means any motor vehicle constructed or adapted to carry more than six persons but not more than twelve passengers, excluding the driver, for hire or reward (Section 2(22) of the Act)

(xvi). “Motor cab”: - “Motor cab” means any motor vehicle constructed or adapted to carry not more than six persons excluding the driver (Section 2(25) of the Act).
CHAPTER 5

LICENCES, REGISTRATION AND PERMITS

Licensing of drivers of Motor Vehicles

5.1. According to Section 3 of the Act, no person shall drive a motor vehicle in any public place without an effective driving Licence, granted by a competent authority referred to in Rule-3 of the Andhra Pradesh Motor Vehicles Rules, 1989.

a) A learner’s licence valid for 6 months is issued on payment of the prescribed fee (Rule 10 to 13 of Central Motor Vehicle Rules and Rule 23 of A.P. Motor Vehicle Rules). For the renewal of learner’s licence, additional fee is charged (Rule 35).

b) The procedure for issue of driving licence to drive as a paid employee or to drive a transport vehicle is contained in sub-section (9) of the Act reed with Rules 14 to 21 of Central Motor Vehicles. Every application for a driving licence shall be in Form ‘4’ along with the necessary fees for driving and testing.

5.2. For issue of duplicate licences, separate fees is prescribed under Rule 18 of the Andhra Pradesh Motor Vehicles Rules. If a licence is lost or destroyed, defaced or torn, duplicate licence may be issued on payment of the prescribed fee (vide Rules 13 to 22 and 24).

5.3. Application for approval of schools and establishments for imparting instructions to drivers of motor vehicles shall be made to the licensing officer concerned accompanied by prescribed fee (Rule 24 of Central Motor Vehicle Rules).

Renewal of Licences

5.4. “A licence issued to drive a transport vehicle, be effective for a period of five years. In the case of licence to drive a transport vehicle carrying goods of dangerous or hazardous nature be effective for a period of one year and renewal there of shall be subject to the condition that the driver undergoes one day refresher course of the prescribed syllabus. In case of any other licence, if the person obtaining a licence or renewing it has attained the age of 50 years on the date of issue or renewal, be effective for a period of 20 years from the date of such issue or renewal or until the date on which such person
attains the age of 50 years, which ever is earlier. If the person has attained the age of 50 years on the

date of issue or renewal, the licence be effective for a period of 5 years from the date of such issue or

renewal, on payment of prescribed fee.

(Section 14 of the Act)

The licence shall be renewed on an application in from 9 accompanied by a prescribed fee, if

the application for renewal is made within 30 days from the date of expiry of licence. When an

application is filed after 30 days from the date of expiry but before the expiry of 5 years, a higher rate

of fee is prescribed. If an application is made after the expiry of 5 years, the applicant has to under go,

the test of competence before obtaining the renewal.

**Licensing of conductors of stage carriages**

5.5. No person shall act as a conductor of a stage carriage without an effective conductor’s licence

issued by a competent authority as referred to in Rule 46. Every application for a conductor’s licence

or renewal shall be made in accordance with the provisions of section 30 of the Act read with Rules

47 to56. A conductor’s licence issued under Section 30 shall be valid for 3 years (Section 36 read with

Section 15). Application for renewal of conductor’s licences, shall be accompanied by the fee

prescribed.

**Duplicate Conductor’s Licences**

5.6. As referred to in rules 29 to 31 relating to issue of duplicate driving licences, duplicate conductor’s

licences shall also be issued in the same manner (Rule 59).

**Registration of Motor Vehicles**

5.7. According to Section 39 of the Act, no person shall drive a motor vehicle or allow a motor vehicle

to be driven in a public place unless the said motor vehicle has been registered by the Registering

Authority as defined in Section 2(37) of the Act read with Rule 79 of the Andhra Pradesh Motor

Vehicles Rules, i.e. Regional Transport Officers, Additional Regional Transport Officers and Motor

Vehicle Inspectors.

An application for registration of a motor vehicle shall be made in Form 20 to the registering

authority within a period of 7 days from the date of taking delivery of such vehicle, excluding the

period of journey and shall be accompanied by:-

a) Such certificate in Form 21,

b) Valid insurance certificate,
c) Copies of proceedings of the STA or Transport Commissioner or such authority as prescribed by the State Government for the purpose approval of the design in the case of trailer or semi trailer.

d) Proof of address by way of any one of the prescribed documents.

e) Temporary registration, if any

f) Roadworthiness certificate in Form 22 from the manufacturers, Form 22A from the body builder.

g) Customs clearance certificate in the case of imported vehicles along with the licence and bond, if any, and

h) Appropriate fee as prescribed in Rule 81

In respect of vehicles temporarily registered, application shall be made before the temporary registration expires.

The registration of the vehicles has to be done on payment of the prescribed fees. As the rates of fees are revised from time to time the rates in vogue at the time audit have to be referred to

On receipt of the application and after processing the application the registering authority shall assign a distinguished mark in accordance with the S0444- (E) dated 12.06.1989 of Government of India. This registration number shall be displayed on the vehicle. The vehicle shall for all purposes be identified with reference to this registration number which is also noted in the registration certificate in Form 23 or 23-A (in electronic medium as smart card) issued to the owner after registration of the vehicle.

Under section 41 of Motor Vehicles Act read with Rule 48 of CMV Rules, the certificate of registration issued in Form 23 or 23-A for a motor vehicle other than a transport vehicle shall be valid only for a period of 15 years from the date of issue. An application for renewal of a certificate of registration shall be made to the registering authority in whose jurisdiction the vehicle is, not more than 60 days before the date of expiry accompanied by the appropriate fee. The registration can be renewed after obtaining certificate of fitness for a period of 5 years from the date of grant of certificate of fitness (Rules 52 of CMV Rules).

5.8. Temporary Registration - The owner a motor vehicle may apply to any registration authority or other prescribed authority to have the vehicle temporarily registered in the prescribed manner and for the issue in the prescribed manner of a temporary certificate of registration and a temporary registration mark. A temporary registration shall be valid only for one month and can be extended by such further period as the registering authority or other prescribed authority may allow
under the circumstances specified in sub-section (2) of Section 43. All applications for temporary registration shall be made in Form 20 either to the registering authority or to the dealer, dealing in the new motor vehicle recognised by the Transport Commissioner, and the exercise of this power by the dealer shall be in respect if the new vehicles released or sold by him, vide Rule 84 of the Andhra Pradesh Motor Vehicle Rules, 1989

**Note:** - The vehicles referred to in the table under Rule 102 are exempted from the payment of registration fee.

*Under Section 47 of the Act, a vehicle registered in one State and kept in another State for a period exceeding 12 months shall not be used in that State unless a fresh registration mark is assigned by the registering authority of that State. When an applicant makes an application within 30 days of the completion of 12 months, he shall not be required to pay any fee. In other cases, the fee payable would be regulated in accordance with the rates specified in Rule 101 as for fresh registration.*

*Under Section 49 of the Act, change of residence or place of business of a registered owner of a motor vehicle shall be intimated to the registering authority of the place to which his residence or place of business is shifted within 30 days, of any such change. On receipt of such application the registering authority shall make necessary entries in the registration certificate on payment of prescribed fee. Necessary entries should also be made in the ‘B’ Register. Whenever the ownership of a vehicle is transferred the transferrer shall within fourteen days from the date of transfer, intimate the fact of transfer to the registering authority marking a copy to the transferee. The transferee is also required to report the transfer to the registering authority in whose jurisdiction he resides, followed by an application in the manner prescribed, accompanied by necessary fee (Rule 55 of CMV rules). If the certificate of registration is reported as lost or destroyed, the registering authority shall issue a duplicate registration certificate on payment of the prescribed fee. When the registration certificate is completely written up or becomes soiled, the issue of duplicate registration certificate will be on payment of the prescribed fee (Rule 53(2) of CMV rules).*

*Under section 51 read with Rule 117 application for noting the hire purchase shall be made in the prescribed form accompanied by necessary fee. For cancellation of the hire purchase agreement, separate fees is payable. (Rule 105 of A.P rules and Rule 61 of CMV Rules.).*
Under section 52, a registered owner of a motor vehicle which has undergone change (contrary to the particulars noted in the registration certificate) shall intimate the fact to the registering authority for approval of the changes. On receipt of the application, accompanied by prescribed fee (Rule 81), alterations made are approved by the registering authority.

**Note:** - All these important changes are recorded in B. register.

### 5.9. Trade Certificates:
- Trade Certificates are issued by the Registering Authority to the dealers of motor vehicles in its area for use in the course of their business. A trade certificate shall be issued on payment of the prescribed fee. When a trade certificate is lost or destroyed, a duplicate certificate is issued on payment of necessary fee.

### 5.10. Fitness Certificates:
- Under Section 56, a transport vehicle shall not be deemed to have been validly registered for the purpose of Section 39, unless it is covered by a valid fitness certificate in form 38 issued by the prescribed authority or by an authorised testing station. As per Rule 107 of A.P. Motor Vehicle Rules, a certificate of fitness under Section 56 shall be granted or renewed by the Inspector of Motor vehicles and also by the authorised testing stations as approved under Sub-section (2) of Section 56 subject to the general control and directions of the registering authority. The period of validity fitness certificate shall be regulated as per Rule 62 of CMV Rules, as follows,

1. New Transport Vehicle: two years
2. Renewal in respect of Vehicles mentioned at 1: one year
3. Renewal in respect of vehicles Covered by Tourist permits: three years
4. Fresh registrations of imported Vehicles manufactured in India having regard to the date of manufacturer: same period as in the case of vehicles

The fee payable for the issue/renewal of fitness certificate shall be as prescribed in Rule 81 of CMV Rules.

### 5.11. Control of transport vehicles:
- Section 66 deals with the scope and usage of vehicles for hire or reward on public roads, vehicles which are exempted from obtaining the permit are indicated
in sub-section 3 of Section 66. Under Section 67, State Government have powers to issue direction from time to time on the following issues:

1. fixation of fares and freights for stage carriages, contract carriages, and public carriers.
2. prohibition or restriction of the conveying of long distance goods traffic by private and public carriers.
3. grant of permits for alternative routes and areas to persons who have been displaced consequent on approval of schemes under Section 102.
4. any other issue which the State Government consider necessary to give effect to any agreement entered into with the Centre and other States.

The State Government is empowered under Section 68 to constitute the State Transport and Regional Transport Authorities with officials and non-officials as members as specified therein.

The jurisdiction and control of operation of each Regional Transport Authority extends to the entire revenue district. The State transport Authority, shall have jurisdiction over the entire State and performs functions as specified under Sub-Section 3 of Section 68 read with Rules 158 and 160. The State Transport Authority and the Regional Transport Authority shall have a Secretary appointed by the Government under Rules 151 and 130 respectively. The powers and functions of these Secretaries are those as laid down under Rules 153 and 143.

5.12. Grant of permits: - There are four categories of permits for motor vehicles, viz, stage carriages, contract carriages, private service vehicles and goods vehicles.

The procedure for granting the different permits is given below.

i) Stage Carriages: - A permit may be granted by the Transport Authority either suo moto after following the prescribed procedure by inviting fresh applications or an application made, which will also be subjected to user procedure. Generally, under section 69, an application for a permit shall have to be made in accordance with the said section to the authorities specified therein. Every application for a stage carriage permit, shall contain in the particulars as set forth in section 70. On receipt of this application, the Transport Authority shall consider the need or otherwise for the issue of permit in accordance with the requirements of section 71.
Every application shall be made in the form prescribed under Rule 171 accompanied by a fee under Rule 195. On receipt of the application, the transport authority shall decide the applications for grant of stage carriage permits in accordance with rule 179 of Andhra Pradesh Rules read with Section 71 of the Act.

As permits are granted with the prime objective of serving the public interest under section 47(a), it should be seen in audit whether this is kept in view by the Transport Authority and whether unreasonable delays in granting permits resulted in loss of tax revenue that could have accrued to Government but for the delay in granting the permits.

ii). **Grant of contract carriage permits:** - As in the case of stage carriages, the Transport Authority before considering an application for the grant of contract carriage permit, shall consider the need and extent to which the grant of permit is necessary in relation to the contract carriage permits already issued and in force (Section 74).

An application for a contract carriage permit shall be made in accordance with the provisions of section 73 and in the form P.C.O.A. as referred to in Rule 205 accompanied by the prescribed fee.

After considering the application under section 74, the Transport Authority may grant the permit under Section 51.

iii). **Grant of private carrier permits:**- Permits under this category will be granted to applicants to use their vehicles solely in connection with their own business. An application for the private carrier permit shall be made in four PTUA. (Rule 171), accompanied by the prescribed fee (Rule 195). After taking a decision under section 76 as to the need for granting a permit, the Transport Authority may grant the permit.

iv). **Grant of Goods carriage permit :-** A Transport Authority while considering the applications for grant of the goods carrier permits shall have to satisfy the conditions specified in Section 79 and fix the number of permits to be issued in each region. Applications for goods carrier permits will be made in accordance with section 79 and in for P.U.O.A. (Rule 171), accompanied by prescribed fee (Rule 195).
On receipt of the application as specified above, these shall be notified under Section 80 inviting representations, if any for and against the grant of permits. After the period fixed for representation is over, the grant of permit is decided and the permit issued in accordance with section 80.

5.13. Renewal of permits:– A permit other than on temporary permit or specia permit shall be effective from the date of issuance or renewal for a period of five years.

A permit may be renewed on an application made not less than fifteen days before the date of its expiry.

Although Section 81 (2) prescribes time limit for filing the applications for renewal, the Transport Authority may entertain the belated renewal applications, if it is satisfied that the applicant was permitted by good and sufficient cause from making an application with in the time specified. (Section 81(3)).

According to section 58(2) an application for renewal shall be made and disposed of as if the application is for a fresh permit. Consequently, an application for stage carriage permit and public carriage permit shall have to be notified under section 57(3) and then the renewal granted.

Section 87(d) contemplates the issue of a temporary permit pending decision on the renewal of a pucca permit. In all cases, where the permit is renewed after the date of expiry of the original permit, it has to be seen whether the vehicles have plied with temporary permits after the expiry of the pucca permits. If not, cases of stoppages of vehicles either due to not effecting the renewal before the expiry of the pucca permits or due to default on the part of the permit holder or due to administrative delays, resulting in non collection of taxes for the relevant period, should be brought out. According to the conditions of permit, cases of stoppages for periods beyond 15 days vide Rule 187(2) attract provisions of section 86. In all such cases, it has to be examined whether action under section 86 was taken against the permit holder for long stoppages and whether the compounding fees has been levied and collected.

5.14. Variation of Conditions of Permit:– At the time of grant of permit, a set of conditions is attached to each category of permit in accordance with sections 72(2), 74(2) 76(3),79(2)and 84 read with
Rule 185. These conditions can be revised by the authority which granted the permit. The variation of the conditions of permit are generally of the following types:

1. Variation of the existing route either by way of curtailment or extension in respect of stage carriages:
2. Increase or decrease in the number of trips performed by the stage carriages:
3. Increase or decrease in the seating capacity in respect of stage carriages:
4. Replacement of a vehicle:
5. Increase of laden weight in respect of goods vehicles:
6. Revision of existing schedule of timings

In respect of the stage carriages and goods carriages, applications for variation of conditions of permits shall be treated as applications for fresh permits requiring notification under section 80(3). The forms of applications are the same as those for fresh permits. Fees at the prescribed rates are payable for variation of conditions of permits.

The provisions of Section 80(3) would apply in case of variation of conditions of permit extension or curtailment of the existing route, and increase or decrease in the number of trips. Cases of curtailment of route, or number of trips, or reduction in the seating capacity involve reduction of rate of tax and consequential loss of revenue to Government. Such cases have to be initially examined and reviewed carefully even though the decisions taken by the Transport Authorities are quasi-judicial in nature. Similarly, cases involving extension of route, increase of trips, increase of seating capacity, etc., result in the enhancement of taxes. In cases where variation is granted, it has to be checked whether the taxes have been collected at the enhanced rates from the date the changes are effected.

Under section 83, holder of a permit can replace a vehicle covered by a permit by another vehicle only with the permission of the Transport Authority which granted the permit under Section 211, every application for replacement shall be accompanied by prescribed fee. The circumstances under which the Transport Authority can reject an application for replacement are specified under Rule 240. Normally, replacement of vehicle involving reduction of seating capacity or laden weight should be specially scrutinised.
5.15. **Transfer of permits:**

(I) In the normal circumstances under section 82, a vehicle covered by a permit shall not be transferred from one person to another without specific permission of the Transport Authority.

Under Rule 220, the permit holder as well as the transferee have to make a Joint application for the transfer of permit to the Transport Authority which granted the permit accompanied by the fee prescribed at different rates for stage carriages, goods carriers etc.

When the consent of either or both the parties to the transfer of permit is withdrawn before transfer is sanctioned, the Transport Authority shall stop further proceedings. The fee paid will not be refunded in any circumstances after an application has been made (Rule 224).

After observing the procedure laid down in Rules 221 to 224, the Transport Authority shall give effect to the transfer in accordance with Rule 252. Although any arrears outstanding against a vehicle can be recovered irrespective of its change of hands, it is imperative that all arrears are realised before the transfer of permit is given effect to.

(ii) **Transfer on the death of a permit holder (section 82(3))**:

When the holder of a permit dies, the successor shall use the vehicle for 3 months as if the permit was granted to him, provided he sends intimation of the death of the permit holder to the Transport Authority within 30 days from the date of death. An application should also be made within 3 months to the Transport Authority for the transfer of permit as required under section 61(2) accompanied by a fee, as per Rule 276.

5.16. **Disciplinary action against the permit holder:**

- Under Section 86, the Transport Authority which granted the permit is empowered to take action for violation of any of the conditions referred to under Rule 185. Under Section 177, prosecution can be launched for any kind of infringement of the provisions of the Act and the Rules. Action can also be taken under section 86, cases of acquittal wherever prosecutions are launched should be scrutinized to see that such acquittal is not due to any negligence of the department. Section 60 empowers the Transport Authority to suspend or cancel the permit or compound the offence. The amount of compounding fee towards compounding of offences shall in no case be less than the minimum prescribed in Rule 217 for various types of offences. However penalties and Compounding fee can be reduced proportionately, by recording the reasons for such partial condonation of the offences. (Authority: G.O.No.125,TR&B dated 23-6-93.) One important point to be borne in mind in this
connection is that the compounding fee can be levied only if the party agrees to compound the offence and not otherwise. In other words, party’s consent is essential for the levy of compounding fee, unlike a fine imposed by a court of law. The permit holder is generally given a time of 10 days under Rule 216 to remit the compounding fee ordered by the Transport Authority. All cases of offences compounded, are entered in a separate register known as Register of Compounding Fee where in the amount compounded and the due date based on Transport Authority’s proceedings are noted. It was with reference to this register and the resolution of the Transport Authority that the payment of compounding fee is watched. There may be cases wherein on account of the inordinate delay of check reports the Transport Authority might drop action. Such cases should be carefully examined.

5.17. Temporary Permits: - Section 87 of the Act contemplates that under the circumstances specified therein a temporary permit can be issued, for a maximum period of four months. Section 87(1)(a) relates to issue of temporary permits in connection with fairs and festivals. Each festival and the duration for which temporary permits can be issued are approved by the Regional Transport Authority, and recorded in a separate register. Sub-clause (b) relates to issue of temporary permits for seasonal business. Sub-clause (c) relates to issue of temporary permits for particular temporary needs. This sub-clause is invoked in most of the cases relating to issue of temporary permits on new routes increase of buses on existing routes and variation of existing routes where the grant of pucca permit involves considerable time. Every application for issue of temporary permit under section 62 shall be made in form PTA, (Rule 171) accompanied by prescribed fees.

5.18. Section 87(2) also contemplates the issue of temporary permits under the circumstances where no pucca permits can be issued, on account of the order of a court or other competent authority restraining the issue of pucca permit. In cases, where even after following the prescribed procedure, the Regional Transport Authority decides to open a new route or increase the number of buses on the existing routes, it is quit likely that the actual issue of permits gets delayed on account of stay/suspension orders issued by Court/Appellate authorities on appeals filed by the existing operators of the routes. Wherever the disposal of these cases in Courts/Appellate authorities takes considerable time, Government would be put to loss of revenue by way of taxes recoverable in respect of vehicles for which permits would have been issued but for stay orders. It has to be seen whether in all such cases covered by stay orders or suspension the Transport Authorities have invoked the provisions of section 62(2) and granted temporary permits.
5.19. Under section 87(2) Transport Authorities are empowered to issued temporary permits under Section 88 to be valid in other regions and other states, with the concurrence given generally or for a particular occasion by the Transport Authority of the other region or other State.

5.20. As a result of the agreements entered into with other states under section 88(5), there is a provision in the Inter-State agreements to issue temporary permits for vehicles to ply in the neighboring states under section 87 with the concurrence grated generally or for a particular occasion vide section 88(7). In all these cases since the temporary permits are issued without prejudice to the rights and obligations of the regular permit holders on those routes tax shall have to be collected for the respective states in accordance with the schedule of rates notified under section 9(1) of the Andhra Pradesh Motor Vehicle Taxation Act. For the purpose of uniformity the issue of temporary permits to vehicles plying in other states is centralized (permits are issued by the State Transport Authorities). At the end of every month, a statement showing the temporary permits issued by each state will be furnished to other states with full particulars such as vehicle number, laden weight, tax paid etc. The Statements so received, are checked with tax schedules and less taxes, if any, recovered form the concerned states.

5.21. Under Section 88(8) permits are also issued to public service vehicles by the Transport Authorities to any place beyond its jurisdiction for the purpose of carrying passengers for hire or reward without picking up or setting down passengers enroute. These permits are known as special permits or tourist permits. The permits shall be granted on an application in form P.T.O.V.A. (Rule 171) accompanied with the prescribed fee (Rule 196(2)). These temporary permits are generally granted for the period for which the need exists. For extension of these temporary permits, additional fee is payable (Rule 225(2)). Special permits are issued for a maximum period of 3 months and extended for a further period of 1 month only (Rule 202).

5.22. **Inter-Regional routes:** Under Section 69 the Transport Authority in whose jurisdiction major portion of a route lies, shall be the competent authority to consider and grant the permit. The procedure to be followed in granting these permits shall be the same as intra –regional permits. But the approval of the Transport Authority / Authorities in whose jurisdiction, the route passes has to be obtained, before granting permit (vide rule 175) Where the permit has been issued with-out the approval of the other Transport Authority / Authorities the permit shall not be valid in the region of that Authority / Authorities unless it is countersigned by that authority. A separate application has to
be made for the countersignature of the other Transport Authority accompanied by the fee prescribed (Rule 226).

Delays in countersigning the permits apart from the public inconvenience result in loss of tax revenue, and should be looked into.

5.23. **State Wide Permits**: The Regional transport Authority of one region may grant a permit in respect of a motor cab other than three wheelers to ply as a contract carriage to be valid throughout the state without the counter-signature of the Regional transport Authority of the other region. (Rule 176).

The Regional Transport Authority of one region may grant a permit in respect of a private service vehicle to be valid throughout the state without the countersignature of the Regional Transport Authority of other regions (Rule 176-A).

5.24. **Inter-state Transport**: The Inter-State traffic or passengers and goods transport shall be regulated by mutual agreements between the respective States. Under Section 88(5) every proposal to enter into agreement with other states shall be notified in the official gazettes, inviting representations and finally approved under Sn.88. It is according to these agreements that the grant and countersignature of permits of stage carriages, goods vehicles, taxicabs etc., are being regulated. The grant of stage carriage permits on recognised interstate routes shall be regulated on the basis of service mileage. The grant of countersigned permits in respect of goods vehicles on selected routes shall be with reference to a fixed number. All permits granted and countersigned under the reciprocal agreements shall be entitled for exemption from payment of tax to the reciprocating State by virtue of the notification issued under section 9(1) of the Andhra Pradesh Motor Vehicle Taxation Act. Any permits countersigned outside the purview of the agreement are subject to payment of separate tax.

Every permit issued in pursuance of the agreement shall be countersigned by the other state on an application with the necessary fee (vide Section 88(6) and Rule 198).

5.25. Sub section (12) and (13) of Section 88 of the Motor Vehicle Act contemplates in issue of All India Tourist Vehicles permits valid for the whole of India or in such contiguous State not less than three in number including the State in which the permit is issued on payment of prescribed on the registration fee.
Sub section 12 and 13 of Section 88 the Motor Vehicles Act contemplates the issue of national permits for a specified number of goods carriages on payment of the prescribed authorisation fee under the explanation to this section. ‘National Permit’ means permit granted by the appropriate authority to goods carriages to operate throughout the territory of India or in such contiguous states not being less than four in member, including the state in which the permit is issued. The authorisation fee means the annual fee, not exceeding one thousand rupees, which may be charged by the appropriate authority of a state to enable the motor vehicles covered by All India Tourist Permit or national permits to be used subject to the payment of Taxes or fee, if any, levied by the state concerned.

Tourist permits:
An application for the grant of permit in respect of a vehicle shall be made in Form 45 to the State Transport Authority. A tourist permit shall be deemed to be invalid from the date on which the motor vehicle covered by the permit completes 9 years in the case of a motor cab and 8 years where the motor vehicle is other than as motor cab unless the motor vehicle is replaced.

Where the vehicle covered by a tourist permit as proposed to be replaced by another, the other vehicle shall not be more than two years old on the date of such replacement. The period of 9 years or 8 years shall be completed from the date of initial registration of the Motor Vehicles (Rule 82 of CMV Rules).

An application for a grant of authorisation of a tourist permit shall be made in form 46 and shall be accompanied by a fee of Rs.500 per annum in the form of a bank draft. The authority, which grants the authorisation shall issue the permit holder, receipts for such taxes or fees in respect of each bank draft. The bank drafts received in respect of taxes or fee shall invariable be forwarded by the authority, which grants the authorisation to the respective states. The period of validity of an authorisation shall not exceed one year at a time. (Rule 83 of CMV Rules)

Additional conditions of tourist permits are prescribed in Rules 85 of CMV Rules.

National permits.
An application for the grant of a national permit shall be made in Form 48 to the prescribed authority. No national permit shall be granted for a multi axle goods carriages which is more than 15 years old at any point of time and it is more than 12 years old in respect of a goods carriage, other than multi axle. No national permit shall be granted in respect of a multi axle trailer approved to carry a
goods vehicle weight of more than 50 tonnes, which is more than 25 years at any point of time, the period of 25 years being completed from the date of initial registration of the said trailer. (Rule 86, 88 of CMV Rules)

An application for the grant of an authorisation for a national permit shall be made in Form 46 and shall be accompanied by a fee of Rs.500 per annum in the shape of a bank draft. Separate receipts have to be issued for each bank draft. The bank drafts received in respect of taxes or fees shall be invariably be forwarded by the authority who grants the authorisation to the respective states (Rule 87 of CMV Rules)

Additional conditions for national permit are prescribed in Rule 90 of CMV Rules.

5.26. Reserve Stage Carriages: - According to the conditions attached to the permits of stage carriages (vide Rule 188) it is obligatory on the part of the permit holder to ensure that the state carriages are always available for service. On account of break down the vehicles might not be in a position to perform the service temporarily. To meet such contingencies reserve stage carriages, otherwise known as spare buses are required to be maintained by the permit holder. Tax has to be paid for such stage carriages also but at a lesser rate. The form of application, the fee therefore and the procedure for the grant of spare buses permits are the same as those prescribed for the grant of regular route permit excepting the fact that the notification inviting applications and notifying the application will not be necessary. In short, the permits for spare buses will be issued as and when application are made. Operators who have permits for more than 5 buses including temporary permits should compulsorily maintain a minimum requisite number of spare buses as mentioned in the table under Rule 188. For the purpose of computation of the number of permits (including temporary permits) held by a person, all the permits held by him irrespective of the transport authorities in the State which granted the permits shall be taken into account. Action, can be taken under Section 86 against the defaulting operators who violate these provisions. Permits held by operations owning more than 5 buses should invariably be verified to ascertain whether the requirements of Rule 188 for obtaining spare bus permits for the minimum number required have been fulfilled, as otherwise, it would result in loss of tax revenue to Government. Non-maintenance of spare buses as provided n Rule 188 or as provided under the scheme of STUs is compoundable under Rule 217 with minimum compounding fees of Rs.600 per vehicle per month or part there of.

5.27. Special provisions relating to State Transport Undertakings: - Chapter IV-A of the Act exclusively deals with the grant of permits and regulation of buses relating to State Transport Undertakings. Under section 68-B the provisions of this chapter would prevail over Chapter-IV of the Motor Vehicles Act, 1988. The object and purpose for which passenger transport is provided in the
State Public Sector are as specified under section 68-C. Where the State Transport Undertakings proposes to take over a route operated by private sector, it shall prepare a scheme and publish the schemes in the local newspapers and in the gazette, (Rules 315 to 317 read with Sn.68-D). Under Rule 318 interested persons viz., either general public or private operators who are affected by the nationalization may file their objections to the State Govt. within 30 days from the date of publication of the schemes in the gazette, and there after, the Government after hearing the objections if any may either approve or modify the scheme. Such approved or modified schemes shall again be republished in the gazette and shall be known as approved schemes and the area or route covered by the said schemes shall be known as the notified area and/or notified route.

5.28. After the scheme is approved by the Government and published in the Gazette, the Andhra Pradesh State Road Transport Corporation, would apply for route permits in place of private operators (SN.68-F). Under Rule 321 powers for granting the permits are exercised by the Secretaries of the State Transport Authority and Regional Transport Authority who grant the permits applied for simultaneously rendering the permits of other private operators in effective.

5.29. Any scheme approved by Government under Sn.68(D) can be cancelled or modified by the State Transport Undertaking with the prior approval of the Govt.(Sn.68E(1)). The Government is also empowered under Section 68(E)(2) to modify any approved scheme after giving opportunity to the State Transport Undertaking concerned and any other persons interested.

Under section 99(2), during the period between the date of publication of the draft scheme and the date of publication of the approved scheme, no fresh permit can be granted and existing permits have to be renewed for limited periods. As public interest would suffer on account of non-issue of fresh permits during the above period, provision has been made under Section 99(2) for the issue of Temporary permits. Such temporary permit shall be valid for a period of one year from the date of issue or till the date of final publication of the scheme under Section 100, whichever is earlier.

In the case of a State Transport Undertaking the State Transport Authority in its discretion authorize the State Transport Undertaking to use any stage carriage covered by a permit, whether regular or temporary issued by any State Transport Authority in the State to ply on any one the routes for which permits have been granted by the Transport Authorities in the State subject to the

5.30. Every scheme published and approved by the state Transport Undertaking shall indicate minimum and maximum buses, seating capacity indicating the range from minimum and maximum number of trips to be performed.

5.31. Construction, equipment and maintenance of Motor Vehicles: Chapter V of the Act exclusively deals with the type of constructions of various categories of motor vehicles their equipment and maintenance.

In stage carriages, tax is collected with reference to the seating capacity of the bus and also the total daily kilometer age traveled by the bus. Seating arrangements in stage carriages, have to be provided in accordance with the provisions of Rules 331 to 334. in cases of fresh registration of stage carriages, the number of seats to be provided will be specified in the certificate issued by the manufacturer with detailed drawings of the seating arrangement. These documents will be scrutinised by the Motor Vehicle Inspector who will ensure by physical inspection of the vehicle that the seating arrangement conforms to the provisions of the rules. In all cases of fresh registrations and in cases where any reduction in the number of seats originally provided for is noticed it should be ensured that such reduction confirms to the provisions of the rules (SRA Circular MVT/4-4/12/77-78 175, dt.06.04.1981).

5.32. Seating capacity: The seating capacity of a public service vehicle (Other than a motor cab, an auto rickshaw, or an express stage carriage or a deluxe stage carriage, or a deluxe or air conditioned contract carrier or a cargo bus) should be directly proportionate to the wheel base of the vehicle and the minimum number of seats to be provided shall be as follows:

<table>
<thead>
<tr>
<th>Wheel Base</th>
<th>Minimum seating capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>254 to 293 Cms.</td>
<td>16</td>
</tr>
<tr>
<td>294 Cms to 305 Cms</td>
<td>20</td>
</tr>
<tr>
<td>306 Cms to 343 Cms</td>
<td>25</td>
</tr>
</tbody>
</table>
344 Cms to 407 Cms  30
408 Cms to 432 Cms  35
433 Cms to 496 Cms  45
497 Cms to 534 Cms  50
535 Cms and above  55

The minimum seats mentioned above may be reduced by two seats in the case of vehicle having separate entrance and exit and by four sets in the case of stage carriage permitted to ply on fair weather routes.

Provided further that the minimum number as reduced may be further reduced by one fifth in the case of stage carriages operating in city or town service routes in case such reduction is to provide necessary gangway to permit the standing passengers.

The above rule will not apply to vehicles registered prior to 07.02.1981 but will apply to such vehicles if the body is reconstructed on or after 07.02.81. (G.O.Ms.No.90 Transport dated 07.02.81).

Standing passengers

Standing passengers can be allowed in vehicles according to the formula prescribed in rule 335 of the A.P. Motor Vehicle Rules.

5.33. Laden Weight of Transport Vehicles:- As per S.O.No.728(E) dated 18.01.1996 issued by the Central Government, in relation to the transport vehicles (other than motor cab) of various categories as detailed in the schedule to the notification, the maximum gross vehicle weight and the maximum safe axle weight of each axle of such vehicles shall, having regard to the size, nature and number of tyres and maximum weight permitted to be carried by the tyres, be

1. Vehicle manufacturers rating of the gross vehicle weight and axle weight respectively for each make model as duly certified by the testing agencies of consideration of Rule 126 of the CMV Rules 1989, or
2. The maximum gross vehicle weight and the maximum safe axle weight of each vehicle respectively, as specified in the schedule to the notification, or
The maximum load permitted to be carried by the tyres specified in the Rule 95 of the CMV Rules, 1989 for the size and number of tyres, fitted on the axles of the relevant make and model, whichever is less.

The maximum gross vehicle weight in respect of all such transport vehicles, including multi axle vehicles shall not be more than the sum total of all the maximum safe axle weight put together subject to the restrictions, if any, on the maximum gross vehicle weight given in the schedule to the notification.

5.34. Offences penalties and procedure: - Section 192 deals with trial of offences relating to plying of vehicles without registration or permit Sn.207 empowers seizure of vehicle when used without registration or permit. This section read with section 8 of Andhra Pradesh Motor Vehicle Taxation Act empowers the checking officer to seize vehicles not only for plying without permit and registration but also for plying without payment of taxes. Under section 200 00 of the Motor Vehicles Act the officers of the Transport department not below the rank of an Asst. Motor Vehicle Inspector and in Police Department not below the rank of Sub-Inspector of Traffic Police in the city and Inspector of Police in other places are empowered to compounded offences for violation of provisions of certain sections of the M.V. Act 1988 as per the minimum rates prescribed under rule 217. Where compounding fees are collected by the police Department, the amount should be remitted to “0041” and a monthly statement should be sent by the Police department to the concerned R.T.O. by 10th of the succeeding month.

5.35. Nature of audit checks: - It should be ensured that the rates of taxes are properly applied to different types of vehicles such as stage carriages, contract carriages, Omnibuses and goods Carriers. Wherever reserve stage carriages have to be maintained it should be seen that the number of such carriages is according to the prescribed minimum and taxes at concessional rates are applied to the reserve stage carriages, only when full rates are collected on all the stage carriages holding regular including temporary permits. In regard to fees for driving licence, conductors licence, registration of vehicles, transfer of vehicles, etc., audit check would be confined to review of registers kept by the Department including checks of the individual cases and of the arrangements made for reconciliation of departmental figures of receipts with those of treasury. In addition it would be necessary to see that the appropriate rte of licence fees have been collected in accordance with the procedure/rules prescribed in the Act/Rules. Non-fulfilment of statutory requirements in regard to driving licences, conductor licence, etc., can be detected only by the enforcement staff of the Department by physical
check but audit might satisfy itself that the cases of evasion reported by the enforcement staff are perused to their finality as prescribed in the Acts.

(b). As a check against issue of licences/permits on production of fraudulent challans in support of remittances or on receipt of cash without issue of proper receipt for the cash received, a test audit of the licence fee register/permit fee register should be conducted to see whether in respect of licences/permits issued during the period selected for test audit and the challans/cash received is supported by duplicate challans/proper counterfoil of the receipt issued to the party and has been taken to cash book/challan register. Check of the system of reconciliation of departmental figures with Treasury figure will bring out cases of issue of licences/permits on production of fraudulent Treasury challans.

(c). New registrations/licences permits should be scrutinized with special care to the extent prescribed.

5.36. As per section 140 of the Act, where death or permanent disablement of any person has resulted from an accident arising out of the use of a motor vehicle or motor vehicles, the owner/owners of the vehicle shall, jointly and severally, be liable to pay compensation in respect of such death or disablement. The amount of compensation payable in respect of death of any person shall be a fixed sum of Rs.50,000 and in case of permanent disability it shall be a fixed sum of Rs.25,000.

For payment of compensation in case of hit and run motor accidents, in accordance to the Section 163 of the Act, Central Government introduced “Solatium Scheme, 1989” with effect from 1 July 1989 vide S.O.440 (E) dated 2 June 1989. According to this, the District Collector will be the “Claims Settlement Commissioner” and Mandal Revenue Officer is the “Claims Enquiry Officer”. The Claims Enquiry Officer will process the claim application after holding enquiry and on receipt of report; the Claims Settlement Commissioner shall sanction the claim and communicate it to the nominated office of the Insurance Company. The nominated office of the insurance company shall made payment to the claimant by dispatching a cheque/DD through Registered Post with intimation to all the concerned authorities.

As per section 163-A of the Act, the owner of the motor vehicle or the authorized insurer shall be liable to pay compensation in case of death or permanent disability as indicated in the Schedule to the Act. As per the Section 163-B, where a person is entitled to claim compensation under section 140 and section 163-A, he shall file he claim under either of the said sections and not under both.
CHAPTER 6

ANDHRA PRADESH MOTOR VEHICLE TAXATION ACT

General

6.1. As already mentioned, the Motor Vehicle Act, 1939 is a regulatory Act and not fiscal statute. The Motor Vehicle Taxation Act is enactment by the State Legislature and deals exclusively with the taxation matters pertaining to motor vehicles plying in the State. This is a fiscal statute dealing with the conditions under which motor vehicles have to be taxed, the rates at which they have to be taxed, the conditions under which exemption from/reduction in taxation can be granted etc.

Levy of Tax

6.2. Liability to Tax:- According to Sn.3 of the Act, Govt is competent to direct the levy of tax in respect of every motor vehicle used or kept for use in a public place in the State, not exceeding the maximum specified in Schedule-I of the Andhra Pradesh Motor Vehicle Taxation Act issued under Section 3(1).

6.3. “Rule 12-A of the Andhra Pradesh Motor Vehicles Taxation Rules 1963, provides that for the purposes of Sn.3 of the Act, a motor vehicle shall be deemed to be kept for use and is liable to tax unless the registered owner or the person having possession or control of the motor vehicle intimates in writing to the licensing officer before the commencement of the quarter for which tax is due that the motor vehicle shall not be used after expiry of the period for which tax has already been paid. The Licensing Officer shall on receipt of the intimation acknowledge its receipt”. (G.O.Ms.160 Tr, R&B (Tr.II) dt.23.04.83). In view of the first proviso to Rule 12-A, the owners of non-transport vehicles who fail to file the stoppage reports as prescribed in the rule are entitled to give an affidavit subsequently with full details to the effect that the vehicle was not in existence, or that it was disposed of to another person and that he is no more in possession of it or that tax was paid for that vehicle elsewhere in the same State or in some other State. When the affidavit is filed as discussed above and if the licensing officer is satisfied that the facts mentioned in the affidavit are correct, it shall be deemed that the vehicle has not been kept for use. The manner in which the affidavits have got to be filed and how they have to be accepted has been specified in the instructions issued by the Transport Commissioner. Further, Rule 12 A shall not apply to vehicles for which life tax or lump sum tax is prescribed.

6.4. There may be cases where the requirements of Rule 12-A might not have been fulfilled in respect of motor vehicles resulting in the vehicles being brought under the category of vehicles ‘kept for use’. For failure to fulfil the requirements of Rule 12-A the licensing officers are entitled to draw the presumption that the vehicle has been kept for use. With this view, the licensing officer shall issue a show cause notice to the registered owner of a vehicle to explain the liability for payment of tax. The registered owner can however produce adequate evidence that the vehicle has not been kept for use. It is only after conducting necessary enquiry and verification that the licensing officer can come to the conclusion that the vehicle was not kept for use.

6.5(a). Payment of tax:- According to Section 4(1)(a), tax payable under section 3 for a quarter/half year/year should be paid in advance by the registered owner within 30 days from the date of commencement of the period. As per section 6 of taxation act penalty “not exceeding” was Omitted vide G.O.Ms.No.110 TR&B dated 7-7-2003 and penalty shall be leviable at rate of 50% if the tax is paid in the First month of the quarter, 100% if the tax is paid in the second month of the quarter and 200% if the tax is paid beyond two months from the beginning of the quarter.

However, for the payment of quarterly tax, the Grace period of 15 days was extended till the end of the first month of every quarter.

Therefore the penalty levied shall be 100% if tax is paid in the second month of the quarter and 200% of the tax is paid beyond the two months from the beginning of the quarter. The payment of taxes is watched through a register known as the Demand Collection and Balance Register. The entries relating to the motor vehicles noted in the Demand Collection and Balance Registers have to be reconciled once a quarter with the B. registers, permit register, route-wise register, timings register and fitness certificate registers to ensure the correctness of the adoption of the seating capacity, date of issuing of permits, total number of trips and maximum kilometerage etc., in respect of stage carriages permitted laden wait in respect of non-transport vehicles which are relevant to the determination of the rates of taxes payable and a certificate to this effect is require to be appended by the ministerial head of the office. Besides those checks, the rate of tax noted “Demand” column of the Demand Collection and Balance registers is required to be attested by the head of office. In addition to the above, any changes such as increase of seating capacity, increase of daily total kilometarage, increase of permitted laden weight etc., attracting the liability to pay tax at a higher rate than the rates fixed prior to the commencement of the period shall also be noted in the
Demand, Collection and Balance and and other registers under the attestation of the head of the office. During scrutiny of such cases the Demand, Collection and Balance registers and other allied registers have to be correlated and checked to ensure whether the difference of taxes has been collected in accordance with rule 5 of Andhra Pradesh Motor Vehicles Taxation Rules. Checking the correctness of demand noted in Demand, Collection and balance register is an important item of work in local audit.

6.5(b) Calculation of Tax. - The manner in which tax as required under Sn.4 is to be paid, shall be in accordance with Sn.11 read with rule 13 of Andhra Pradesh Motor Vehicle Taxation Rules. According to these provision, the registered owner is required to file an application to the licensing officer enclosing the registration certificate, insurance certificate with the demand draft/pay order obtained from any schedule bank for the amount due towards tax. According to rule 3, the registration certificate shall contain an endorsement indicating the tax payable. It is with reference to this endorsement that the adequacy of the tax paid by the registered owner is checked by the licensing officer. The adequacy of tax is also checked with reference to demands shown in the Demand, Collection and Balance registers and a licence, as specified under Sn.4(3)(a) is issued by the licensing officer to the registered owner making necessary entries in the registration certificate and collection column of the Demand, Collection and Balance registers indicating the amount of tax paid and the number of the token issued. The demand drafts accepted by the licensing officer are accounted for in a separate register and adjusted to Government Account. Any non-adjustment or delays in the adjustment of demand drafts should be pointed out.

The taxation licenses or tax tokens are supplied by the Transport Commissioner to all the licensing officers of the State. The licences received by the licensing officers are accounted for in separate registers known as the stock register for taxation licences where the issue of licences from day to day are noted. Licences issued to the motor vehicles are accounted for in a register known as “Issue register of taxation licences” wherein entries would be made as and when applications are received and licences are issued. The “Stock register” and “Tax token issue register” have to be scrutinised during audit to see whether or not any of the tokens received by the licensing officer has remained unaccounted for and whether the total number of licences issued for the quarter/half year/year, as the case may be, tally with the total numbers of tokens shown under collection column of Demand, Collection and Balance statement for the quarter/half year/year, and the discrepancies, if any, should be examined in detail. According to the Second Proviso to Rule 13A of the Andhra Pradesh Motor Vehicles Taxation Rules, the owner of a non-transport vehicle may remit the tax to the Post Master of the Post Office concerned who functions as Licensing Officer. The conditions in which
the tax has to be accepted by the Post Office and the prescribed returns evidencing the payment of tax collections to Government Account to be for-warded to the Departmental Licensing Officer is indicated in G.O.Ms.No.312, TR&B (Tr.II) dt.20.09.1982.

6.6. The demand, Collection and Balance registers is posted either at the time of issue of tax token or after issue of tax tokens; with reference to the entries in the tax token issue registers. The entries in the collection column of the Demand, Collection and Balance Registers have to be attested by the ministerial head of the office as per the instructions issued by the Transport Commissioner.

6.7. By virtue of notification issued under Sn.3 (1) of the Act the rates of tax for the periods for which taxes were already paid can be increased. In such cases, the tax paid in respect of any motor vehicle for the subsequent period shall be adjusted towards the arrears due on account of increase of rates of tax, vide Rule 12(B) of the Andhra Pradesh Motor Vehicles taxation Rules.

Rates of tax and procedure for collection tax

6.8. Classification of Vehicles for purposes of taxation:- For purposes of taxation motor vehicles are broadly divided into two categories, viz., transport vehicles and non-transport vehicles. The tax on the former category is more than the tax on the latter, because transport vehicles are those used for commercial purposes for hire or reward while non-transport vehicles are those used by the owner of the vehicles for their own purposes and not for hire or reward. The transport vehicles are of the following categories:
1. Stage carriages. (including reserves or spares Buses).
2. Contract carriages
4. Tractor trailer combinations.
5. Omni buses.

With effect form 01.01.1979, stage carriages have been divided into 2 categories viz., express buses and ordinary buses. The tax on express buses is more than that on ordinary buses and the rate also varies according to the distance plied, and the classification of the routes viz., town services and other i.e., mofussil services.
The goods carriage also fall into 2 categories viz., Public Service Vehicle and Private Service Vehicle. Public Service vehicles which are used for commercial purposes i.e., for hire or reward while the private Service Vehicle are used by the registered owner for his own purposes. There is however no difference in tax applicable between these two categories of vehicles.

Omni-buses fall under a peculiar category of their own. These vehicles are not classified as Public Service vehicles and as such no permit is required to be taken for plying such vehicles under Sn.42 of M.V. Act. However, they are taxed on per seat basis. (SRA Hqrs. Cir, 20 dt.10.07.81 and G.O.Ms.214 TR VII, dt.03.07.80).

With effect from 24 January 2003, Omni buses with seating capacity between 8 in all and 10 in all and their chassis were brought under life tax. Omni buses owned recognised educational institution of run by managing committees registered under societies registration act 1860 are taxed on the basis of their un-laden weight upto 27 November 2002 and from 31 January 2003 onwards. For the period from 28 November 2002 to 30 January 2003 they were taxed based on their seating capacity. (Authority: G.O.Ms.No.15 TR&B Dated 31 January 2003)

Non-Transport vehicles:- The rate of taxation applicable to non-transport vehicles have been rationalised with effect from 01.01.79 and subsequently revised from time to time.

Government introduced green tax respect of Transport and non Transport vehicles vide G.O.Ms.No.238 (TR&B) dated 23-11-2006 as follows.

1) Transport Vehicles that have completed 7 years of age from the date of their registration. Rs.200/-p.a

2) Non Transport Vehicles that have completed 15 years of age from the date of their registration.
   a) Motor cycles Rs.250/-for 5 years.
   b) Other then Motor Cycles Rs.500/-for 5 years.

There shall not be any levy of Green Tax if the Vehicle is Operated by LPG, CNG Battery or Solar Power.

6.9. Temporary permits:- Under Sn.87 of the Motor Vehicles Act, temporary permits are issued to other state vehicles to visit this state in pursuance of the inter-state agreements. This is known as short term licensing agreement. Under Sn.4(4) of the Andhra Pradesh Motor Vehicles Taxation Act
the legislation has fixed separate rates of taxes payable for 7 days and 30 days in respect of the above categories of vehicles. The maximum rates of taxes approved by the Legislature are given in the second schedule to the Andhra Pradesh Motor vehicles Taxation Act. By virtue of the powers under Sn.4(4) Govt. have also issued notification laying down rates of tax payable for vehicles of other state plying in this state temporarily. At present, short term licensing agreements exist between the states of Tamilnadu, Karnataka, Maharashtra and Ahdhra Pradesh, Orissa, Gujarat and Madhya Pradesh. The Secretaries of State Transport Authorities and the Regional Transport Authorities of the above states have been empowered to act as the licensing officers, for issue of licences authorising their vehicles to ply temporarily in Andhra Pradesh State. The collection and remittance of tax under Sn. 4(I)(a) read with Sn. 11 of the Act is done by means of demand drafts. The licensing officers of other states are required to furnish two statements in Forms I and II to the Transport Commissioner of Andhra Pradesh. Form I indicates the temporary permits issued by them to their vehicles to ply in Andhra Pradesh State. Form II indicates the demand drafts received by them and sent to the State Transport Authority, Hyderabad in respect of vehicles permitted to ply in this State. The consolidation and scrutiny of these statements is done by the State Transport Authority, Hyderabad. The correctness of the taxes collected from other state vehicles has to be checked at the office of the State Transport Authority with reference to Form I and II mentioned above. Similar procedure exists for issue of temporary permits to Andhra Pradesh vehicles to ply in other states by the licensing officers of this state.

6.10. Payment of taxes:- Under Sn.5(1)(a), no motor vehicles shall ply a public place without a taxation licence issued under Sn.4(3)(a). The taxation licence is the sole evidence of payment of tax to be relied upon by the checking officers in addition to the registration certificate (R.C). although the registered owner of a motor vehicle is required to exhibit the registration certificate and the taxation licence whenever the motor vehicle is used on a public road, it is generally the case that both the records are not kept in the vehicle at the time of check by the checking officers. Sn. 8 empowers the checking officers to seize the vehicles in such circumstances excepting the vehicles belonging to Central Govt., State Govt., and public sector undertakings. The check reports of the vehicles should be carefully scrutinised in audit to ensure whether the fact of payment of tax was verified by the checking officers at the time of check of the vehicle. If tax was not paid, it should be seen whether action was taken to realise the tax due along with penalty in accordance with Sn.6 read with rule 12 and 13.

6.11. Normally all payments of taxes have to be made within the period specified under Sn. 4(1)(a). The period specified in this sub-section is known as the grace period which is at times extended
by Govt. by issue of a notification. After the expiry of the grace period, the licensing officer has to communicate the full details of the vehicles for which taxes have not been paid including the cases coming under rule 12-A to filed staff, check-posts and other authorities, for causing verification. This communication shall normally be made within 5 days after the expiry of the grace period or extended grace period.

6.12. The field staff and the staff at the check post to whom the lists of non-payment of taxes is communicated are required to verify the genuineness of the stoppages and ascertain the intention of the owner of vehicle, to satisfy the term ‘kept for use’ and submit verification reports to the licensing officers in the proforma prescribed. These reports, on their receipt by the licensing officers shall be noted in the balance column of the Demand, Collection and Balance register under attestation of the head of the office. The correctness of these entries should be checked with reference to entries in the stoppage register.

If on the other hand, as a result of verification, it is found that the vehicle has either been used or kept for use, the licensing officer shall take action under Section 6 read with rule 12 and 13 to collect tax with penalty.

6.13. **Filing of Stoppage Reports:-** Section 4 read with Rule 12-A enables the registered owner of the vehicle to file the intimation of the stoppage of vehicle before the commencement of the quarter for which tax is due. Therefore, during audit, the records maintained at check posts and the diaries of checking officers should be checked carefully with the Demand, Collection and Balance registers to ensure that no vehicle escapes tax on account of fraudulent filing of intimation of stoppage by the registered owners. (Rule 12-A amended in G.O.Ms.No.160 T, R&B Tr. VII, 23.04.83).

6.14. **Goods vehicle Report:-** Under rule 242 of the Andhra Pradesh Motor vehicle Rule of 1964, every driver of a goods vehicle is required to maintain in a record known as goods vehicle report in which full details of the movement of the vehicle from day to day and the commodity carried etc., are recorded.

6.15. **Trip Sheets:-** Similarly in respect of stage carriages, under rule 267 of the Andhra Pradesh Motor Vehicles Rules the driver or conductor of a State carriage (except that of Andhra Pradesh State Road Transport Corporation) is required to maintain a trip sheet in form T.S.S. or T.S.C.
6.16. The above records are very important and essential to determine the usage of the Vehicle or otherwise. The enquiry reports submitted by the Motor vehicle Inspectors should necessarily contain the fact of the verification of the above records (especially trip sheets) to confirm whether elaborate enquiries in respect of stoppage of vehicles were conducted.

6.17. Timing Register of Stage carriage of Police Station:- Under rule 266 of the Andhra Pradesh Motor vehicles Rules, the Transport authority may also direct that every stage carriage shall stop at such stations on its route as the Transport Authority may prescribe and the conductor of every stage carriage shall enter in the register known as T.G.R. maintained at the police station the particulars specified therein. This record also has an important role in the process of verification of stoppage reports. The Transport Commissioner has also issued instructions in Memo, 26014/K3/73, dt.26.10.73 that the Regional Transport Officers should personally verify all the stoppages in respect of stage carriages and 50 per cent in respect of goods vehicles.

6.18. Statistical Returns and Control Charts of APSRTC:- According to rule 273-A of the Andhra Pradesh Motor Vehicles Rules, the provisions of Rules 267 to 272 of Andhra Pradesh Motor Vehicles Rules do not apply to the stage carriages of Andhra Pradesh State Road Transport Corporation. But as per the proviso to rule 293-A, statistical returns and control charts are required to be maintained by the drivers or conductors of the Road Transport Corporation. In these records full details of the day to day operations are recorded. Under the same proviso, these records can be asked to be produced for verification by the offices referred to in rule 272. In so far as the verification of stoppages of vehicles of Andhra Pradesh State Road Transport Corporation is concerned, the enquiry report should contain a mention about the verification of the records referred to in rule 293-A.

6.19. Remittance of tax-Levy of Penalties for Late payment.-Section 4 and 11 of the Andhra Pradesh Motor Vehicles Taxation Rules specify the dates before which and the manner in which taxes have to be paid. Non-payment of tax, belated payment of tax in accordance with the above rules is to
be dealt with under Section 6 read with rules 12 and 13. Though instructions were issued by the Transport Commissioner fixing certain rates of penalties for late payment and non-payment of taxes courts have held that the act licensing officers under Sn.6 was Quasi judicial and also discretionary in nature, and that any interference by the higher authorities in the jurisdiction of licensing officers in the matter of levy of penalties is bad in law. In pursuance of the decision of the courts, the Transport Commissioner has issued detailed instructions in Memo No.8296/D3/71 dt.31-7-71 and amended in Memo No.4700/D3/73 dt.25-5-73 and Memo No.17614/D3/74,dt.3-2-75. All cases of levy of penalty under section 6 should be checked during audit to see whether there has been non-levy of penalty in any case and whether the quantum of penalty has been uniform in cases the same type of irregularity.

6.20. Temporary Registration.- Rule 6 the Andhra Pradesh Motor Vehicles Taxation Rules read with Section 4 of Andhra Pradesh Motor Vehicles Taxation Act stipulates that in respect of motor vehicles purchased during the quarter and registered under section 23 (pucca registration ) and Section 43 of Motor Vehicles Act.(Temporary Registration ) tax shall be paid in advance for such quarter/half year at the time of registration of the vehicle. Normally/the taxes are being collected at the time of registration itself. Under section 25 of Motor Vehicles Act, the vehicle can be registered temporarily in the circumstances stated therein. Under Rule 84 of Andhra Pradesh Motor Vehicles Rules, dealers of Motor Vehicles are also empowered to register motor vehicles temporarily. These dealers are require to collect the fee for temporary registration and forward the concerned challans towards fee to the registering authority in whose jurisdiction they reside or have their principal place of business with a monthly statement of temporary registrations made. Since no motor vehicle can ply in a public place without a taxation licence as required under Section 5 of Andhra Pradesh Motor Vehicles Taxation Act, the registered owner of the motor vehicle shall necessarily obtain a token from the licensing officer. All files relating to pucca registration of motor vehicles have to be checked by audit to ensure whether the taxes due have been collected from the date on which the vehicles were temporarily registered.

6.21. Refund of Tax :- As per section 4(1)(b) of the A.P. Motor Vehicles Taxation Act where a vehicle has not been used in a public place for a period of not less than a month, refund will be sanctioned at the rates to be notified by the Govt. The notification issued in G.O.Ms.No.82, Transport Roads and Buildings (Tr.II) dt.26.03.80 under section 4(1)(b) specified the rate of taxes refundable. In granting refund under section 4(1)(b) the conditions stipulated in the above notification have to be fulfilled. Condition (I) stipulates that the tax licence and the certificate of registration along with the report of intimation of stoppage specifying the place of stoppage shall be surrendered to the licensing officer concerned within 5 days from
the date of issue of licence in the case of a claim for refund of tax for the whole period for which tax is paid
and within 5 days from the commencement of a calendar month in the case of claim for refund of tax for the
said calendar month or for the said subsequent calendar months. Under the proviso to conditions (i) when
the said documents are not surrendered in time, the licensing officer at his discretion may sanction the
refund upon the representation made by the applicant, if it is proved. Beyond doubt that the Vehicle was not
used during the relevant period. Under condition (ii) no refund shall be made in case where tax is paid after
its non payment detected or after the commencement of proceedings by issue of a show cause notice or a
demand notice unless the licensing officer is satisfied that special circumstances warrant the payment of
such refunds. Under condition (iii) if a motor vehicle was detained for contravention of any law, order or
regulation prohibiting or regulating the transport of goods or passengers or persons, no refund shall be
payable in respect of a motor vehicle for the above period of detention etc. Neither Sn.4(1)(b) nor the
notification issued thereunder contemplated any application to be made by the registered owner of a
vehicle except when the surrender of tax licence is not made within time due to unavoidable reasons. But
generally refunds are granted on an application made by the registered owner of a vehicle along with the
taxation licence. Although the powers of the licensing officer in accepting the late surrender of taxation
licence are discretionary, it should be seen in audit (I) whether the circumstances in which the claimant has
not been able to surrender the taxation licence within the specified period are genuine and (ii) whether the
late surrender of licence has hampered the efforts of the departmental officer is bring definite about the
stoppage of the vehicle during that period. As soon as a refund application is made, it shall be noted in a
separate register known as Refunds register and then communicated to the motor vehicles Inspector for
verification of the geniuses of the stoppage of the vehicle. On receipt of the verification report, refund will
be sanctioned as per the above notification making an entry of refund in the original challan in which tax was
credited to Govt. account and in the Demand Collection and Balance register and in the registration
certificate.

6.21. There may be cases where refunds of taxes would arise for the reason that taxes were paid at
the rates higher than the normal rates of tax or taxes having been paid twice erroneously. Such payments
are known as payments made in excess or by mistake respectively. The orders issued in G.O.Ms.2420 Home
Transport II, dt.28-12-63 as amended in Govt. Memo No.382/66-3 Home Transport II,dt.25-3-66 and
G.O.Ms.2345 Home Transport II,dt.10-125-64 Authorise the secretary, Regional Transport Authority and
State Transport Authority and to grant refunds in such cases Subject to the condition that the claim is made
within one year in cases where payments are made under protest and three years payments are made by
mistakes. The conditions stipulated in the notification issued under sn.4(1)(b)discussed earlier do not apply
in these cases, although the procedure to be followed in recording the refunds is the same as in other cases.
6.23. While verifying the refund cases, it should be seen in audit whether any refunds in contravention of the above principles have been granted in respect of stage carriages.

6.24. **Spare or Reserve Stage Carriages:** Under proviso to item 4(iv) of the notification issued under Sn.3(1), spare buses which are otherwise known as reserve stage carriages are taxed at concessional rates of tax without any reference to the route kilometerage performed in a day. This concessional rate of tax is admissible only when the permit holder pays tax in full in respect of all route buses covered by permits irrespective of stoppage. If full tax is not paid in respect of any route bus, the spare buses shall not be eligible to any concessional rate of tax. There is no question of refund of tax in respect of such buses viz., regular route buses. The minimum of reserve vehicles to be maintained with reference to number of permits is indicated in rule 188 of Andhra Pradesh Motor Vehicles Rules.

6.25. **Exemptions or Reduction of Tax:** Under Sn.9, the Govt. is empowered to issue notifications granting exemption, or reduction in the rates of tax or other modifications not involving an enhancement in the rates of taxes payable or cancel or very any such exemption, reduction or other modification. Govt. have issued notification exempting from tax several categories of vehicles. While examining the cases of exemptions, it should be seen that such exemptions are covered by orders of competent authority. According to Sn. 10 of Andhra Pradesh Motor Vehicle Taxation Act, motor vehicles designed and used solely for agricultural and mining purposes are excluded from the purview of the other sections of the Act, subject to the fulfillment of the conditions stipulated therein.

6.26. While examining the cases of motor vehicles coming under Sn.10 it should be specially seen that the condition specified in the explanations under section 10 have been fulfilled.

6.27. As regards the motor vehicles used for agricultural purposes Govt. have relaxed the conditions relating to the distance G.O.Ms.No.53 TR&B (Tr-II) dt.13.03.92. No such relaxation is available for vehicles used for mining purposes.

6.28. Section 4 provides for the remittance of tax before the commencement of the quarter or within fifteen days from the commencement of the quarter. Under G.O.Ms.No.83 Transport Roads & Bldgs (Tr.II) Dept.
Dt.26.03.80, the Government have issued orders reducing the tax payable in respect of motor vehicle used or kept for use in a public place in the state of Andhra Pradesh after the expiry of the first month of the quarter, a half-year or an year as the case may be, to a sum calculated at one third of the quarterly rate of tax specified in the notification under section 3 of the said Act, multiplied by the number of months in the quarter, the half year or the year as the case may be, in which the motor vehicle is so used or kept for use.

While accepting the tax proportionately as per notification, there must be an intimation from the registered owner with reference to the Rule 12-A to enable him to claim exemption for the period for which tax has not been paid.

In such cases, normally, the responsibility to accept the stoppage of the vehicle or otherwise rests with the licensing officer and the acceptance of tax proportionately cannot be withheld on the sole ground that the stoppage has not been verified. Acceptance of proportionate tax in respect of vehicles covered by stoppage reports shall be done by the head of the office in view of the fact that the tax paid proportionately is accepted pending verification of the stoppage for the earlier periods. Therefore, whenever an application is made for acceptance of tax proportionately i.e. last two months/one month of the quarter and if by that time, the stoppage report has not been received from the Motor Vehicle Inspector, the withholding of the acceptance of tax for want of stoppage verification report is bad in law. In such circumstances, an undertaking is required to be obtained from the registered owner of the vehicle to the effect that he would be liable for any tax and penalty if it is found that the vehicle has plied during the period of stoppage. Besides the above the registered owner will be required to produce the G.V.R. or T.S.S.forms of the vehicle while producing the challancer. In all such cases while accepting the proportionate tax, entries will be recorded in the Demand Collection and Balance register and the stoppage register and the attestation of the head of the office.

As per Section 6A of A.P.M.V. Taxation Act, every registered owner who owns or keeps in his possessions or control more than 2000 vehicles for plying on hire or reward shall pay in respect of all such motor vehicles a tax at such rates not exceeding 15% of the gross traffic earnings. In G O Ms.No.118 (TR&B) Dept.dated.7-6-05, Government prescribed the rate of taxes as 5% on City services and 7% on moffusi services on Gross Traffic Earnings.

The reduction of M.V.Tax is Subject to the following conditions.

1) Town (Urban) Services shall include plying on the Strength of pucca permits covered by the schemes published to run stage carriages as town services and temporary permits beyond provisions in Hyderabad and Vishakapatnam.
2) Separate financial accounts shall be maintained for Town (Urban) and other services for the purpose of filing statements for preliminary and final assessment of taxes.

6.29. Some important notifications:

(i) **G.O.Ms.601 Home (Tr.II) dt.27-3-63** Inspection and Fitness Certificate. - Under this notification, Govt. have exempted from payment of tax any vehicle which is during the course of any specified taxation period, used only for the purpose of inspection and obtaining a certificate of fitness under section 38 of the M.V.Act 1988 and which is not used for any other purpose during the whole of the period.

(ii) **G.O.Ms.No.81 TR&B (TRII) dt.27-4-1993** Temporary Permits to other State Vehicle. - According to this notification, tax is payable by Transport Vehicles belonging to other states and operating within the state on temporary permits for period not exceeding seven days and for a period not exceeding thirty days, at the rates prescribed subject to the conditions maintained in the Government Order.

(iii) **G.O.Ms.No.601 Home (tr.II) dt.27-3-63** Trade Certificate. - This notification relates to the grant of exemption, to motor vehicle using public roads under trade certificates. Under Rule 131 of Motor Vehicles Rules the vehicle can be used with a trade certificate for the purpose referred to in said rule. The clarification issued by the Transport Commissioner in Memo No.22705/D3/72 dt. 29-7-72 may be kept in view while examining cases coming under this notification. Under proviso to Section 3 of A.P.M.V. Taxation Act 1963, in respect of chassis of Motor Vehicle passing through this state from a manufacturer to a dealer under a temporary certificate of registration for a period not exceeding seven days the rate of tax shall be one twentieth of the tax payable for a quarter (Act 5 of 1979 with effect from 28-12-78)


According to this notification “Fair Whether Route” means a route along a road, which is motorable only during fair weather season, or a route along a road, which is not wholly maintained by the R&B Department or a Local Authority. The rate of tax payable in respect of every stage carriage plying on a fair weather route as fixing from time to time should be checked in audit.

In respect of reserve stage carriages on a spare bus (by whatever name called) of an operator the tax payable shall be at Rs.205 for every passenger which the vehicle is permitted to carry, if the tax for the corresponding period in respect of all his regular stage carriages covered by valid permit have been paid irrespective of stoppage or otherwise of the vehicle. However the condition of payment of tax for all his regular stage carriages shall not be insisted upon in so far as they relate to fair weather routes subject to the condition that the spare bus shall not to be operated on the fair weather routes on which route buses are under stoppage.
The total distance permitted to be covered by the vehicle in a day for the calculation of levy of tax for stage carriages plying on fair weather routes shall be reckoned duly excluding the portion of the route as travels along a road not maintained by R&B department or any Local Authority or any Devasthanam or a path or track which is not a road.

During audit, the list of fair weather routes should be gathered and examined with reference to the following points:

1. Whether the departmental officers have been periodically inspecting the routes in consultation with the Zilla Parishad and Roads and Buildings Department to conclude whether the routes continue to be fair weather routes.

2. Whether the payment of taxes is made by the operators for all the quarters of the year.

3. Whether effective action has been taken to convert the routes as all weather routes by undertaking repairs to the routes.

(v). G.O.Ms.No.222 TR&B (TR-II) Department Dt.7.11.96, State Carriages not covered by Regular Permits and exclusively used in connection with Fairs and Festivals:- According to this notification, the vehicles that are not covered by regular stage carriage permits, either for a regular route or as a spare bus, and exclusively used in connection with the fairs and festivals specified in the notification, tax shall have to be collected @Rs.30/- per seat per week.

Since these vehicles are not already covered by regular stage carriage permits, and therefore normal stage carriage tax has not been paid, the rate of tax payable under this notification is higher.

Refund of the is not admissible under any circumstances under this notification.

(vi). G.O.Ms.No.223 Transport, R&B (Tr.II) Department, dt.7.11.96 Stage carriages covered by regular permits and use in connection with Fairs and Festivals:- According to this notification, tax at a flat of
Rs.81/- per vehicle per day shall be collected for stage carriages including spare buses performing additional trips in connection with fairs and festivals for which temporary permits are issued under section 87(1)(a) of the Motor Vehicles Act. This tax shall be accepted only when the normal tax has been paid.

Temporary permits under Section 62(1)(a) in connection with fairs and festivals would be issued in respect of only those fairs and festivals as approved by the Regional Transport Authorities. Therefore, during audit the list of fairs and festivals approved by the Regional Transport Authority the files relating to grant of temporary permits for such fairs and festivals and Demand, Collection and Balance registers should be scrutinised thoroughly to ensure that the additional tax as per this notification has been collected.

(vii) G.O.Ms.No.57, Transport, Roads Buildings Tr-II dated 13-3-92 effective from 1-4-1992). In the caseof Tractor-trailer combinations or trailiers to be drawn by any tractor (which is covered by the valid tax payment either individually or in combination with any trailer) ownerd by agriculturists shall be taxed at the rate of Rs.300 (Rupees three hundred only) per quarter, provided that it is-

i). used for agricultural operationsof the registeredowner beyond a distance of 24 kilometres from the limits of the agricultural lands owned or occupied by him or used byrond the nearest market place; or

ii). used for agricultural operationsof any ohter agriculturist but not for hire or reward beyond or within a distance of 24 kilometres from the limits of the agriculturist lands owned or occupied by him or used beyond the nearest market place; or

iii). used for tranport of material ohter than for hire or reward.

(viii). Govt. of India Vehicles /Vehicles belonging to Central Govt. Undertakings /Autonomous bodies etc.,

Notification Act 5 of 1963:- Under the above notification, Govt. of Andhra Pradesh exempted tax payable in respect of all motor vehicles belonging to Central Govt. other than those used for carriage of passengers or goods for hire or reward. However, exemption is not applicable in respect of vehicles belonging to Central Govt. Undertakings/Autonomous Bodies etc. This may be kept in view by the field audit parties.
CHAPTER 7

RECORDS, REGISTERS & RETURNS OF THE DEPARTMENT

The important records maintained in the Regional Transport Offices are dealt with in the following paragraphs.

B. Registers

7.1. The liability for payment of tax under the Andhra Pradesh Motor Vehicles Taxation Act 1963, arises on all the vehicles registered and used or kept for use. Every owner of a motor vehicle shall as soon as a vehicle is acquired, file an application in the prescribed form along with the requisite fee to the Registering Authority vide rule 86 of Andhra Pradesh Motor Vehicle Rule 1964, in whose jurisdiction the owner of the vehicle resides or has his business. The correctness of the application with reference to the physical inspection of the vehicle and requirements of the provisions of Chapter V of the Motor Vehicles Act, 1988, and the Rules framed thereunder will be checked by the motor vehicles inspector and then the vehicle will be allotted a registration number in the serial order assigned in the registers known as ‘B’ registers. This is the basic record which contains the full particulars of the motor vehicle such as Unladen Weight, Registered Laden Weight, make of the vehicle, seating capacity etc., which forms the basis for the levy and collection of tax.

Motor Vehicles originally registered in other states or regions brought into this state either on transfer of ownership or due to change of address will usually be entered in a separate ‘B’ register as and when separate applications are made by the concerned owners of the motor vehicles.

All vehicles registered and entered in the ‘B’ Register should find a place in the Demand, Collection and Balance register irrespective of the fact whether some of them are exempted from payment of tax. To ensure that no case escapes assessment, with reference to page number of the Demand, Collection and Balance register is indicated in the ‘B’ Register and vice versa.

Audit Checks

(a). It may be seen during audit whether the fees collected for registering the vehicles are in accordance with the fees prescribed.
(b). In respect of goods vehicles whether the Registered laden weight has been fixed upto 31-3-83. From 1-4-83 whether the procedure laid down in Ministry of Shipping and Transport Notification dated 35-9-82 has been followed.

In respect of stage carriages, contact contract carriages and Omnibuses whether the seating capacity noted is in accordance with the particulars furnished in the application for registration of vehicles. In respect of any changes in the seating capacity noted in the register, it may be seen whether the approval of Regional Transport Authority has been obtained for such changes.

7.2. Demand, Collection and Balance Registers.- This is an important register for recording the demand, Collection and balance of taxes payable in respect of every motor vehicle registered and used or kept for use in the region. From the audit point of view, this is the most important record, which requires careful and thorough scrutiny as, it is, a ledger account of each vehicle, the demand column representing debit and the collection column representing credit. It also contains in the remarks column information relating to stoppage reports, refunds and similar notings which affect the demand or the rate of tax collected. The registers are maintained categorywise such as stage carriages, goods vehicles, contract carriages, cars, motor cycles, tractor-trailer combinations etc., and one page in each ledger is set apart for each vehicle. The demands in the Demand Collection and Balance Register are checked quarterly and a certificate to that effect is appended to the Demand Collection and Balance Register by the ministerial head of the office.

(a) Transport Vehicles

(i) Stage carriages:- The tax for stage carriages is based on the seating capacity and permitted route length i.e., length of the route on which the vehicles are operated and total number of trips performed in a day in order to arrive at the daily kilometreage. Permit register is the basis for levy of tax. This in turn is based on the Regional Transport Authority’s proceedings on the subject or scheme notifications in respect of Andhra Pradesh State Road Transport Corporation Buses. In order to check the correctness of the rates in the Demand, Collection and Balance Register, the entries relating to route length in the permit registers, Register of operators CS. 68, route wise register and timings register etc., have to be correlated and verified.

Audit Checks

It may be seen during audit that
(a) all entries in the Demand Collection and Balance Register are attested by the proper authority:

(b). in respect of stage carriages, reserve stage carriages, contract carriages and omni-buses, it may be verified whether the stage carriage is an express or an ordinary bus, the tax demanded is in accordance with the prescribed rates and also with reference to the seating capacity noted in the ‘B’ register and the total distance permitted to be covered in a day by stage carriages is in accordance with the permit register:

(c). where no tax has been collected for a quarter or part of a quarter, whether the reasons therefor such as stoppage of the vehicles etc., are recorded.

(d). in respect of goods vehicles, the tax demanded is in accordance with the registered Laden Weight as noted in the ,B, Register and also as per rates approved by the Government from time to time:

(e). the details regarding the validity of permit and Fitness Certificate noted in the register are in accordance with the permit register and Fitness Certificate Register:

(f). the entries regarding stoppage of vehicle, refunds etc., noted in the remarks column of Demand Collection and Balance have to be carefully gone through and it be ensured that the stoppage report of the vehicle has been verified and the refund allowed is in accordance with the prescribed scale.

(ii). Goods Vehicles:- The criteria for levy of tax is the permitted Laden Weight (Registered Laden Weight). The permitted laden weight noted in the Demand Collection and Balance register has to be checked with the permitted Laden Weight noted nit he permit register and registered Laden Weight noted in the ‘B’ register. Various orders and instructions issued on the fixation of Registered Laden Weight other orders on the subject have to be kept in view while checking the correctness of the Registered Laden Weight noted in the Demand Collection and Balance registers.

(iii). Contract carriages and taxis:- Tax levied is based on the seating capacity of the vehicle (noted in the permit register, and also ‘B’ register). The correctness of the seating capacity as noted in the Demand Collection and Balance register may be cross checked with the entries in the permit register and ‘B’ register.

a) as per Ordinance No.3/2006 dt.25-05-06 Government brought the High end Motor Cabs costing Rs.3,50,000/-and Road Rollers under the purview of one time tax (life tax)

(b). Non – transport vehicles

Cars, Omnibuses:- Tax is levied bases on the unladen weight and seating capacity in respect of cars and omnibuses respectively.
The checking of demand in respect of the above vehicles will be with reference to the entries in ‘B’ registers.

7.3. In all cases of transport vehicles, it is necessary that the validity of the permit and Fitness Certificates are noted in the Demand Collection and Balance Register.

7.4. From tax token register, the amount of tax paid, tax token number and date of issue will be posted in the collection column of the demand, Collection and Balance register. The correctness of the collection particulars are verified and attested by the ministerial head of the office.

7.5. Where taxes due are not paid in the manner prescribed, the vehicle owner is required to file a stoppage report under rule 12(A) of the Andhra Pradesh Motor Vehicles Taxation Rules to the licensing officer before the commencement of the quarter for which tax is due. This report will be entered not only in a register known as stoppage register but also an entry shall be made in the balance column of the demand collection and Balance Register. The verification of reports by the Motor Vehicles Inspector Regarding stoppages are also entered in the Demand Collection and balance Register in the balance column and attested by the Regional Transport officer. Any changes in seating capacity, route length or laden weight attracting change in rates of tax are also indicated in the Demand Collection and Balance registers under attestation of the ministerial head of the office.

**Audit Checks**

(a). The tax demanded and collected is in accordance with the various rates approved by Government.

(b). Where no taxes paid it may be seen whether there is any advance intimation from the owner about the nonusage of the vehicle.

(c). In respect of refunds, whether refund of tax is in accordance with the prescribed scale.

**Tax Token issue Register**
7.6. All the applications received from the motor operators for issue of tokens will be entered in the register date wise and in serial order of receipt. Separate registers are maintained for transport and non-transport vehicles. The entries in the register would indicate registration number category of the vehicle, amount of tax paid. Amount of the demand draft presented, the demand draft No. and date and the name of the bank which issued the demand draft and the token number issued to the vehicle. These particulars are carried over to the demand collection and balance register. After the expiry of the grace period or extended grace period as the case may be all payments of tax are subject to levy of penalties as laid down in Section 6 of the Andhra Pradesh Motor Vehicles Taxation Act read with Rule 13 of the Andhra Pradesh Motor Vehicles Taxation Rules. All the payments of arrears after the grace period either voluntarily or by detections shall be supported by additional remittances by way of penalties. The total amount of tax collected for the quarters as arrived at in this register should tally with the total of the Demand Collection and Balance register and agree with the total collection reported in Demand Collection and Balance Statement submitted to the Transport Commissioner.

Demand Draft Register.

7.7. All cases of payments of tax by means of demand draft should be entered in this register bank-wise and branch-wise. The drafts received in a day shall normally be presented to the bank for adjustment to Govt. account within 3 days from the date of receipt in the office. In the last column of the register, challan No. and date of adjustment of the demand draft to Government account will be noted under attestation of the head of the office. The transactions in this register shall be carried over to the cash book by means of an abstract and checked by the head of the office daily to ensure that there is no undue delay either in the presentation of the draft to the bank or in the adjustment of the draft to Government account by the bank. The total amount arrived at in this register per quarter should also agree with the totals of the tax token issue register and also total collection shown in the quarterly Demand, Collection and balance statement.

Audit checks

It may be seen whether

(a) the tax token issued and noted in this register agrees with the tax token issue register and necessary entries were accordingly made in the Demand, Collection and Balance register under proper attestation:
(b) the demand drafts are properly accounted for an remitted periodically into the State Bank of India / State Bank of Hyderabad without any delay and challan numbers are noted against each demand draft.
Register of Stoppages

7.8. Under Rule 12-A of the Andhra Pradesh Motor Vehicles Taxation Rules, vehicle owners are required to intimate the stoppage of vehicles during the quarter, to the licensing officer before the commencement of the quarter for which tax is due. All such intimations will be entered in this register as and when received under attestation of the head of the office. All the stoppage reports received by the licensing officer along with other cases of non-payment shall be referred to the filed staff, i.e., Motor Vehicle Inspectors who shall ensure the physical verification of the stoppage of the vehicles during the quarter and submit verification reports by the 10th of the month succeeding the quarter. Similarly, when the stopped vehicle resumes service, the resumption report shall also be entered in the relevant columns of the register indicating therein the number of the tax token issued to the vehicle.

Audit Checks

(a). The Stoppage Registers after proper verification are noted in the remarks column of Demand, Collection and Balance of the respective vehicles.

(b). In pending cases, whether the department is pursuing the cases properly with the subordinate officers.

(c). The stoppage reports have to be test checked (by the Regional Transport Officer to the extent of 100% in the case of stage carriages and 50% in the case of goods vehicles).

Register showing the stock issue and balance of taxation licences

7.9. Taxation licences (tax tokens) are printed and supplied by the Transport Commissioner depending upon the requirements indented by the licensing officers. All the licences issued by the licensing officers should be entered in the this register. This register and the licencess shall be kept in the personal custody of the ministerial head of the office who shall release the stocks depending upon the day to day requirements duly making necessary entries in the register. The total number of licences issued as per this register shall necessarily tally with the total number of tax token issue register and also the total number of vehicles taxed and indicated in the Demand, Collection and balance statement. The balance of licences shall at the end of the quarter, be surrendered to the respective Deputy Transport Commissioners with full details of the stocks received issued, balance etc., who shall after necessary verification destroy them.
Audit Checks

It is to be seen that

(a) All the licences received from the Transport Commissioners during each quarter are properly accounted for in the register under proper attention.

(b) The last token number in the tax token issue registers agrees with the next number of tax token shown as balance in the stock register.

(c) All the unused tax tokens are destroyed periodically and a certificate of destruction is sent to the Transport Commissioner.

Challan register

7.10 All payments due under the Motor Vehicles Act, 1988, and the Rules framed thereunder are to be entered in this register (sub-head and detailed head-wise). As and when applications are received for purpose such as permits, licences conductors and drivers badges etc., particulars of challans are entered in this register and the application are released for issue of necessary permits etc. This registers shall be maintained sub-headwise and also with reference to the dates prescribed for the closure of the treasury accounts to ensure early reconciliation. At the closure of the month, the totals are struck and reconciled with treasury accounts and the genuineness of remittances verified through the triplicate copies of challans received direct from treasuries. The total collection as per this register (sub-head wise) shall agree with total furnished in the monthly income statement furnished to the Transport Commissioner.

Audit Checks

IT is to be seen that

(a) The challan Nos. noted in the Demand Draft Registers agree with the challan register.

(b) Reconciliation of departmental receipts with reference to challan register with the treasury receipt is being done regularly and certificate of reconciliation is obtained from the treasury.

(c) In respect of challans relating to other sub-treasuries of the district (other than Huzur Treasury) the department has taken proper action to verify the remittances with reference to the lists sent by each Sub-Treasury Officer.
(d). It may be particularly seen that the challans register is maintained with reference to challans received in Regional Transport Officer’s Office and not copied from the Treasury records.

Refunds Register

7.11 As per the notification issued under Sn.4(1)(b) of the Andhra Pradesh Motor Vehicles Tax Act, refund of proportionate taxes are admissible at the rates specified in the said notification where the vehicle has not been used for the entire quarter of part thereof, the period not being less than one full month.

Applications for refund shall be filed as per the conditions of the said notification, and in cases where it is established that refund is admissible a refund order shall be issued along with a refund voucher duly making necessary entries in the Demand, Collection and Balance registers and other relevant registers such as register of challan etc., as in accordance with the Act and Rules.

Register of Compounding Fee

7.12 Under Section 60(3) of the Motor Vehicles Act, the Transport Authority, instead of suspending or cancelling the permit for violation of conditions of permit laid down therein, may compound an office for the amount mutually agreed upon by the Transport Authority and also by the Secretary depending upon the authority who issued the permit. The entries in this register shall be made in the order of the agenda of the meeting of the Transport Authority under attestation of the head of the office as soon as the meeting takes place. Normally a maximum period of 10 days is allowed to the party (Rule 244 of Andhra Pradesh Motor Vehicles Rules). As and when payments are made by treasury challans, the relevant columns of the register are posted under the attestation of the head of the office. All non-payments as per this register shall be periodically communicated to the Motor Vehicle Inspectors for recovery under the Revenue Recovery Act and position reviewed at periodical intervals.

Audit Checks

It may be seen that

(a). the compounding fees noted in the register are not less than the minimum of compounding fees prescribed by the Govt. for each offence:

(b). compounding fees to be recovered with reference to each check report have been correctly carried in this register:
(c). the fee are realised within the period of ten days prescribed; under Rule 244(2).

(d). in cases of long pending cases, the reasons for their pendency should be analysed.

**Counter Register.**

7.13. The total amount realised by way of fee in this Register and the total in the challans register should tally with the figures furnished in the monthly consolidated income statements sent to the Transport Commissioner.

Audit Checks

It may be seen that the total amount shown in this register agrees with the amount shown in the challan register.

**Register of check reports.**

7.14 While conducting surprise checks to ensure the implementation of the provisions of the Motor Vehicle Act the Andhra Pradesh Motor Vehicle Taxation Act and the Rules framed thereunder, the checking officers prepare the check reports on motor vehicles called the vehicle check report in the prescribed form in quadruplicate, deliver two copies to the driver and the owner and forward one copy to the Regional Transport Officer for taking departmental action against the permit holder in respect of vehicles covered by permits, and against the owner of the registered vehicle, where the vehicles are not covered by permits and which violate the provisions of section 33 of Motor Vehicles Act. These check reports are entered in a separate register known as Register of check reports. To ensure that all the check reports prepared by the ports. To ensure that all the check reports prepared by the checking officers have been duly accounted for in the records of the Regional transport Officer, the account number registered on the check report immediately on its receipt in the office, is noted on the office copy of the check report of the checking officer. Similarly check reports sent to other regions for action shall not be closed unless an acknowledgement in token of receipt of the check report is received from the concerned authority. On receipt of the check report, action is pursued under section 60 or 33 of the Motor Vehicles Act by issue of notice tot he registered owner or permit holder. Usually the result of action, such as suspension of permit or registration, cancellation of permit or registration and compounding of offence and result of action against the driver and conductor and result of prosecution
where departmental action does not lie are noted in the relevant columns of this Register and then the
case is closed intimating the authority from whom the check report is received.

**Audit Checks**

It may be seen that:

(a) all the check reports received from the Assistant Motor Vehicle Inspectors / Motor Vehicle
Inspectors, Regional Transport Officer, Flying Squad / Deputy Transport Commissioner and other
Regional Transport Officers are entered without any omission:

(b) Whether the action taken by the department in respect of each case is in accordance with the
relevant provisions of act and rules;

(c) In respect of long pending cases, proper action has been initiated:

(d) Dropped cases should be carefully scrutinised so as to see that there are no lapses or violation of
rules etc.

**Register of history sheets**

7.15. This record indicates the offences committed by a permit holder from the date of issue of permit.
Full particulars of the vehicles and the routes on which they ply and the date of expiry of permit, the
date of offence, the nature of offence and the result of action taken on the offence committed etc., are
noted in this register. The register is maintained operator-wise. The entries in this register have to be
correlated with the register of compounding fee and the register of checks reports.

**Audit Checks**

(a) In respect of check reports relating to vehicles plied without valid permits/tax token, it may be
seen that necessary action has been taken to raise demand for payment of tax with penalty and that this
demand has been entered in the Arrear Register of the Andhra Pradesh State Road Transport
Corporation

(b) In respect of cases dropped by Regional Transport Authority it may be particularly seen whether
the reasons were recorded by the Regional Transport Authority for dropping such cases.

(c) Where taxes with penalty are demanded initially but taxes only are collected, the non-collection
of penalty may be commented upon.

**Register of seized vehicles**

7.16. Section 8 of the Andhra Pradesh Motor vehicles Taxation Act contemplates seizure of motor
vehicles for failure to pay the tax due under the said Act. In such cases, besides the collection of tax,
due to Government, action has to be taken under Section 6 of the Andhra Pradesh Motor Vehicles
Taxation Act to collect penalty also. Therefore, all cases of check reports involving seizure of vehicles for non-payment of taxes shall be entered in this register to ensure prompt follow up action. Particulars of amount collected as shown under column 8 of the register have to be correlated with the entries in the demand draft register and tax token issue register.

Audit checks
It may be seen that the seized vehicles kept in police stations continue to be available pending payment of tax and that the Police Department does not release the vehicle, without the concurrence of the Transport Department.

7.17. Register of Appeals, Revisions and Writs: - All cases of appeals, revisions and writs arising out of the provisions of the Motor Vehicles Act, the Andhra Pradesh Motor vehicles taxation Act and the Rules framed thereunder, are noted in this register to watch prompt and effective disposal of cases. In cases where the writs or appeals filed by the vehicles owners are allowed, it should be seen whether they were allowed due to inadequate action or negligence of for noncompliance under statutory requirements, with reference to the powers and duties of departmental officers, particularly when they result in loss of revenue to Government.

7.18. Routewise register: - This register would indicate in details, the total number of routes in a region, length of the route number of stage carriages plying and the names of operators operating on the route, total daily kilometerage performed by each vehicle, seating capacity of each vehicle number of trips performed by each vehicle. This Register has to be correlated mainly with the Demand Collection and Balance register, permit register, B Register and timings register to ensure the correctness of the total daily kilometerage on the basis of which the rate of tax is worked out.

7.19: Operatorwise register:- In this register, full particulars of the stage carriage permits held by individual operator such as name and address of the owner, registration number of the vehicle, seating capacity, name and distance of the route, and the total daily kilometerage covered and the date of issue of the permit are noted. As in the case of routewise register, the entries in this register are also to be checked with routewise register, B-register, Demand, Collection and Balance register and the Timings register as to the correctness of the rate of tax fixed.

7.20. Permit renewal date register (Renewal watch register) for stage carriages, goods carriers, private carriers and contract carriages:- According to Section 58(1)(a) of Motor Vehicles
Act, a stage carriage or a contract carriage permit issued would be valid for a period of not less than 3 years and not more than 5 years as specified by the RTA in the permit. Similarly, goods carrier permits or private carrier permits would be valid for 5 years vide Sn.58(1)(b) ibid. Renewal beyond the period specified above would be granted by the Regional Transport Authorities on applications made in accordance with Section 58(2) of Motor Vehicles Taxation Act. A separate Register for each category of vehicles is maintained. All the permits due to expire from time to time will be entered in this Register. As and when applications are received, the relevant columns of the register are posted. The applications for renewals have to be checked up with reference to this register to seen as to how many renewal applications are received and disposed of and whether the requisite fee has been collected in all the cases including the cases which attract the provisions of sub-section (3) of section 58 of the Motor vehicles Act.

Particulars of remittance of requisite fee have to be verified with the register of challans and individuals files. The correctness of renewal of permits is also checked with entries in the register of history sheets.

7.21. Permit register for stage carriages, goods carriers, private carriers and contract carriages:– This Register is an office copy of the permits issued to the permit holders of the different categories of vehicles. A separate register is maintained for each of the above category of the vehicles. Each permit will be entered in a separate page. Full particulars of the registration number of the vehicle, make, model, seating capacity, laden weight in the case of goods vehicles, filed of operation period of validity of the permits, schedule of timings, distance of the route, number of trips authorised to be performed total daily kilometerage and particulars of remittance of fee paid, etc., are entered in this register.

This register has to be checked with the Demand, Collection and Balance register, routewise register and timings register to verify the correctness of the demand fixed in respect of the above categories of vehicles.

7.22. Temporary permit register (Stage carriages, private carrier, goods carrier and contract carriages):– This register is an office copy of the temporary permits issued. A separate register is maintained for each of the above categories of vehicles. Since most of the cases coming under this register do not have pucca permit this register has to be checked with the Demand, Collection
and Balance register to see whether all the vehicles covered by temporary permit have been accounted for in the Demand, Collection and Balance register and the taxes due have been collected. This register is to be correlated with the register of important festivals.

**7.23. Register of registered operators :-** General public and motor operators desirous of knowing the important orders, notification, etc., relating to transport department will be furnished copies of such documents on payment of fee of Rs.25 per annum. All applications received for enrolment as registered operators will be entered in this register.

It has to be verified from this register that the requisite fee has been collected from the registered operators. Entries from the dispatch register can be correlated with the above register to check whether important orders and notifications have been sent only to registered operators who have paid the requisite fee.

**7.24. Registers maintained by the Motor Vehicles Inspectors, (a) fitness Certificate Register:-** Under Sn.38 of Motor Vehicles Act, all transport vehicles shall necessarily have fitness certificates before they are put to use on public roads. The competent authority to issue fitness certificate is the Motor Vehicles Inspector who shall maintain a register in which full particulars of the vehicle inspected with all details will be recorded. The entries in this register will have to be checked with the applications entertained by the Motor Vehicles Inspector and reference to the challans (maintained in Regional Transport Officers) to ensure that every fitness certificate is issue after collecting the prescribed fee. This register is also to be checked with the Demand Collection and Balance register to ensure that fitness certificates are issued only after verifying that taxes have been paid.

(b). **Register showing the driving tests conducted by the Motor Vehicle Inspectors:-** Every applicant seeking a driving licence is required to undergo a test of competence before the actual issue of licence. All the applications for driving licences will be filed before the Motor vehicle Inspector and entered in this register. This register has to be checked with the applications filed in the office and with the register of challans to ensure that the fee for the test of competence has been collected.

(c). **Register of inspection of vehicles for registration:-** Every owner of a motor vehicle seeking to register a motor vehicle shall have to file an application in form ‘E’ accompanied by the fee
prescribed. These applications shall be entertained by the Motor Vehicle Inspector in the first instance who shall certify as to the fitness of the vehicle for registration after physical inspection of the vehicle. Full particulars of the vehicle inspected for registration will be noted in this register and then the applications are forwarded to the office. The collection of fee for registration and inspection has to be checked with the individual registration files available in the Regional Transport Officers office along with ‘B’ register and register of challans.

7.25. Registers to be maintained at checkpoints, Register of Vehicles passing through the checkpoint:- The Motor Vehicle Inspector in charge of the checkpoint is required to maintain this register. Full particulars of the vehicles passing through the checkpoint, validity of records of the vehicle (carried in the vehicle), commodities carried, date and time of passing of the vehicle is noted in this register. Signature of the driver or conductor in charge of the vehicle at the time of checking will also be recorded in this register.

An extract of this register will be communicated to the Regional Transport Officer to check whether any vehicle has plied without payment of tax.

7.26. Returns to be submitted by the departmental officers:- Some of the important periodical returns submitted by the Regional Transport Offices to the Transport Commissioner are indicated below:

(i). Demand, Collection and balance Statement:- This statement is prepared by the Regional transport offices every quarter indicating the total demand collection and balance of all taxable vehicles and is submitted to the Transport Commissioner with a copy to Dy. Transport Commissioner. This statement also contains additional particulars of revenues outstanding at the commencement of the quarter, amount accrued during the quarter, amount collected during the quarter, amount written off during the quarter and the balance of arrears outstanding at the end of the quarter.

(ii). Monthly statement of progress in the collection of arrears:- This is a monthly statement required to be furnished in forms I to V and abstracts I and II showing the yearwise split and written off and the balance outstanding at the end of the month. The details for the balance such as arrears covered by stay orders with or without security, arrears covered by write off proposals, arrears covered by Revenue Recovery Act and arrears collectable by department are also indicated in this statement. Further, details as to the amounts due from private operators of the state, arrears due from the Andhra Pradesh State
Road Transport Corporation, arrears due from other departments of the Government and arrears due from private operators and Governments of other states are also given in this statement.

(iii). Statement showing the particulars of fresh registration and cancellation of old vehicles:— This is a quarterly statement furnished by the Regional Transport Officers to the Transport Commissioner. Full details of the new vehicles registered and cancellation of registration of old vehicles under all categories are indicated in this statement. This statement will be useful to check whether all the taxable vehicles are taken into account in the Demand, Collection and Balance register for purpose of taxation.

(iv). Statement showing the revenue realised, vehicles registered, number of vehicles taxed, and exempted etc:— This is an annual statement furnished by the Regional Transport Officers to the Transport Commissioner in the prescribed proforma particulars of vehicles taxes, exempted, total number of vehicles on roll and other details contained in this statement have to be checked with the Demand, Collection and Balance registers and challan registers to see whether the revenue realised and incorporated in this statement agree with the figures in the other registers.
CHAPTER-8
PRODUCERE AND PRINCIPLES OF AUDIT

8.1 The supreme court has held that it would be information of law if it is stated by a person, body or authority competent and authorised to pronounce upon the law and is invested with authority to do so and that the audit department is also one of the proper machinery to scrutinise and point out the error, if any, in law. While circulating this observation of the Supreme Court, the Comptroller and Auditor General’s Office has stated that a heavy responsibility has been placed on the Audit Department by the Supreme Court in the matter of legal interpretation. It has been further observed by the Comptroller and Auditor General’s Office that no interpretation should be given unless it is supported by High Court Judgement or Supreme Court Judgement or the opinion of the law Ministry or the instructions of the department tribunal it self, provided they are not country to law. In case of doubt, where the Accountant General feels that his point of view is to prepared to that of the Department, but for which no direct authority in case law is available, reference should be made to the Comptroller and Auditor General’s Office for decision.

8.2 The audit department should not in any way substitute itself for the revenue authorities in the performance of their statutory duties, but should satisfy it self in general that the departmental machinery is sufficiently safeguarded against error and fraud and that so far as can be judged, the procedure is calculated to give effect to the requirement of law.

8.3 Audit does not consider it the main part of its duties to review the judgement exercised or the decision taken in individual cases by officers entrusted with those duties, but it must be recognised that an examination of such cases may be an important factor in judging the effectiveness of assessments procedure. Where, for example, information received in any individual case is insufficient to enable, Audit to see how the requirement of law has been complied with Audit may consider it its duty to ask for further information to enable it to form the judgement required of it as to the effectiveness of the system. It is however, towards forming a general judgement rather than to the detection of individual errors that the audit enquiries should be directed. The detection of individual error is incidental rather than the object of audit.

8.4 Principles of receipt audit: -The main principles to be followed in conducting revenue audit are laid down in paras 74 to 86 of Manual of Standing Orders Technical Volume I and are broadly as follows.
(a). Audit has to satisfy it self that the rules and provision in respect of receipt that are payable into the consolidated fund of the State are designed to secure an effective check on the assessment, collection and proper allocation of revenue.

(b). That the procedures and checks are properly applied for the purpose of ascertaining that they are being duly observed. Audit may make such examination of accounts as it thinks fit and report thereon.

It will be seen from the above that the scope of audit is unqualified and is left to the discretion of the Comptroller and Auditor General.

Members of audit department will have access to the relevant records and papers of the Revenue Department but they should observe secrecy in the same way as the officers of the department.

8.5. Audit against Documentation:- The effectiveness of audit depends largely on the document and records maintained and made available for audit in the Regional Transport Offices. In the initial stages of audit, attention should be directed to see whether there is proper documentation in regard to levy, assessment and collection without which effective audit is not possible. If in the course of this scrutiny, any additional documentation is deemed necessary or any additional columns or information could be added to the existing documents in Governments interests, the same should be suggested to the Government.

8.6. In relation to levy of taxes and refunds of taxes audit has to satisfy itself by such test checks as it may consider necessary that the internal procedures adequately provide for and secure.

(i). The collection and utilisation of date necessary for the computation of demands or refunds under law.
(ii). The prompt raising of demands on tax payers in the manner required by law;
(iii). Regular accounting of demands, collection and refunds;
(iv). The correct accounting and credit to Govt. account of revenues realised;
(v). that proper safeguards exist, to ensure that there is no wilful omission to levy or collect taxes or to issue refunds;
(vi). That claims on tax payers are pursed with due diligence and are not abandoned or reduced except with adequate justification by the proper authority;
(vii). That double refunds, fraudulent or forged refund orders or other losses of revenue through fraud, default or mistakes are promptly brought to light and investigated and;

(viii). That penalties recoverable for belated payment of tax or for other reasons are correctly calculated in accordance with law and that there is no omission to levy or collect the penalties

8.7. To discharge these functions effectively, the staff engaged in local audit must be thoroughly conversant with the process and procedures relating to levy and collection of taxes and the laws and the rules governing them.

8.8. Procedure of Audit:- The audit of the accounts of the transport officers should be done as prescribed in Comptroller and Auditor General’s letter No.1320. Revenue A/8-73, Cir.No.3 dated 5.3.1973. The Audit party normally consists of two Asst. Audit Officers and one auditor. The inspection by a gazetted office should be so arranged that he may be present towards the end of each audit for drafting the local audit report and to discuss with the head of the office inspected.

8.9. The important records maintained in the transport offices the returns submitted by them and the checks to be exercised by audit have been dealt within the preceding chapter (dealing with records, registers and returns of the department). On the first day of audit the senior Asst. Audit Officer / Section Officer of the party should make out a statement showing the distribution of work among his party members. The distribution of work should in accordance with the revised allotment of specific duties to the members in audit parties specified in circular No.6 of 1984 No.252-Rec-A-IV/3(I)-84/gr.I, dt.28.02.84 by C&AG of India.

8.10. When an irregularity is noticed, it should be brought to the notice of the departmental officer; by issuing an audit enquiry. Utmost care should be taken in drafting the enquiries. They should be courteously worded and should not be indicative of any directions to the departmental officer. They should bring out the defects and irregularities and the money value of objections should as far as practicable be indicated with full details in support thereof. The departmental officer should be requested to verify the objections and taken such action as deemed fit.

8.11. The local audit report should be drafted by the inspecting officer towards the end of audit, after examining the replies furnished by the departmental officer to the audit enquiries. The form of local audit report should be the one followed for other receipt audits and this should be in three parts, viz., part I containing introductory portion and unsettled objections from previous reports and Part II
containing major irregularities and important points. This should again be divided into two sections A&B. Objections which are likely to be commented upon in the audit reports should be included in Section – A while others should be included in Section B. Part III would contain other minor objections. In support of the major irregularities included in Part II, extracts of copies of the relevant G.Os notifications or judgements etc., which have a bearing on the objection must be enclosed.

8.12. The report should be discussed with the departmental officer before it is sent to the headquarters section. After the report is discussed, a certificate should be got recorded by the departmental officer, on the first page of the report as follows:-

“Certified that the report has been fully discussed and the facts mentioned, therein have been verified and found correct”

No reply to Part III of the report is required but its disposal should be watched during next audit.

8.13. The local audit report should be edited by the Head quarters Revenue Audit Section and issued after approval by Senior Deputy Accountant General. The report should be sent to the concerned Regional Transport Officer / Deputy Transport Commissioner with copies to the Deputy Transport Commissioner / Transport Commissioner as the case may be, with a request to send the replies through the controlling officer. Major irregularities and points should be brought to the notice of the Govt. and the Transport Commissioner through special letters. The headquarters section will be responsible for processing the draft paragraphs to be included in the Audit Report. Wherever possible, consolidated paragraphs should be prepared by clubbing individual cases of the same type. An objection book and an adjustment register should be maintained for recording, watching and pursuing objections having money value. Similarly, a progress register should also be maintained for watching the receipt of draft local audit report in the head quarters section, their issue etc. these registers should be closed monthly and submitted to Branch Officer/Senior Deputy Accountant General.

8.14. A statement of inspection reports pending for over six months and another statement showing the objections outstanding for over six months in the prescribed form should be sent to Comptroller and Auditor General every quarter in the first week of June, September, December and March every year. The money value of audit objections should also be indicated in the returns furnished. A quarterly report showing the offices from which first replies to the local audit reports are
not received, is also communicated to the head of department. If first replies, are not received for six months, such cases are reported to Government.

8.15. In order to expedite settlement and dropping of objections the Officers of the Audit Department are vested with powers to settle and drop objections upto certain monetary value. The existing limits are given below.

For settlement of accepted objections:
1. Accountant General Full powers
2. Group Officer Rs.1,00,000
3. Headquarters Audit Officer Rs. 25,000
4. Headquarters Asst. Audit Officer Rs. 1,000

For dropping objections not accepted by the Department.

All non-accepted objections raised upto and inclusive of audit cycle 1979-80 not sustainable or cannot be processed as a draft para became they are old can be dropped by Group Officer if the under assessment or loss involved is Rs.1 lakh and less and by A.G. if such value exceeds Rs.1 lakh. If the nature of the dropped objections is of a recurring type, similar objections should be taken in current audit cycle and process them as a Draft para.

In respect of objections raised in 1980-81 and after the monetary limits are as follows.

Accountant General Full Powers
Group Officers Rs.25,000
Audit Officer Rs. 1,000

(A.G’s note orders dt.19.09.84 on the Cr. AG’s Cir. No.928 Rec. A-IV/52-80 Circular 25 dt.20.8.84).

8.16. The headquarters section should arrange to obtain government orders, notifications departmental circular instructions, clarifications and judgements of courts etc., affecting the motor vehicles receipts and examine them. If as a result of such examination, it is found necessary, to take up any issue with Government or the Transport Commissioner, it should be done promptly. Copies of important orders or circulars should be communicated to the audit parties for their guidance. A review of the audit reports of other States should also be undertaken and cases of important irregularities commented in those report should be communicated to the audit parties for their guidance.
8.17. The headquarters section should also co-ordinate the activities of departmental audits and serve as a link wherever necessary in the Central or State or vice versa, for example, if a certain receipt item has the effect of affecting the receipt in another head, it may be necessary to inform the other audit party and ensure proper checking.

**ALLOCATION OF AUDIT WORK AMONG MEMBERS OF STATE RECEIPT AUDIT PARTIES**

**Note 1:** The documents having asterisk mark against them in the following lists will be reviewed by the Audit Officer incharge of the Audit Party with a view to picking up audit objections. Wherever a percentage for review by Audit Officer has been fixed by this office already or elsewhere herein percentage will apply. Otherwise 10 per cent of cases/documents may be reviewed. The percentages of audit already prescribed will continue except to the extent changes are indicated herein.

**Note 2:** The Audit Officer incharge of party will discuss as an item of work the outstanding objections in local audit reports and their settlement (or earmarking them for dropping) or their conversion into draft paragraphs.

**Note 3:** Though the work allocation to each individual member of the party should be specific and not vague, in the overall interest of completing the work in time allowing for the varying talents of members of an audit party, on the spot adjustment of work allotment of work may be made by Audit Officer or Senior Assistant Audit Officer incharge of audit party. This should be an exception and not become the rule. Therefore, in all the lists below even if it is not mentioned, it is to be understood that there exists an item of work for Assistant Audit Officer/Section Officer reading “Any item of work allotted by Audit Officer” and for Auditor reading “Any item of work allotted by Audit Officer or Assistant Audit Officer designated by Audit Officer”. In the interest of work Audit officer will be free also to allot any item of work to himself instead of allotting it to Assistant Audit Officer or Auditor as per these lists.

**Note 4:** In the local audit report with the superscription “O/N” the name of member of party detecting a potential draft para point should be mentioned in brief to draft para sent to Headquarters also. During the visits to parties, the group officers should also review some of the high value audit cases done or to be done by Audit Officer/Assistant Audit Officer and Audit Report material detected by him should be mentioned by Audit Officer/Assistant Audit Officer in the Local Audit Report against his name.
MOTOR VEHICLE TAX AND PASSENGER AND GOODS TAX

I. Audit Officer
1. Revenue of items marked with asterisk and discussion of outstanding Local Audit paras.
2. Allocation of work to Audit Officer, Assistant Audit Officer/Section Officer/Auditor enable cross check with records in other Excise and Taxation Offices with those in Motor Vehicle Registration Offices, where all the taxes in this Section (E) and connected taxes are not dealt in same office.
3. Payment of passenger and goods tax in lumpsum in excess of Rs.5000/- (Audit Officer may raise or lower this limit to ensure that 25 per cent of all lumpsum payments of high value are audited by him).

II. Assistant Audit Officer/Section Officer
1. Audit of registers and files dealing with recovery and demand of vehicle (token) tax and fee for registration and re-registration and fitness certificate.
2. Audit of registers and files dealing with recovery, remittance and demand of fees, penalty etc., under National, Zonal and Bilateral permit schemes, including watching and checking recoveries and dues from other states and finding system defects.
3. Audit of registers and files dealing with recovery of tax or licence fees for plying contract and stage carriage vehicles and renewal of licences.
4. Audit of registers and files dealing with Assessment of rates of vehicle tax based on vehicle weight etc.
5. Audit of assessment files relating to passenger and goods tax bases on freight/seating capacity of vehicle or weight, other than compounded rate or lumpsum payments including assessment of such tax on stage and contract carriages.
6. Payments of passenger and goods tax at compounded rates or as lumpsum above Rs.1,000 and below Rs.5,000 (or such limits as Audit Office may fix to ensure that 50 per cent of such payments are audited by Assistant Audit Officers).
7. Audit of files dealing with levy of fines, penalties, composition fees on compounding of offence, appeal fees, refunds (other than refund of token tax) and exemption.

III. Auditor
1. Audit of registers and files dealing with issue or renewal of driving licences and conductor’s licences.
2. Check of 10% recoveries posted in D&C and such register/registers with payment documents or treasury records e.g. challans.

3. Collection of details of 10 per cent of entries in records of vehicles transferred to jurisdiction of other offices in same or other states for tracing in other offices by reference to other audit parties or other Accountant General (Audit)/Director of Audit to see if tax is being recovered in the other offices without break.

4. Check of cash books, receipt books and other registers and relevant records.

5. Records in outposts, if any.

6. Refunds of token tax.

7. Payment of passenger and goods tax compounded or made in lumpsum where amount does not exceed Rs.1,000.

   (Audit Officer may raise or lower this limit to ensure that 25 per cent of such payments are audited by Auditor).

(Cr.Ar.G.Cir.No.6 of 1984 No.252 – Rec – A-IV/3(I)-84/gr.I, dt.28.2.84).

Verification of remittances with Treasury

The following procedure has been prescribed.

1. 2 Months Credits as appearing in the Departmental records have to be checked with the original records of the treasury.

2. In addition to the above, 5% of the receipts/credits appearing in the Demand Collection Balance Register/Collection Register/Tax posting Register/Licence Fee Register etc., also have to be verified with the original records of the treasury.

   (C&Ar.G’s Circular No.13 of 1974 dt.8.8.74 and C&Ar.G’s Lr.No.139-Rec-A-IV/8-73 KW, dt.18.3.75, and SRA (Hq) Circular No.6 SRA /1-28/A/Genl. Dt.29.4.75.

(C&Ar.G’s Circular No.13 of 1974 dt.8.8.74 and C&Ar.G’s Lr.No.139-Rec-A-IV/8-73 KW, dt.18.3.75, and SRA (Hq) Circular No.6 SRA /1-28/A/Genl. Dt.29.4.75.)
CHAPTER 9
CHAPTER ON COMPUTERISATION

CFST – CITIZEN FRIENDLY SERVICES OF TRANSPORT DEPARTMENT

Computerisation in the department was first taken up in the year 1988 and implemented in phased manner. Government has appointed an Evaluation Committee in G.O.Ms.NO.278, Tr.R&B Department, dated 30th March 1999 to guide the department in computerisation of its offices. After several meetings the committee has selected M/s Tata Infotech Ltd. as service provider for the Transport Department on ‘Facility Management’ basis.

OVERVIEW:

The objective of computerisation is to make the Transport Department Citizen friendly in its functioning and provide SMART services to the public. It is intended to build comprehensive database and provide on-line services to the public covering all gamut of services of Transport Department like Issue of Driving Licenses, Registration, Permits, Taxation etc. All the offices in the state have inter-connectivity through APSWAN. A logo also has been chosen for this project namely ‘CFST’, which stands for Citizen Friendly Services of Transport Department. APTS has been appointed as technical consultants.

After watching the software demonstration by 4 different companies, the evaluation committee has finally chosen the software developed by M/s. Tata Infotech Ltd., as it is comprehensive application software, covering all aspects of the Transport Department’s functions. This software is operable on Windows NT and supported by Oracle database. It is also seen that it is compatible for inter-connectivity. The Application software developed by M/s. Tata Infotech Ltd, has been purchased on one time basis including source code, which can be replicated / modified through out the state including in e-seva project.

The officials of Transport Department have under taken a System Study along with the representatives of M/s. Tata Infotech Ltd. and finalised the software requirement specifications (SRS). Further, the Acceptance Criteria and the Acceptance Test Plan have also been finalised and signed.
The main objectives of computerization is as follows:

**Objectives:**

- Improved citizen services
  - Issue of learner licences – Same day
  - Issue of driving licences – Same day
  - Renewal of driving licences – 2 hours – Same day
  - Issue of duplicate driving licences – 2 hours – Same day
  - International Driving Permit – 2 hours – Same day
  - Registration of vehicles – Same day
  - Issue of Duplicate Registration Certificate – 2 hours – Same day
  - Effecting Transfer of ownership – Same day
  - Endorsement of Hire purchase agreement / termination – Same day
  - Effecting Change of residence / place of business – Same day
  - Issue of tax tokens – 2 hours – Same day
  - Issue of Permits – Same day
  - Issue of Fitness Certificates – Same day
- Improved Revenue collections.

- Centralised information for effective decision making.

Achievements:

- Connectivity to e-seva centers for payment of vehicle taxes
- Introduction of SMS Systems to relevant personnel for retrieving vehicles and license particulars.
- Interconnectivity between CFST system and Police Department for online transmission of data.
- Computerisation of 31 Unit offices across the state

The retrieval of data from the computer system has to be generated by executing queries which is detailed in the Annexure.

Queries:

- To retrieve to list of non payment of taxes in respect of Transport Vehicles (Active and inactive)
- To obtain a list of challan remittances
- List of amounts received by way of Challans, Cash & Demand drafts
- List of vehicles for which penalty was short collected etc.

A.O./SRA (MVT Manual Updation)  Sr. A.O./SRA  Sr. DAG/SRA
REVENUE AUDIT MANUAL

ON

ELECTRICITY DUTY
FOR USE OF I.A. & A.D. ONLY
OFFICE OF THE ACCOUNTANT GENERAL
(COMMERCIAL AND RECEIPT AUDIT)
HYDERABAD – 500 004.

REVENUE AUDIT MANUAL ON
ELECTRICITY DUTY
ANDHRA PRADESH

ISSUED BY

THE ACCOUNTANT GENERAL (COMMERCIAL AND RECEIPT AUDIT),
ANDHRA PRADESH, HYDERABAD-500 004.
PREFACE

The audit of Electricity Duty (Receipts and Refunds) is being conducted in the State of Andhra Pradesh from 1977-1978. This Manual on audit of Electrical duty in Andhra Pradesh State has been prepared in compliance with the instructions of Comptroller and Auditor General of India. The Manual is updated duly incorporating latest changes in this regard.

This Manual is intended to guide the officers and staff both in Headquarters and in the field in the audit of Electricity duty. However, the Manual is not a substitute to the Andhra Pradesh Electricity duty Act 1939 and Andhra Pradesh Electricity duty Rules, 1939 and Rules made there under from time to time. Those officers and staff engaged in the audit of Electricity duty receipts should acquaint themselves fully with the provisions of the Acts, Rules made there under and other procedural instructions issued by the State Government from time to time.

State Receipt Audit (Headquarters) section shall be responsible for keeping the manual up to date. Errors or omissions, if any, noticed may be brought to the notice of Accountant General (Commercial And Receipt Audit), Andhra Pradesh, Hyderabad. Suggestions for the improvement of the manual are also welcome.

HYDERABAD
Date : 03-12-2007

ACCOUNTANT GENERAL (C & RA),
ANDHRA PRADESH,
HYDERABAD –500 004.
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CHAPTER – I
INTRODUCTION
CONSTITUTIONAL RESPONSIBILITY OF THE COMPTROLLER AND AUDITOR
GENERAL OF INDIA FOR AUDIT OF RECEIPTS

1.1 The audit of revenues is inherent in the powers vested in the C&AG of India by Article 151
of the constitution. Article 151 lays down that the reports of the CAG relating to the accounts of
the Union and State shall be submitted to the President or the Governor of a State as the case may
be, who shall cause them to be laid before each house of Parliament or legislature of Union or a
State. Thus the audit reports must relate to the totality of the accounts of the Union or a State, and
this totality would include all receipts embracing the revenue of the Union and of the State.

1.2. Section 16 of the CAG’s (D.P.C) Act 1971 specifically enjoins upon the Comptroller and
Auditor General to audit all receipts of the Union and of the States and to satisfy himself that
the rules and procedures in that behalf are designed to secure an effective check on the
assessment, collection and proper allocation of revenue and are duly observed. For that purpose
the CAG is authorised to undertake such examination of the accounts as he thinks fit and to
report thereon.

1.3. Principles of Receipt Audit.

Audit of receipts is broadly governed by the general principles laid down in chapter-3 of section
II of the Manual of Standing Orders (Audit). The instructions contained in this manual are
supplementary thereto and describe specifically the procedure to be followed in the audit of
duty on electricity.

1.4 Under Article 246 of the constitution read with entry 53, and 66 of list II (State list) of the
seventh schedule, the State Governments are empowered to make laws for the levy of taxes
and fees on the consumption or the sale of electricity. Entries 38 and 47 of list III concurrent
list of the aforesaid schedule empower the union Govt. also to make laws on electricity and for
the levy of fees thereon.

Accordingly, the levy of electricity duty and fee in A.P. is based on and regulated by the
following Acts and Rules passed both by the Central and State Legislatures.

(i) The Electricity Act, 2003
(ii) The Indian Electricity Rules, 1956
(iii) The A.P. Electricity (Duty) Act, 1939
(iv) The A.P. Electricity (Duty) Rules, 1939
(v) The A.P. Electrical Regulations, 1987
(vi) A.P. Cinema (Regulation) Rules, 1970.
(vii) The Electrical Wires, Cables, Appliances and Protection Devices and Accessories

The important definitions under Section 2 of the Electricity Act, 2003 are given below.

i. ‘Authority’ means the Central Electricity Authority referred to in Sub-Section (1) of
Section 70.
ii. ‘Board’ means a State Electricity Board, constituted before the commencement of Electricity Act 2003 under Sub-Section (1) of Section (5) of the Electricity (Supply) Act, 1948 (54 of 1948).

iii. ‘Captive Generating Plant’ means a power plant set up by any person to generate electricity primarily for his own use and includes a power plant set up by any Cooperative Society or associations of persons for generating electricity primarily for use of members of such Co-operative Society or associations.

iv. ‘Company’ means a company formed and registered under the Companies Act 1956 (1 of 1956) and includes any body corporate under a Central, State or Provincial Act.

v. ‘Consumer’ means any person who is supplied with electricity for his own use by a licensee or the Government or by any other person engaged in the business of supplying electricity to the public under this Act or any other law for the time being connected for the purpose of receiving electricity with the works of licensee, the Government or such other person as the case may be.

vi. ‘Electrical Inspector’ means a person appointed as such by the appropriate Government under Sub-Section (1) of Section 162 and also includes Chief Electrical Inspector.

vii. ‘Electricity’ means electrical energy a) generated, transmitted, supplied or traded for any purpose or b) used for any purpose except for transmission of a message.

viii. ‘License’ means a license granted to any person a) to transmit electricity as a transmission licensee or b) to distribute electricity as a distribution licensee or c) to undertake trading in electricity as an electricity trader, in any area as may be specified in the license.

ix. ‘Licensee’ means a person who has been granted a license.

1.5. AUDITING STANDARDS

Auditing Standards prescribe the norms of principles and practices, which the Auditors are expected to follow in the conduct of Audit. They provide minimum guidance to the Auditor that helps determine the extent of auditing steps and procedures that should be applied in; the audit and constitute the criteria or yardstick against which the quality of audit results are evaluated.

The norms of Principles and Procedures to be followed by Audit are prescribed in "Auditing Standards" (2nd Edition, 2002) which, inter-alia, include the following:

A) Basic Postulates: The basic postulates for auditing standards are basic assumptions, consistent premises, logical principles and requirements which help in developing auditing standards and serve the auditors in forming their opinions and report on particularly in cases where no specific standards apply.

The Basic Postulates are:

1) The Supreme Audit Institution of India (SAI) should comply with the International Organisation of Supreme Audit Institutions (INTOSAI) auditing standards in all matters that are deemed material.

2) The SAI should apply its own judgement to the diverse situations that arise in the course of Government auditing.

3) With increased public consciousness, the demand for public accountability of persons or entities managing public resources has become increasingly evident so that there is a need for the accountability process to be in place and operating effectively.

4) Development of adequate information, control, evaluation and reporting systems within the Government will facilitate the accountability process, Management is responsible for correctness and sufficiency of the form and content of the financial reports and other information.
5) Appropriate authorities should ensure the promulgation of acceptable accounting standards for financial reporting and disclosure relevant to the needs of the Government, and audited entities should develop specific and measurable objectives and performance targets.

6) Consistent application of acceptable accounting standards should result in the fair presentation of the financial position and the results of operations.

7) The existence of an adequate system of internal control minimises the risk of errors and irregularities.

8) Legislative enactments would facilitate the co-operation of audited entities in maintaining and providing access to all relevant data necessary for a comprehensive assessment of the activities under audit.

9) All audit activities should be within the SAIs audit mandate.

10) SAIs should work towards improving techniques for auditing the validity of performance measures

11) SAIs should avoid conflict of interest between the auditor and entity under audit.

B) **General Standards**: 1) The general auditing standards describe the qualifications of the auditor and the auditing institution so that they may carry out the tasks of field and reporting standards in a competent and effective manner. These standards apply to all types of audit for both auditor and audit institutions. While auditing, the auditor should be independent, competent and due care should be taken in planning, specifying, gathering and evaluating evidence and in reporting on findings, conclusions and recommendations.

2) The legal mandate provided in the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971 provides for full and free access for the CAG and his auditors to all premises and records relevant to audited entities and their operations and provides adequate powers to the CAG to obtain relevant information from persons or entities possessing it.

3) The audit department seek to create among audited entities an understanding of its role and function, with a view to maintaining amicable relationships with them. Good relationships can help the SAI to obtain information freely and frankly and to conduct discussions in an atmosphere of mutual respect and understanding.

C) **Field standards** (1): The purpose of field standards is to establish the criteria or overall framework for the purposeful, systematic and balanced steps or actions that the auditor has to follow. These steps and actions represent the rules of investigation that the auditor, as a seeker of audit evidence, implements to achieve a specific result.

(2) The field standards establish the framework for conducting and managing audit work. They are related to the general auditing standards, which set out the basic requirements for undertaking the tasks covered by the field standards. They are also related to reporting standards, which cover the communication aspect of auditing, as the results from carrying out the field standards constitute the main source for the contents of the opinion or report.

(3) The field standards applicable to all types of audit are:

a). The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.

b). The work of the audit staff at each level and audit phase should be properly supervised during the audit; and a senior member of the audit staff should review documented work.

c). The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control.
i) **Planning:** The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out without wastage of resources in an economic, efficient and effective way in a timely manner.

1) The following planning steps are normally included in an audit:
   a). Collect information about the audited entity and its organisation in order to assess risk and to determine materiality:
   b). Define the objective and scope of the audit:
   c). Undertake preliminary analysis to determine the approach to be adopted and the nature and extent of enquiries to be made later.
   d). Highlight special problems foreseen when planning the audit:
   e). Prepare a budget and a schedule for the audit:
   f). Identify staff requirements and a team for the audit: and
   g). Familiarise the audited entity about the scope, objectives and the assessment criteria of the audit and discuss with them as necessary.

ii). **Supervision:**- The work of audit staff at each level and audit phase should be properly supervised during audit, and a senior member should review documented work.

1) The following paragraphs explain supervision and review as an auditing standard.
   A) Supervision is essential to ensure the fulfillment of audit objectives and the maintenance of the quality of the audit work. Proper supervision and control is therefore necessary in all cases, regardless of the competence of individual auditors.
   B) Supervision should be directed both to the substance and to the method of auditing. It involves ensuring that:
      a. The members of the audit team have a clear and consistent understanding of the audit plan.
      b. The audit is carried out in accordance with the auditing standards and practices of the SAI.
      c. The audit plan and action steps specified in that plan are followed unless a variation is authorised.
      d. Working papers contain evidence adequately supporting all conclusions, recommendations and opinions
      e. The auditor achieves the stated audit objectives and
      f. The audit report includes the audit conclusions, recommendations and opinions, as appropriate.

2) All audit work should be reviewed by a senior member of the audit staff before the audit opinions or reports are finalised. It should be carried out as each part of the audit progresses. Review bring more than one level of experience and judgement to the audit task and should ensure that:
   a. All evaluations and conclusions are soundly based and are supported by competent, relevant and reasonable audit evidence as the foundation for the final audit opinion or report.
   b. All errors, deficiencies and unusual matters have been properly identified, documented and either satisfactorily resolved or brought to the attention of a more senior SAI officer, and
   c. Changes and improvements necessary to the conduct of future audits are identified, recorded and taken into account in later audit plans and in staff development activities.

3) This standard emphasises the importance of involvement of each higher level of supervision and does not in any way absolve the lower levels of audit staff carrying out field investigations from any negligence in carrying out assigned duties.

iii) **Study & Evaluation of Internal Control:** The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control and depend on the objectives of the audit and on the degree of reliance intended. Where accounting or other information systems are
Comptuerized, the auditor should determine whether internal controls are functioning properly to ensure the integrity, reliability and completeness of the data.

iv) Compliance with Applicable laws and regulations: In performance audit an assessment should be made of compliance with applicable laws and regulations when necessary to satisfy the audit objectives. The auditor should provide reasonable assurance to detecting illegal acts that could significantly affect audit objectives and should be alert to situation or transaction that could be indicative of illegal acts that may have an indirect effect on the audit reports. The following paragraphs explain compliance as an auditing standard.

1) Reviewing compliance with laws and regulations is especially important when auditing government programs because decision-makers need to know if the laws and regulations are being followed, whether they are having the desired results, and, if not, what revisions are necessary. Additionally government organizations, programs, services, activities, and functions are created by laws and are subject to more specific rules and regulations.

2) Those planning the audit need to be knowledgeable of the compliance requirements that apply to the entity being audited. Because the laws and regulations that may apply to a specific audit are often numerous, the auditors need to exercise professional judgement in determining those laws and regulations that might have a significant impact on the audit objectives.

3) The auditor also should be alert to situations or transactions that could be indicative of illegal acts that may indirectly impact the results of the audit. When audit steps and procedures indicate that illegal acts have or may have occurred, the auditor needs to determine the extent to which these acts affect the audit results.

4) In conducting audits in accordance with this standard, the auditors should choose and perform audit steps and procedures that, in their professional judgement, are appropriate in the circumstances. These audit steps and procedures should be designed to obtain sufficient, competent, and relevant evidence that will provide a reasonable basis for their judgement and conclusions.

5) Generally, management is responsible for establishing an effective system of internal controls to ensure compliance with laws and regulations. In designing steps and procedures to test or assess compliance, auditors should evaluate the entity’s internal controls and assess the risk that the control structure might not prevent or detect non-compliance.

6) Without affecting the SAI’s independence, the auditors should exercise due professional care and caution in extending audit steps and procedures relative to illegal acts so as not to interfere with potential future investigations or legal proceedings. Due care would include considering the concerned laws and relevant legal implications through appropriate forum to determine the audit steps and procedures to be followed.

v) Audit Evidence: Competent, relevant and reasonable evidence should be obtained to support the auditors judgment and conclusions regarding organization, programme, activity or function under audit.

The following paragraphs explain audit evidence as an auditing standard.

1) The audit findings, conclusions and recommendations must be based on evidence. Since auditors seldom have the opportunity of considering all information about the audited entity, it is crucial that the data collection and sampling techniques are carefully chosen. When computer-based system data are an important part of the audit and the data reliability is crucial to accomplishing the audit objective, auditors need to satisfy themselves that the data are reliable and relevant.

2) Auditor should adequately document the audit evidence in working papers, including the basis and extent of the planning, work performed and the findings of the audit. Working papers should contain
sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditor's significant findings and conclusions.

3.) Adequate documentation is important for several reasons. It will:
   a. Confirm and support the auditor's opinions and reports
   b. Increase the efficiency and effectiveness of the audit.
   c. Serve as a source of information for preparing reports or answering any enquiries from the audited entity or from any other party.
   d. Serve as evidence of the auditor’s compliance with Auditing Standards
   e. Facilitate planning and supervision.
   f. Help the auditor’s professional development.
   g. Help to ensure that delegated work has been satisfactorily performed, and
   h. Provide evidence of work done for future reference.

4.) The auditor should bear in mind that the content and arrangement of the working papers reflect the degree of the auditor’s proficiency, experience and knowledge.

vi). **Analysis of Financial Statements**: In all types of audit when applicable auditor should analyse the financial statement to establish whether applicable accounting standards for financial reporting and disclosure are complied with and should perform to such degree that a rational basis is obtained to express an opinion on financial statements.

   The auditor should thoroughly analyse the financial statements and ascertain whether:
   a). Financial statements are prepared in accordance with acceptable accounting standards;
   b). Financial statements are presented with due consideration to the circumstances of the audited entity;

   c). Sufficient disclosures are presented about various elements of financial statements; and
   d). The various elements of financial statements are properly evaluated, measured and presented.

   The methods and techniques of financial analysis depend to a large degree on the nature, scope and objective of the audit, and on the knowledge and judgement of the auditor.

2). Where the SAI is required to report on the execution of budgetary laws, the audit should include:
   a). For revenue accounts, ascertaining whether forecasts are those of the initial budget, and whether the audits of taxes, rates and duties recorded, and imputed receipts, can be carried out by comparison with the annual financial statements of the audited activity;
   b). For expenditure accounts, verifying credits to assist budgets, adjustment laws and, for carryovers, the previous year’s financial statements.

3.) Where the SAI is required to report on systems of tax administration or systems for realising non-tax receipts, along with a systems study and analysis of realisation of revenue/receipts, detection of individual errors in both assessments and collection is essential to highlight audit assertions regarding the system defects and comment on their efficiency to ensure compliance.

**D) Reporting Standards**: 1). On the completion of each audit assignment, the Auditor should prepare a written report setting out the audit observations and conclusions in an appropriate form; its content should be easy to understand, free from ambiguity and supported by sufficient, competent and relevant audit evidence and be independent, objective, fair, complete, accurate, constructive and concise.

2). With regard to fraudulent practice or serious financial irregularities detected during audit or examined by audit, a written report should be prepared. This report should indicate the scope of audit, main findings, total amount involved, modus operandi of the fraud or the irregularity, accountability
for the same and recommendations for improvement of internal control system, fraud prevention and
detection measures to safeguard against recurrence of fraud/serious financial irregularity.

3). The audit report should be complete. This requires that the report contains all pertinent information
needed to satisfy the audit objectives, and to promote an adequate and correct understanding of the
matter reported. It also means including appropriate background information.

4). In most cases, a single example of a deficiency is not sufficient to support a broad conclusion or a
related recommendation. All that it supports is that a deviation, an error or a weakness existed.
However, except as necessary, detailed supporting data need not be included in the report.

5). Accuracy requires that the evidence presented is true and the conclusions be correctly portrayed.
The conclusions should flow from the evidence. The need for accuracy is based on the need to assure
the users that what is reported is credible and reliable.

6). The report should include only information, findings and conclusions that are supported by
competent and relevant evidence in the auditor’s working papers. Reported evidence should
demonstrate the correctness and reasonableness of the matters reported.

7). Correct portrayal means describing accurately the audit scope and methodology and presenting
findings and conclusions in a manner consistent with the scope of audit work.

8). Objectivity requires that the presentation throughout the report be balanced in content and tone.
The audit report should be fair and not be misleading and should place the audit results in proper
perspective. This means presenting the audit results impartially and guarding against the tendency to
exaggerate or over emphasise deficient performance. In describing shortcomings in performance, the
Auditor should present the explanation of the audited entity and stray instances of deviation should not
be used to reach broad conclusions.

9). The tone of reports should encourage decision-makers to act on the auditor’s findings and
recommendations. Although findings should be presented clearly and forthrightly, the auditor should
keep in mind that one of the objectives is to persuade and this can best be done by avoiding language
that generate defensiveness and opposition.

10). Being convincing requires that the audit results be presented persuasively and the conclusions
and recommendation followed logically from the facts presented. The information presented should
be sufficient to convince the readers to recognise the validity of the findings and reasonableness of
audit conclusions. A convincing report can help focus the attention of management on matters that
need attention and help stimulate correction.

11). Clarity requires that the report be easy to read and understand. Use of non-technical language is
essential. Wherever technical terms and unfamiliar abbreviations are used, they should be clearly
defined. Both logical Organisation of the material and precision in stating the facts and in drawing
conclusions significantly contribute to clarity and understanding. Appropriate visual aids (such as
photographs, charts, graphs and maps etc.) should be used to clarify and summarise complex material.

12). Being concise requires that the report is not longer than necessary to convey the audit opinion and
conclusions. Too much of details detracts from the report and conceals the audit opinion and
conclusions and confuses the readers. Complete and concise reports are likely to receive greater
attention.

13). Being constructive requires that the report also includes well thought out suggestions, in broad
terms, for improvements, rather than how to achieve them. In presenting the suggestions due regard
should be paid to the requirements of rules and orders, operational constraints and the prevailing
milieu. The suggestions should be discussed with sufficiently high level functionaries of the entities
and as far as possible, their acceptances obtained before these are incorporated in the report.
14). Timeliness requires that the audit report should be made available promptly to be of utmost use to all users, particularly to the auditee organisations and/ or Government who have to take requisite action.
CHAPTER 2

ORGANISATIONAL SET UP

2.1 The Andhra Pradesh Government in the Energy Department administers the provision of the Acts and Rules mentioned above through the Chief Electrical Inspector to Government of Andhra Pradesh, Hyderabad, who is the Head of the department in the rank of Chief Engineer. He is assisted by Deputy Chief Electrical Inspectors, Electrical Inspectors who hold Regional charges in Andhra Pradesh. At present, there are six inspecting Divisions located with three Headquarters at Hyderabad, and one each at Kurnool, Visakhapatnam and Vijayawada. These divisions are further sub-divided into Sub-divisions. There are 25 sub-divisions under control of above six divisions. Each sub-division is headed by Deputy Electrical Inspector who is assisted by Assistant Electrical Inspectors.

2.2 Functions: The A.P. Electrical Inspectorate is responsible for enforcement of the various provisions, under the Electricity Act, Indian Electricity Rules, A.P. Cinema (Regulation) Rules, A.P. Electrical Appliances quality control order, A.P. Electrical Licencing Regulations; and A.P.Electricity duty Act and Rules in the State.

The work or functions of the Inspectorate covers the following.

1. Statutory inspections of the Electrical Installations of the licensees and sanction holders for assessing Electricity Duty.

2. Scrutiny of the fresh proposals of drawings High Voltage (H.V) and Extra High Voltage (E.H.V) electrical installations of the consumers as well as additions and alternations to the existing installations under Rule 63 of Indian Electricity Rules, 1956.

3. Inspection and issue of Statutory approvals for items covered under item(2) above.

4. Annual inspections of all H.V. and E.H.V. consumers installations in a phased programme under rule 46 of Indian Electricity rules 1956.

5. Scrutiny of proposals for the installations of Neon signs and X-ray plants and inspections and issue of approvals as per Rule 71 & 73 of Indian Electricity Rules 1956.

6. Inspection of temporary installations concerned with exhibitions and public functions to ensure and certify that the installations are free from danger under section 54 of Electricity Act 2003.


8. Scrutiny of proposals for the Electrical Installations of new and existing cinemas and videos inspections and issue of Electrical and fire certificates under A.P.Cinemas (Regulations) Rules 1970.

9. Investigation of fatal and non-fatal electrical accidents and reporting to the Government in cases of multiple fatal electrical accidents and suggestions to the supplier for minimizing number of accidents.
10. Issue of Electrical contractors licenses and competency certificates and permits to supervisors and wiremen.

11. Testing of R.S.S. meters, energy meters, rubber gloves, transformers oil samples, grade oil testing power of factor meter, trivector meter, frequency meter, ammeter, voltmeter, Energy meter, fire-extinguisher is being carried out at standard laboratory. Testing of customers’ installations is carried out for leakage and also insulation resistance value of the equipment, at consumers, premises on consumers request at consumers cost.


<table>
<thead>
<tr>
<th>ORGANISATIONAL CHART</th>
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<tbody>
<tr>
<td>CHIEF ELECTRICAL INSPECTOR TO THE GOVERNMENT OF ANDHRA PRADESH, HYDERABAD</td>
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<table>
<thead>
<tr>
<th>A. Deputy Electrical Inspector, Technical</th>
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<tr>
<td>B. Deputy Chief Electrical Inspector to the Government of AP, Hyderabad</td>
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<tr>
<td>C. Deputy Chief Electrical Inspector to the Government of AP, Hyderabad Rural.</td>
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<tr>
<td>D. Electrical Inspector, Hyderabad</td>
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<tr>
<td>E. Electrical Inspector, Kurnool</td>
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<tr>
<td>F. Electrical Inspector, Visakhapatnam</td>
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<tr>
<td>G. Electrical Inspector, Vijayawada</td>
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<tr>
<th>Discharging duties as PA to the CEIG</th>
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<tbody>
<tr>
<td>Deputy Electrical Inspectors at a) Ranga Reddy-I</td>
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<tr>
<td>b) Ranga Reddy-II</td>
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<tr>
<td>c) Ranga Reddy-III</td>
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<tr>
<td>d) Nalgonda</td>
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<tr>
<td>Deputy Electrical Inspectors at a) Medak-I</td>
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<tr>
<td>b) Medak-II</td>
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<tr>
<td>c) Karimnagar</td>
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<td>d) Warangal</td>
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<tr>
<td>e) Nizamabad</td>
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<tr>
<td>f) Mahaboobnagar</td>
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<tr>
<td>Deputy Electrical Inspectors at a) Hyderabad</td>
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<tr>
<td>b) Secunderabad</td>
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<tr>
<td>Deputy Electrical Inspector standard laboratory and cinemas.</td>
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<tr>
<td>Above offices are in the office of the CEIG, Hyderabad</td>
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<tr>
<td>Deputy Electrical Inspectors at a) Kurool</td>
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<tr>
<td>b) Kadapa</td>
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<tr>
<td>c) Nellore</td>
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<tr>
<td>d) Tirupathi</td>
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<tr>
<td>Deputy Electrical Inspectors at a) Visakhapatnam</td>
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<tr>
<td>b) Vizianagaram</td>
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<tr>
<td>c) Rajamundry</td>
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<tr>
<td>d) Kakinada</td>
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<tr>
<td>Deputy Electrical Inspectors at a) Vijayawada</td>
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<tr>
<td>b) Krishana East</td>
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<tr>
<td>c) Guntur</td>
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<td>d) Guntur West</td>
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<tr>
<td>e) Eluru</td>
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CHAPTER 3

LEVY OF ELECTRICITY DUTY

3.1 According to section 3(1) of A.P. Electricity Duty Act, 1939, every licensee in the State of Andhra Pradesh shall pay every month to the State Government in the prescribed manner, a duty calculated at the rate of six paise per unit of energy, on and in respect of all sales of energy (except sales to the Central Government for consumption by that Government) effected by the licensee during the previous month at a price of more than 12 paise per unit (and on and in respect of all energy which was consumed by the licensee during the previous month for the purposes other than these connected with the construction, maintenance and operation of his Electrical undertaking and which, if sold to private consumer under like conditions would have fetched a price of more than twelve paise per unit).

3.2 As per section 3(2) of the Act ibid a licensee shall be exempt from the duty under sub section (1) in any months, if in the previous month the total sales of energy effected by him at whatever price together with the energy consumed by him for purposes other than those connected with the construction, maintenance and operation of his electrical undertaking did not exceed 16,666 units.

Provided that if at the end of the financial year, it is found that in such year the total sales of energy effected by the licensee at whatever price together with the energy consumed by him for purposes, other than these connected with construction, maintenance and operation of his electrical undertaking were not less than 2,00,000 units, the licensee shall pay the duty in respect of any month or months comprised in such year in which the total of the sales and of the consumption as aforesaid did not exceed 16,666 units.

3.3 As per G.O.Ms No: 117 Energy (RES), 13th October 2003. The Government of Andhra Pradesh shall levy duty with effect from, the 17th July,2003 at the rate of 25paise per unit on the power generated or consumed or sold by the consumers who have captive generating sets of aggregate capacity of 1000KVA and above.

3.4 As per G.O.Ms No: 123 energy (PR-III) 28th October 2003. The Government of Andhra Pradesh shall exempt permanently from payment of electricity duty payable under sub-section (1) of section 3B of the said Act the units of Ferro Alloys in Andhra Pradesh in respect of power generated and consumed by them, subject to the condition that the electricity generated shall be used fully by them only
CHAPTER 4

CALCULATION OF ELECTRICITY DUTY

4.1 As per section 3 (1) of A.P. Electricity duty Act 1939 duty is to be calculated at six paise per unit of energy on and in respect of all sales of energy.

Where the tariff does not involve metered supply of energy, the license shall compute the supply on a basic approved by the Chief Electrical Inspector to Government or shall provide and maintain a suitable metering equipment.

Provided further that where the charges payable by a consumer are not calculated solely on the number of units of energy actually supplied to him, the number of units of energy to the consumer shall be computed as that which according to the Tariff of the licensee will be equivalent to the amount realised by him from the consumer.
CHAPTER 5

MAINTENANCE OF RECORDS

5.1 Records maintained in the office of the Deputy Electrical Inspector

The following records are maintained in the Office of the Deputy Electrical Inspector.

1. Consolidated revenue register: It is posted from treasury challans in respect of all types of fees and electricity duty received in his office.
2. Medium and High Tension Installation Registers.
3. Cinema Register.
4. General Register of Inspection.
5. Periodical Inspection Register and Ledger.
6. Register of Neon Sign and X-rays plants.
7. Register of Accidents.
8. Electricity duty register.
9. Register of recovery of outstanding electricity duty
10. Register for refund of electricity duty.
11. Copies of monthly treasury challans received from licensees etc.,
12. Quarterly returns in form A, B, BB received from licensees. (form A showing information regarding energy supplied or consumed electricity duty levied thereon and actually paid to Govt. and amount of electricity duty written off)
13. Annual return in form C received from licensee (Showing the opening and closing balance amount of electricity duty) interest and penalty accrued and actually paid adjusted and written off).
CHAPTER 6

INSPECTIONS OF ELECTRICAL INSTALLATIONS ETC., BY THE ELECTRICAL INSPECTORS AND LEVY OF FEES.

6.1. As per G.O.Ms No. 45, dt. 4-5-2002 issued by Energy (P.R.II) Department. An electrical installation other than the one belonging to or under the central Govt. and installation Mines, oilfields, and Railways which is already connected to the supply system of the supplier shall be periodically inspected and tested under Rule 46 by the Agency specified in Column (3) of the Table given below and at intervals specified in column (4) thereof.

<table>
<thead>
<tr>
<th>S.NO.</th>
<th>Particulars</th>
<th>Agency for Inspection</th>
<th>Periodicity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>E.H.V and H.V. Installation</td>
<td>Electrical Inspector or any Officer appointed to assist the Electrical Inspector.</td>
<td>one year</td>
</tr>
<tr>
<td>2.</td>
<td>M.V Installations</td>
<td>Supplier</td>
<td>Once in three years</td>
</tr>
<tr>
<td>3.</td>
<td>L.V installations</td>
<td>Supplier</td>
<td>Once in five years</td>
</tr>
<tr>
<td>4.</td>
<td>(a) Neon sign and all other luminous tube installations.</td>
<td>Electrical Inspector or any officer appointed to assist the Electrical Inspector</td>
<td>One year</td>
</tr>
<tr>
<td></td>
<td>(b) X-Ray and all high frequency installations</td>
<td>- do -</td>
<td>one year</td>
</tr>
</tbody>
</table>

Provided that, the M.V. and L.V. installations of a E.H.V., H.V. service will be inspected and tested along with EHV or HV installation according to the periodicity shown in column (4) by the Inspecting Agency shown in Column (3).
Provided further that the M.V. and L.V. Cinematograph installations will be inspected and tested by the Deputy Electrical Inspector/Assistant Electrical Inspector in accordance with the Andhra Pradesh Cinema (Regulation) Rules 1970.

(2) The supplier shall report as required under Rule 46(1) (b) the conditions of the installation to the consumer concerned in a Form approved by Electrical Inspectorate and shall submit a copy of such report to the Electrical Inspectorate.

Note: The multi-storeyed buildings more than (15) Mtrs. in height shall be inspected by the “supplier” as the said building have come under M.V.Installations.

6.2 Levy of fees:

1) Fee shall be levied on the licensee or owner for inspection examination and testing and generally for the services of an Electrical Inspector in accordance with the scales specified in the schedule as mentioned on the Annexure. The fee shall be charged for and paid in.

2) Where the prescribed fee cannot be charged for, in advance, the same will be demanded by a notice after inspection, examination or test has been completed and shall be paid by the owner or licensee, within thirty days from the date of receipt of notice.

Note: Under rule 46(2) (a) the prescribed fee is payable by owner on or before the first day of the preceding month to the month of inspection (For example: if the month of inspection is March, the fee shall be payable on or before the First February).

3) The inspection or test under Act and Rules shall be carried out on receipt of the Challan for the remittance of the prescribed fee and on confirmation from the licensee or owner that the installation is fully ready in all respects for carrying out such an inspection or test.

At the time of inspection if the installation is found not fully ready for carrying out necessary inspection or test, the licensee or the owner shall pay further fee equivalent to the full initial fee for carrying out another inspection or test.

4) No fees shall be levied in the case of second or subsequent inspection, examination or test made, provided that the installation does not involve any extension, or is not, in the opinion of the Electrical Inspector, necessitated by the neglect or failure of the owner or licensee to carry out within a stipulated time, any written order by the Electrical Inspector.

5) For inspection of any additions and/or alterations in an existing installation which has been inspected, fees shall be charged for such additions and or alterations only.
6.3. **Mode of Payment**

For inspections and tests carried out by Electrical Inspector fee shall be remitted by the payee into Government Treasury or the branches of State Bank of India or State Bank of Hyderabad in Andhra Pradesh and credited to Detailed Head of Account.

Major Head: .0043 Taxes and Duties on Electricity

Minor Head : 102 fees under Indian Electricity Rules,1956

Sub-Head : 01 Fee under Indian Electricity. Rules 1956

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**CHAPTER 7**

**AUDIT CHECKS**

Audit checks: The following are the checks to be exercised during audit of the various records.

Consolidated revenue Register: It should be seen

1) Whether the treasury challans received from licensee etc., in respect of electricity duty or fee have been correctly posted.

2) Whether inspection of electrical installations by the Inspectors have been carried out only after payment of prescribed fee.

3) Whether notices were issued periodically in time in each case, where it was due.
4) Whether electricity duty has been realized as and when due from persons consuming energy from their own source of generation.

5) Whether the refunds allowed were sanctioned by competent authority and that the amount refunded was actually initially deposited by the person concerned. This should be checked with original challans.

**Fees for inspection:** It should be seen

1) Whether the fees for inspection of various items have been correctly charged and accounted for.
2) Whether the treasury challans received in respect of the fees have correctly been posted in the prescribed registers.
3) Whether office maintains details of all categories of installations and their inspections and Audit should point out the loss of revenue on account of non-collection due to non-conducting of inspection of installations and should cross verify the data with actual inspections.
### ANNEXURE

**SCHEDULE**

**SCALE A**

(Fee for Inspections and Tests under Rule 46 of the Indian Electricity Rules, 1956 for the periodicity shown under the table)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Particulars</th>
<th>Fee Rate</th>
</tr>
</thead>
</table>
| 1.    | **EHV Installations**  
       Transformers of all capacities including connected cables, lines and switch gear. | Rs. 3,100 per unit |
| 2.    | **H.V Installations**  
       a) Transformers and generators of capacity (including cables, lines and switch gear)  
       i) Upto and including 500 KVA  
       ii) Above 500 KVA  
       Subject to a maximum fee of Rs.31,000/- on item 1 and 2 put together. | Rs. 1250 per unit  
       Rs. 1850 per unit |
       | b) HV Equipment including cables, lines and switch gear.  
       i) Upto 1000KW  
       ii) above 1000KW | Rs.1250/-  
       Rs.1250/-+Rs.600/- for every 1000KW or part thereof in excess of 1000KW subject to a maximum fee of Rs.9,500/- |
| 3.    | **M.V Installations (including cables, lines and switch gear)**  
       i) Upto 10KW  
       ii) Above 10KW to 100 KW  
       iii) Above 100 Kw. | Rs. 5/- per Kw  
       Rs. 250/-  
       Rs. 250/-+125/- for every 100KW or part thereof in excess of 100KW, subject to a maximum fee of Rs.9,500/- |
| 4.    | **L.V. Installation (including cables, lines and switch gear)** |  |
i) Upto 10KW. 
   Rs. 5/- per KW

ii) Above 10KW to 100 KW 
   Rs. 250/-

iii) Above 100 KW.
   Rs. 250/-+125/- for every 100KW or part thereof in excess of 100KW, subject to a maximum fee of Rs.6,250/-

5. Neon sign and other luminous tube installations 
   Rs.250/-per installation

6. X-Ray and other similar High frequency installation. 
   Rs. 250/- per unit

Explanation

1. Installation means by composite electrical unit used for the purposes of generating, transforming, transmitting, converting, distributing, utilizing energy.

2. A EHV service may consist of EHV installation, HV installations, MV installations and L.V.Installations. A HV service may consist of HV Installation(s) and MV Installation(s), and LV Installation(s) similarly a M.V.Installation may consist of M.V.Installation and LV.Installation.

3. The total inspection fee leviable to a consumer shall be the sum total of inspection fee for EHV.Installation(s), HV.Installation(s) MV Installation(s) and LV installation(s) assessed independently to the extent possible as prescribed above.

4. Kilo Volt ampere shall be taken as KiloWatt wherever the machine or equipment are so rated and Horse Power shall be taken as 0.75 KW for the purpose of computing the fees.

5. The equipments like capacitors, stabilisers, Boosters, Regulators, Reactors etc. Which are meant for system stability/voltage Regulation shall not be taken as load for the purpose of fee calculation.

6. Input voltage shall be the criteria for categorisation of an equipment under EHV/HV/MV/LV for fee calculation.

Scale B.

(Fee for inspection and tests under Rule 63 of Indian Electricity Rules, 1956)

The fee for inspection of EHV/HV/MV/LV, Neon sign and X-ray installations under Rule 63 and M.V.Installation under Rule 50-A of Indian Electricity Rules, 1956 shall
be levied at the rate of 150% of the fee leviable for inspection under Rule 46 of Indian Electricity Rules 1956 at the rates mentioned in Scale–A.

Provided that a minimum fee of Rs.1250/- in case of EHV installation and Rs.650/- in case of HV installations shall be charged for any inspection.
Scale C.

(Fee for approval of Electrical Installation drawings)

1. **EHV Installations**
   (a) Fresh Installation Rs.3,750/-
   (b) Additions/Alterations in the existing installations Rs.1,250/-

2. **H.V Installations**
   a) Fresh Installations
      i) 33 K.V. Rs. 1,900/-
      ii) 11 K.V. Rs.1,250/-
   b) Additions/Alterations in the existing installation
      i) 33K.V. Rs.950/-
      ii) 11 K.V. Rs.600/-

Scale D.

(Fee for inspection under section 30 of the Indian Electricity Act, 1910)

<table>
<thead>
<tr>
<th>Capacity</th>
<th>Fees</th>
<th>By whom payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>For the inspection of installations coming under section 30 of the Indian Electricity Act, 1910</td>
<td>Rs.350/- per installation</td>
<td>the Owner</td>
</tr>
</tbody>
</table>

Scale E.

(Fee for tests for leakage –electric traction.)

<table>
<thead>
<tr>
<th>Capacity</th>
<th>Fees</th>
<th>By whom payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee for the items not covered in the previous order and also in G.O.M’s No’s55, Energy and Forests(PR.II) Department, dt:25-3-94 (Standards Laboratory Fees G.O.)</td>
<td>Rs.1,250/- per unit</td>
<td>the Owner</td>
</tr>
</tbody>
</table>

Scale F.

(Fee for tests for leakage –electric traction.)

<table>
<thead>
<tr>
<th>Capacity</th>
<th>Fees</th>
<th>By whom payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>For the inspection and examination or any electric traction system including trolley wires and overhead equipment</td>
<td>Rs.500/-per day subject to a minimum of</td>
<td>The licensee or owner of the Electric Traction</td>
</tr>
</tbody>
</table>
and tests or bounding and leakage currents  Rs.1000/- system
## Scale G.

(Fee for for tests for leakage).

<table>
<thead>
<tr>
<th>Capacity</th>
<th>Fees</th>
<th>By whom payable</th>
</tr>
</thead>
</table>
| For the inspection, examination or test of any distributing main or service line for the existence of leakage therein which may result in electrolysis or any other injury to any water gas or other pipes or any appliances in connection therewith | Rs.125/- for the first hour of test or part thereof and thereafter Rs.50/- per hour of test or part thereof subject to a minimum of Rs.350/- | a) In case leakage is discovered in the main distributing main or service line the owner thereof.  
   b) In case leakage is not discovered the application on whose complaint the inspection, examination or test was made. |

## Scale H.

(Fee for inspection of lines on consumer’s permises)

<table>
<thead>
<tr>
<th>Capacity</th>
<th>Fees</th>
<th>By whom payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) For the Inspection of EHV and HV lines of cables upto 220KV, including any medium or low pressure lines carried out on the same supports as the high voltage lines.</td>
<td>Rs.125/-per KM or part thereof subject to a minimum of Rs.750/-.</td>
<td>The licensee or the owner of the lines or the applicant.</td>
</tr>
<tr>
<td>(b) For the inspection of medium low pressure lines or cables other than those in (a) above.</td>
<td>Rs.125/-per KM or part thereof subject to minimum of Rs.350/-</td>
<td>The licensee or the owner of the lines or the applicant.</td>
</tr>
</tbody>
</table>

## Scale I.

(Fee for inspection of licensee lines)

<table>
<thead>
<tr>
<th>Capacity</th>
<th>Fees</th>
<th>By whom payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>For the inspection of routes of transmission lines in connection with a licensee application for.</td>
<td>Rs.125/- per KM of or part thereof subject to minimum of Rs.750/-</td>
<td>The Licensee</td>
</tr>
</tbody>
</table>

(a) Exercise of power of Telegraph
authority under the Indian Telegraph Act, 1885 (Central Act 13 of 1885) as contemplated in section 51 of the Indian Electricity Act, 1910.

(b) Approval under any of the clause in the licence.

Scale J
(Fees for inspection under rule-82(5))

<table>
<thead>
<tr>
<th>Capacity</th>
<th>Fees</th>
<th>By whom payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>For the inspection of site or grant of a certificate under rule 82(3) of the Indian Electricity Rules, 1956.</td>
<td>Rs.350/-</td>
<td>The applicant</td>
</tr>
</tbody>
</table>

Scale K

Miscellaneous

(i) For settlement of disputes (other than disputes pertaining to the meters under section-26 of the Indian Electricity Act, 1910) referred to the Electrical Inspector under the said Act or Rules made thereunder a fee of Rs.600/- per day or part thereof shall be levied, subject to a minimum of Rs.1,250/-

(ii) For testing and installation for installation resistances to earth from the main terminals, a fee of Rs.500/- shall be levied.

(iii) Where record pressure is taken on a consumers promises a fee of Rs.375/- for the first 24 hours, and further fee of Rs.250/- for every subsequent 24 hours, during which the consumer desires the record to be taken shall be levied.
REVENUE AUDIT MANUAL

ON

PURCHASE TAX ON SUGARCANE
REVENUE AUDIT MANUAL ON
PURCHASE TAX ON SUGARCANE
ANDHRA PRADESH

ISSUED BY
THE ACCOUNTANT GENERAL (COMMERCIAL AND RECEIPT AUDIT),
ANDHRA PRADESH, HYDERABAD-500 004.
PREFACE

The audit of purchase tax (Receipts and Refunds) on purchase of sugarcane by sugar factories and khandasari units is being conducted in the state of Andhra Pradesh from 1983-84. This Manual on Audit of purchase tax on sugarcane in Andhra Pradesh State has been prepared in compliance with the instructions of the Comptroller and Auditor General of India. This manual is updated duly incorporating latest changes in this regard.

This manual is intended to guide the Officers and staff both in Head Quarters and in the field in the audit of purchase tax. However, the manual is not a substitute to the Andhra Pradesh Sugarcane (Regulation of Supply and Purchase) Tax Act 1961 and rules made there under. Those officers and staff engaged in the audit of purchase Tax receipts should acquaint themselves fully with provisions of the Acts, Rules made there under and other procedural instructions issued by the State Government.

State Receipt Audit (Headquarters) section shall be responsible for keeping the manual up to date.

Errors or omissions if any, noticed may be brought to the notice of Accountant General (Commercial and Receipt Audit), Andhra Pradesh, Hyderabad. Suggestions for the improvements of the Manual are also welcome.

HYDERABAD
Date: 29-11-2007

ACCOUNTANT GENERAL (C & RA)
ANDHRA PRADESH
HYDERABAD
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CHAPTER – I

INTRODUCTION

CONSTITUTIONAL RESPONSIBILITY OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR AUDIT OF RECEIPTS

1.1. The Audit of revenue is inherent in the powers vested in the Comptroller and Auditor General of India by Article 151 of the constitution. Article 151 lays down that the Reports of the Comptroller and Auditor General of India relating to the accounts of the union and the States shall be submitted to the President or the Governor of a State as the case may be, who shall cause them to be laid before each House of Parliament or Legislature of Union or a State. Thus the audit reports must relate to the totality of the accounts of the Union or a State and this totality would include all receipts embracing the revenues of the Union and of the States.

1.2. Section 16 of the Comptroller and Auditor General of India (Duties powers and conditions of service) Act 1974 specifically enjoins upon the Comptroller and Auditor General, to audit all receipts of the Union and of the States and to satisfy himself that the rules and procedures in that behalf are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are duly observed. For that purpose, the Comptroller and Auditor General is authorized to undertake such examination of accounts as he thinks fit and to report thereon.

1.3 Principles of Receipt Audit

The audit of receipts is broadly governed by the general principles laid down in chapter 3 of Section II of the Manual of Standing Orders (Audit). The instructions contained in this manual are supplementary thereto and describes specifically the procedure to be followed in the Audit of receipts of purchase tax on sugarcane.

1.4. The levy and collection of purchase tax on sugarcane in Andhra Pradesh is governed by Andhra Pradesh sugarcane (Regulation of Supply & Purchase) Act 1961 and A.P. Sugarcane ((Regulation of Supply & Purchase) Rules 1961. The following are also relevant in the law relating to Sugarcane and Sugar.

1. The Sugar (control) order 1966.
2. The Sugarcane (control) order 1966.

1.5. AUDITING STANDARDS

Auditing Standards prescribe the norms of principles and practices, which the Auditors are expected to follow in the conduct of Audit. They provide minimum guidance to the Auditor that helps determine the extent of auditing steps and procedures that should be applied in; the audit and constitute the criteria or yardstick against which the quality of audit results are evaluated.

The norms of Principles and Procedures to be followed by Audit are prescribed in "Auditing Standards" (2nd Edition, 2002) which, *inter-alia*, include the following:

A) Basic Postulates: The basic postulates for auditing standards are basic assumptions, consistent premises, logical principles and requirements which help in developing auditing standards and serve the auditors in forming their opinions and report on particularly in cases where no specific standards apply.

The Basic Postulates are:

1) The Supreme Audit Institution of India (SAI) should comply with the International Organisation of Supreme Audit Institutions (INTOSAI) auditing standards in all matters that are deemed material.
2) The SAI should apply its own judgement to the diverse situations that arise in the course of Government auditing.
3) With increased public consciousness, the demand for public accountability of persons or entities managing public resources has become increasingly evident so that there is a need for the accountability process to be in place and operating effectively.
4) Development of adequate information, control, evaluation and reporting systems within the Government will facilitate the accountability process. Management is responsible for correctness and sufficiency of the form and content of the financial reports and other information.

5) Appropriate authorities should ensure the promulgation of acceptable accounting standards for financial reporting and disclosure relevant to the needs of the Government, and audited entities should develop specific and measurable objectives and performance targets.

6) Consistent application of acceptable accounting standards should result in the fair presentation of the financial position and the results of operations.

7) The existence of an adequate system of internal control minimizes the risk of errors and irregularities.

8) Legislative enactments would facilitate the cooperation of audited entities in maintaining and providing access to all relevant data necessary for a comprehensive assessment of the activities under audit.

9) All audit activities should be within the SAIs audit mandate.

10) SAIs should work towards improving techniques for auditing the validity of performance measures.

11) SAIs should avoid conflict of interest between the auditor and entity under audit.

B) General Standards: 1) The general auditing standards describe the qualifications of the auditor and the auditing institution so that they may carry out the tasks of field and reporting standards in a competent and effective manner. These standards apply to all types of audit for both auditor and audit institutions. While auditing, the auditor should be independent, competent and due care should be taken in planning, specifying, gathering and evaluating evidence and in reporting on findings, conclusions and recommendations.

2) The legal mandate provided in the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971 provides for full and free access for the CAG and his auditors to all premises and records relevant to audited entities and their operations and provides adequate powers to the CAG to obtain relevant information from persons or entities possessing it.

3) The audit department seek to create among audited entities an understanding of its role and function, with a view to maintaining amicable relationships with them. Good relationships can help the SAI to obtain information freely and frankly and to conduct discussions in an atmosphere of mutual respect and understanding.

C) Field standards (1): The purpose of field standards is to establish the criteria or overall framework for the purposeful, systematic and balanced steps or actions that the auditor has to follow. These steps and actions represent the rules of investigation that the auditor, as a seeker of audit evidence, implements to achieve a specific result.

2) The field standards establish the framework for conducting and managing audit work. They are related to the general auditing standards, which set out the basic requirements for undertaking the tasks covered by the field standards. They are also related to reporting standards, which cover the communication aspect of auditing, as the results from carrying out the field standards constitute the main source for the contents of the opinion or report.

3) The field standards applicable to all types of audit are:

a). The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.

b). The work of the audit staff at each level and audit phase should be properly supervised during the audit; and a senior member of the audit staff should review documented work.

c). The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control.

i) Planning: The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out without wastage of resources in an economic, efficient and effective way in a timely manner.

1) the following planning steps are normally included in an audit:

a). Collect information about the audited entity and its organisation in order to assess risk and to determine materiality:

b). Define the objective and scope of the audit:
c). Undertake preliminary analysis to determine the approach to be adopted and the nature and extent of enquiries to be made later.
d). Highlight special problems foreseen when planning the audit:
e). Prepare a budget and a schedule for the audit:
f). Identify staff requirements and a team for the audit: and
g). Familiarise the audited entity about the scope, objectives and the assessment criteria of the audit and discuss with them as necessary.

ii). **Supervision**: The work of audit staff at each level and audit phase should be properly supervised during audit, and a senior member should review documented work.

1) The following paragraphs explain supervision and review as an auditing standard.
A) Supervision is essential to ensure the fulfillment of audit objectives and the maintenance of the quality of the audit work. Proper supervision and control is therefore necessary in all cases, regardless of the competence of individual auditors.
B) Supervision should be directed both to the substance and to the method of auditing. It involves ensuring that:
   a. The members of the audit team have a clear and consistent understanding of the audit plan.
   b. The audit is carried out in accordance with the auditing standards and practices of the SAI.
   c. The audit plan and action steps specified in that plan are followed unless a variation is authorised.
   d. Working papers contain evidence adequately supporting all conclusions, recommendations and opinions
   e. The auditor achieves the stated audit objectives and
   f. The audit report includes the audit conclusions, recommendations and opinions, as appropriate.

2) All audit work should be reviewed by a senior member of the audit staff before the audit opinions or reports are finalised. It should be carried out as each part of the audit progresses. Review bring more than one level of experience and judgement to the audit task and should ensure that:
   a. All evaluations and conclusions are soundly based and are supported by competent, relevant and reasonable audit evidence as the foundation for the final audit opinion or report.
   b. All errors, deficiencies and unusual matters have been properly identified, documented and either satisfactorily resolved or brought to the attention of a more senior SAI officer, and
   c. Changes and improvements necessary to the conduct of future audits are identified, recorded and taken into account in later audit plans and in staff development activities.

3) This standard emphasises the importance of involvement of each higher level of supervision and does not in any way absolve the lower levels of audit staff carrying out field investigations from any negligence in carrying out assigned duties.

iii) **Study & Evaluation of Internal Control**: The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control and depend on the objectives of the audit and on the degree of reliance intended. Where accounting or other information systems are computerized, the auditor should determine whether internal controls are functioning properly to ensure the integrity, reliability and completeness of the data.

iv) **Compliance with Applicable laws and regulations**: In performance audit an assessment should be made of compliance with applicable laws and regulations when necessary to satisfy the audit objectives. The auditor should provide reasonable assurance to detecting illegal acts that could significantly affect audit objectives and should be alert to situation or transaction that could be indicative of illegal acts that may have an indirect effect on the audit reports.

The following paragraphs explain compliance as an auditing standard.
1) Reviewing compliance with laws and regulations is especially important when auditing government programs because decision-makers need to know if the laws and regulations are being followed, whether they are having the desired results, and, if not, what revisions are necessary. Additionally government organisations, programs, services, activities, and functions are created by laws and are subject to more specific rules and regulations.
2) Those planning the audit need to be knowledgeable of the compliance requirements that apply to the entity being audited. Because the laws and regulations that may apply to a specific audit are often numerous, the auditors need to exercise professional judgement in determining those laws and regulations that might have a significant impact on the audit objectives.

3) The auditor also should be alert to situations or transactions that could be indicative of illegal acts that may indirectly impact the results of the audit. When audit steps and procedures indicate that illegal acts have or may have occurred, the auditor needs to determine the extent to which these acts affect the audit results.

4) In conducting audits in accordance with this standard, the auditors should choose and perform audit steps and procedures that, in their professional judgement, are appropriate in the circumstances. These audit steps and procedures should be designed to obtain sufficient, competent, and relevant evidence that will provide a reasonable basis for their judgement and conclusions.

5) Generally, management is responsible for establishing an effective system of internal controls to ensure compliance with laws and regulations. In designing steps and procedures to test or assess compliance, auditors should evaluate the entity’s internal controls and assess the risk that the control structure might not prevent or detect non-compliance.

6) Without affecting the SAI’s independence, the auditors should exercise due professional care and caution in extending audit steps and procedures relative to illegal acts so as not to interfere with potential future investigations or legal proceedings. Due care would include considering the concerned laws and relevant legal implications through appropriate forum to determine the audit steps and procedures to be followed.

v) Audit Evidence: Competent, relevant and reasonable evidence should be obtained to support the auditors' judgment and conclusions regarding organization, programme, activity or function under audit.

The following paragraphs explain audit evidence as an auditing standard.

1) The audit findings, conclusions and recommendations must be based on evidence. Since auditors seldom have the opportunity of considering all information about the audited entity, it is crucial that the data collection and sampling techniques are carefully chosen. When computer-based system data are an important part of the audit and the data reliability is crucial to accomplishing the audit objective, auditors need to satisfy themselves that the data are reliable and relevant.

2.) Auditor should adequately document the audit evidence in working papers, including the basis and extent of the planning, work performed and the findings of the audit. Working papers should contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditor's significant findings and conclusions.

3.) Adequate documentation is important for several reasons. It will:
   a. Confirm and support the auditor's opinions and reports
   b. Increase the efficiency and effectiveness of the audit.
   c. Serve as a source of information for preparing reports or answering any enquiries from the audited entity or from any other party.
   d. Serve as evidence of the auditor’s compliance with Auditing Standards
   e. Facilitate planning and supervision.
   f. Help the auditor’s professional development.
   g. Help to ensure that delegated work has been satisfactorily performed, and
   h. Provide evidence of work done for future reference.

4.) The auditor should bear in mind that the content and arrangement of the working papers reflect the degree of the auditor’s proficiency, experience and knowledge.

vi). Analysis of Financial Statements: In all types of audit when applicable auditor should analyse the financial statement to establish whether applicable accounting standards for financial reporting and disclosure are complied with and should perform to such degree that a rational basis is obtained to express an opinion on financial statements.

The auditor should thoroughly analyse the financial statements and ascertain whether:
a). financial statements are prepared in accordance with acceptable accounting standards;
b). Financial statements are presented with due consideration to the circumstances of the
audited entity;
c). Sufficient disclosures are presented about various elements of financial statements; and
d). The various elements of financial statements are properly evaluated, measured and presented.

The methods and techniques of financial analysis depend to a large degree on the nature, scope and
objective of the audit, and on the knowledge and judgement of the auditor.

2). Where the SAI is required to report on the execution of budgetary laws, the audit should include:
a). For revenue accounts, ascertaining whether forecasts are those of the initial budget, and whether the
audits of taxes, rates and duties recorded, and imputed receipts, can be carried out by comparison with the
annual financial statements of the audited activity;
b). For expenditure accounts, verifying credits to assist budgets, adjustment laws and, for carryovers, the
previous year’s financial statements.

3.) Where the SAI is required to report on systems of tax administration or systems for realising non-tax
receipts, along with a systems study and analysis of realisation of revenue/receipts, detection of individual
errors in both assessments and collection is essential to highlight audit assertions regarding the system
defects and comment on their efficiency to ensure compliance.

D) Reporting Standards: 1). On the completion of each audit assignment, the Auditor should prepare a
written report setting out the audit observations and conclusions in an appropriate form; its content should be
easy to understand, free from ambiguity and supported by sufficient, competent and relevant audit evidence
and be independent, objective, fair, complete, accurate, constructive and concise.
2). With regard to fraudulent practice or serious financial irregularities detected during audit or examined
by audit, a written report should be prepared. This report should indicate the scope of audit, main findings,
total amount involved, modus operandi of the fraud or the irregularity, accountability for the same and
recommendations for improvement of internal control system, fraud prevention and detection measures to
safeguard against recurrence of fraud/serious financial irregularity.
3). The audit report should be complete. This requires that the report contains all pertinent information
needed to satisfy the audit objectives, and to promote an adequate and correct understanding of the matter
reported. It also means including appropriate background information.
4). In most cases, a single example of a deficiency is not sufficient to support a broad conclusion or a
related recommendation. All that it supports is that a deviation, an error or a weakness existed. However,
except as necessary, detailed supporting data need not be included in the report.
5). Accuracy requires that the evidence presented is true and the conclusions be correctly portrayed. The
conclusions should flow from the evidence. The need for accuracy is based on the need to assure the users
that what is reported is credible and reliable.
6). The report should include only information, findings and conclusions that are supported by competent
and relevant evidence in the auditor’s working papers. Reported evidence should demonstrate the
correctness and reasonableness of the matters reported.
7). Correct portrayal means describing accurately the audit scope and methodology and presenting findings
and conclusions in a manner consistent with the scope of audit work.
8). Objectivity requires that the presentation through out the report be balanced in content and tone. The
audit report should be fair and not be misleading and should place the audit results in proper perspective.
This means presenting the audit results impartially and guarding against the tendency to exaggerate or over
emphasise deficient performance. In describing shortcomings in performance, the Auditor should present
9). The tone of reports should encourage decision-makers to act on the auditor’s findings and recommendations. Although findings should be presented clearly and forthrightly, the auditor should keep in mind that one of the objectives is to persuade and this can best be done by avoiding language that generate defensiveness and opposition.

10). Being convincing requires that the audit results be presented persuasively and the conclusions and recommendation followed logically from the facts presented. The information presented should be sufficient to convince the readers to recognise the validity of the findings and reasonableness of audit conclusions. A convincing report can help focus the attention of management on matters that need attention and help stimulate correction.

11). Clarity requires that the report be easy to read and understand. Use of non-technical language is essential. Wherever technical terms and unfamiliar abbreviations are used, they should be clearly defined. Both logical Organisation of the material and precision in stating the facts and in drawing conclusions significantly contribute to clarity and understanding. Appropriate visual aids (such as photographs, charts, graphs and maps etc.,) should be used to clarify and summarise complex material.

12). Being concise requires that the report is not longer than necessary to convey the audit opinion and conclusions. Too much of details detracts from the report and conceals the audit opinion and conclusions and confuses the readers. Complete and concise reports are likely to receive greater attention.

13). Being constructive requires that the report also includes well thought out suggestions, in broad terms, for improvements, rather than how to achieve them. In presenting the suggestions due regard should be paid to the requirements of rules and orders, operational constraints and the prevailing milieu. The suggestions should be discussed with sufficiently high level functionaries of the entities and as far as possible, their acceptances obtained before these are incorporated in the report.

14). Timeliness requires that the audit report should be made available promptly to be of utmost use to all users, particularly to the auditee organisations and/ or Government who have to take requisite action.
CHAPTER -2

ORGANISATIONAL SET UP

2.1. The A.P. Government in the Food and Agriculture Department administers the provision of the Act and Rules on purchase Tax through the Cane commission in the Office of the Commissioner and Director of Sugar and Cane Commissioner. He exercises his powers and performs duties through the Deputy Cane Commissioner and Assistant Cane Commissioners who are the Assessing Authorities of the purchase tax. There are eleven Assistant Cane Commissioners in the State in the following sugarcane regions:

1. Bhodan
2. Zaheerabad
3. Miryalaguda
4. Cuddapah
5. Chittoor
6. Anakapally
7. Samarlakota
8. Bobbili
9. Vuyyur
10. Nellore
11. Tanuku

2.2. Under each Assistant Cane Commissioner, there are Cane Regulation Inspectors who ensure the collection of purchase tax in the factory/factories which is/are under their supervision.

2.3. *Constitution of the sugarcane Advisory Committee:*

As soon as may be after the commencement of the A.P.Sugarcane (Regulation of Supply and Purchase) Act 1961, the Government shall by notification constitute a committee for the state to be called the A.P.Sugarcane Advisory Committee.

(Section. 3 of APS (RSP) ACT 1961).

2.4. *Constitution of council:*

For each factory zone, the Cane Commissioner shall, by notification, constitute a Cane Development Council which shall be a body corporate by the name of the factory zone for which it is constituted having perpetual succession and a common seal with power to acquire, hold and dispose of property and to enter into contracts and may by its corporate name sue and be sued. (Section 5 (1) of A.P.S. (RSP) Act 1961).
CHAPTER – 3

LEVY OF PURCHASE TAX

3.1. The Government may by notification levy a tax at such rate not exceeding “One Hundred Rupees” per metric tonne on the purchase of cane required for use consumption or sale in a factory or khandasari unit (section 21 (1) of APS (R.S.P) Act 1961).

3.2. The Government may, by notification remit in whole or in part such tax in respect of cane used or intended to be used in a factory or khandasari unit for any purpose specified in such notification ( section 21 (2) of APS (R.S.P) Act 1961).

Note: Govt. have fixed a rate of Rs.60 per MT and Rs. 22 per MT on the purchase of cane required for use, consumption or sale in all factories and khandasari units respectively vide G.O.M’s No: 109 Industries and Commerce (sugar) Dept. dt: 21-05-96. The rate was Rs.30 per MT prior to 21-05-1996.

Govt.ordered vide G.O.M’s No:327 Industries and Commerce (sugar) Dept. dt:14-12-2006 for passing on the entire purchase Tax of Rs.60/- per Metric Tonne in respect of Sugar Factories and Rs.22/- per Metric Tonne in respect of Khandasari Sugar Units to the cane growers for 2006-07 season as was done during the seasons 2001-02 to 2005-06 also.

3.3. Notwithstanding any thing in any other law for the time being in force, any sum due to Govt. towards the purchase tax levied under section 21 of A.P.Squarecan (R.S.P) Act, 1961 shall be a first charge on the sugar produced out of cane already subject to purchase tax. No occupier of factory of owner or Khandasari unit shall remove or cause to be removed any sugar produced in the factory or khandasari unit on or after the date specified by the Cane Commissioner in this behalf, either consumption or for sale or manufacture of any other commodity in or outside the factory or khandasari unit, until he has paid such sum.

Provided that such sugar may be deposited without payment of any such sums in a godown or other place of storage approved by the assessing authority and where it is so deposited it shall not be removed there from until the sum as aforesaid has been paid (Section.21 (3) of APS (R.S.P) Act 1961).

3.4. Before the beginning of each crushing season or as soon thereafter as may be and in the case of crushing season beginning on the date of commencement of A.P.Sugarcane (R.S.P.) amendment Act, 1976 as soon as may be after such commencement the assessing authority shall work out and specify the provisional amount of tax calculated per metric tonne of sugar under sub-section (1) by correlating the quantity of sugarcane purchased for the factory of khandasari unit during the last preceding crushing season in which the factory or khandasari unit was under production.

Explanation I : - If the factory or khandasari unit was under production during only a part of any such previous crushing season, it shall be sufficient to take into consideration that part of the crushing season during which the factory or khandasari unit was actually under production.

Explanation II :- If the factory or khandasari unit had not commenced production before the crushing season for which the provisional assessment is made, then the assessing authority may specify the provisional amount of tax on the basis of comparable data, relating to other factories or khandasari units if any, in the same region or of any other relevant factory. (Section.21( 3-A) APS (R.S.P) Act 1961).

3.5. At the end of crushing season the assessing authority shall work out and specify a revised amount of tax to be paid by taking into account the quantity of sugarcane purchased for the factory or khandasari unit and the sugar produced in the factory or khandasari unit during the current crushing season and, where the amount is reduced or increased on such revision, the excess paid or the deficit as, the case may be, shall be spread over the remaining stock of the said sugar and the amount to be paid before removal of such stock of sugar shall be refixed accordingly and if no such sugar remains in stock then the owner shall be entitled to a refund or liable to pay the balance as the case may be.( Section.21( 3-B) APS (R.S.P) Act 1961).
3.6. If at any time, it appears to the assessing authority that a part of the stock of the said sugar has been removed, or is for any other reason no longer available and the payment towards tax due against such part under this section has not been made, the assessing authority may direct the deficit to be recovered by spreading it over the sugar in stock at that time. (Section 21(3-C) APS (RSP) Act 1961).

3.7. Where the assessing authority is satisfied that the occupier of a factory or owner of a khandasari unit had removed or caused to be removed any sugar in contravention of the provisions of section 21 or has failed to account fully for the sugar produced in the factory or khandasari unit or deposited by him under the provision to sub-section (3) the person liable to pay the tax shall in addition to the amount payable under sub-section (3) in respect of the quantity of sugar so removed or caused to be removed or unaccounted for, be also liable to pay by way of penalty a further sum not exceeding one hundred percent of the sum so payable. (Section 21(3-D) APS (RSP) Act 1961).
CHAPTER – 4

COLLECTION OF TAX

4.1. (a) The tax payable shall be levied and collected from the occupier of the factory or the owner of the khandasari unit in such manner and by such authority as may be prescribed (Section 21(4) APS (RSP) Act 1961).

(b) Arrears of tax shall carry interest at such rate as may be prescribed (Section 21(5) APS (RSP) Act 1961).

(c) If the tax together with interest, if any due thereon is not paid by the occupier of factory or the owner of the khandasari unit within the prescribed time, it shall be recoverable from him as an arrear of Land Revenue (Section 21(6) APS (RSP) Act 1961).

4.2.1. (a) The occupier of a factory or the owner of a Khandasari Unit shall pay into the nearest treasury or in the manner specified by the Government the provisional amount of tax per metric tonne of sugar as fixed and communicated by assessing authority under sub-section 3-A of section 21.

(b) The occupier of Sugar Factory or owner of Khandasari Sugar Mill pay the Purchase Tax due amount within (14) days from the date of purchase of cane under section 21(6) of Andhra Pradesh Sugar Cane (Regulation of supply and purchase) Act, 1961.

(c) Where an occupier of a Sugar Factory or owner of Khandasari Mill fails to make payment of Purchase Tax for the sugar cane purchased within the time stipulated under clause (b) he shall pay interest on the amount due @ 16% per annum from the date of purchase.

4.2.2. If it appears to the assessing authority that any quantity of sugar has been removed without any payment of tax as mentioned under sub-rule (1) above, a further sum by way of penalty as specified under sub sections (3-D) (b) of section 21 of the Act shall be levied by him and such amount shall be treated as part of tax for purpose of recovery under sub section (6) of section 21 of the Act.

4.2.3. Arrears shall carry interest at the rate of 16 percent per annum from the date following the date of closure of crushing till the amount is finally paid. (Rule 45 of A.P.S (RSP) Rules 1961).

4.2.4. If the tax under this Act together with interest, if any due thereon, is not paid by the occupier of a factory or owner of a khandasari unit within the prescribed time, it shall be recoverable from him as an arrear of land revenue. (Section 21 (6) of APS (RSP) Act 1961).

4.3. Before the close of each fortnight, the occupier of a factory or the owner of a khandasari unit shall submit to the Cane Commissioner a return in form 7 showing the total quantity of cane that entered the factory during the fortnight immediately proceeding and the amount of tax deposited by him into the local Government treasury on account of cane purchased in the factory, together with the treasury receipt showing that the amount of tax due has been duly credited into the local Govt. treasury. (Rule 46 of APS (RSP) Rules 1961).

4.4. The Cane Commissioner shall, on receipt of the return submitted to him under rule 46, check that the amount of the tax has been correctly calculated and that the amount due as provided in rule 45 has been credited into the local Government treasury (Rule 47 of APS (RSP) Rules 1961).
CHAPTER 5

PENALTIES

5.1. If any occupier of factory or khandasari unit contravenes the provision of

b) Sub Section 1 of section 13 of APS (R.S.P.) Act 1961.
c) Any rule made sub section 2 of section 13 of A.P.S.(R.S.P.) Act 1961
d) Sub Section 1 of Section 16 of the Act.
e) Sub- Section 2A, 4 & 5 of Section 19 of the Act.
f) Sub Section 3 of Section 21 of the Act.
g) He shall be punishable with fine which may extend to rupees five thousand and in the case of continuing contravention with a further fine not exceeding rupees one thousand for each day during which the contravention continues. (Sn.23 (1) ).

5.2. Any person who contravenes the provisions of sub-section (2) or sub-section 2(A) of section 16 shall be punishable with fine which shall not be less than rupees one thousand and which shall not exceed rupees two thousand, and any person who contravene the provisions of sub-section (3) or sub-section (4) of section 20 shall be punishable with fine which may extend to Rupees two thousand. (Sn. 23 (2) ).

5.3. Any person contravening any of the provisions of this Act or of any rule or order made under this Act for which no penalty is provided in sub-section (1) or sub-section (2) shall be punishable with fine which may extend to Rupees Five hundred (Sn. 23 (3) ).

5.4. Levy of penalty not exceeding 100% of tax due is contemplated in sub-section 21 (3D) for contravention of section 21 (3.C).

5.5. The provision of the Act under which penalties cab be levied have been dealt with under “Penalties” in the foregoing paras. The various provisions for the violation of which penalties can be levied are given in the following paras.

(a) Estimate of the Cane required by a factory and fixation of minimum Quantity of Cane to be crushed.

1. The Cane Commissioner may, for the purpose of section 15 (declaration of factory zone), by order, require the occupier of any factory to furnish to him in the manner and on the date specified in the order an estimate of the quantity of cane required by the factory during any crushing season.

2. The Cane Commissioner shall examine every such estimate in consultation with the council concerned and shall publish the same with such modification if any, as he may make. He shall also make an order fixing in the prescribed manner the minimum quantity of cane to be crushed by the factory during the season. (Section. 12(1) & (2) of APS (RSP) Act 1961)

5.6. Register of cane growers & cane growers Co-operative Societies:

The occupier of a factory shall maintain in the prescribed form a register of all cane growers who sell cane to that factory. A copy of the entries made in the register shall be forwarded to the council and the cane Inspector, not later than the 30th September of each year.

The Government may take rules to provide for

(a) The correction of entries made in the register and the addition of new entries if necessary.
(b) The supply of copies of entries made in the register on payment of the prescribed fee. (Section 13 (1) & (2) of APS (RSP) Act 1961).

5.7. **Regulation of supply and purchase of cane in factory zone**

Where an area has been declared as the factory zone for a factory, the occupier of such factory shall purchase such quantity of cane grown in that area and offered for sale to the factory as may be determined by the Cane Commissioner in accordance with the provisions of the schedule to the Act. (Section 16 (1) of APS (RSP) Act 1961).

5.8. (i) The price of the cane remaining unpaid on the expiration of the period specified in sub-section (2) of section 19 of the Act (within fourteen days from the date of delivery) shall carry interest at fifteen percent per annum from the date of delivery of cane and it shall be recovered as an arrear of Land revenue.

(ii) Where the occupier of a factory or the owner of a khandasari unit or any other person competent in that behalf enter into an agreement with a bank under which the bank agrees to give advance to him on the security of the sugar produced or to be produced in the factory or khandasari unit the said occupier, owner or other person, as the case may be shall provide in such agreement that such percentage which shall not be less than fifty percent of the total amount of advance as may be prescribed shall be set apart and be available only for payment to cane growers or other co-operative societies on account of the quantity of sugarcane purchased or to be purchased for the factory or khandasari unit during current crushing season from these cane growers or from or through those societies and interest thereon and such societies commission in respect thereof.

(iii) Every such occupier, owner or other person as aforesaid shall send a copy of every such agreement to the Collector and cane commissioner within a week from the date on which it is entered into. (Section 19(2-A),(4) & (5) of APS (RSP) Act 1961).
CHAPTER 6

RECORDS TO BE MAINTAINED AND AUDIT CHECKS TO BE EXERCISED.

6.1 Assistant Cane Commissioner, who is in-charge of a region maintains a register in form 7, which is called the purchase tax ledger. He is the assessing authority of purchase Tax from the purchasers of the sugar cane under his jurisdiction. Apart from the purchase tax ledger other records or particulars to be checked in audit are as follows:-

(a) Month-wise particulars of sugarcane crushed by the sugar factories.
(b) The year-wise details of incentives paid to ryots and details of its adjustments, if any, carried out in the books of assessing authority while making payments to Government towards purchase tax.
(c) Year-wise details of amount of purchase tax paid by the factories.
(d) Penalties levied and the relevant files.
(e) Challans file.

6.2 In audit, it is to be seen that purchase tax is properly assessed, levied, collected and credited to Govt. account, Files maintained for each sugar factory/khandasari unit have to be called for and checked with a view to see whether any violation of the act for which penalties are leviable, have been noticed by Department and penalties as prescribed in the Act have actually been levied, collected and credited to Govt. account.

It should specifically be examined whether in cases of removal of sugar without payment of purchase tax due in contravention of subsection (3-C) of section 21 penalty equivalent to 100 per cent of tax due had been levied as contemplated in subsection (3 D) ibid.
CHAPTER 7

DUTIES AND POWERS OF INSPECTORS

7.1 To have a general working of the department the duties and powers of the Inspector of sugarcane who is generally the assessing officer of purchase tax, are given below:-

1. Every inspector may within the local limits of his jurisdiction with such assistance as may be necessary, enter any factory, khandasari unit or any purchasing centre for the purpose of-
   a. Examine the weigh bridge, check weighments.
   b. Examine the Registers and Records relating to purchase and crushing of cane, payment of cane price and purchase tax and production of sugar.
   c. Call for any information relating to purchase and crushing of cane, payment of cane price and purchase tax and production of sugar.
   d. Instruct to maintain and furnish information pertaining to sugarcane acreage, dates of planting, ratooning and manuring of cane fields and to conduct pre-harvest maturity survey.
   e. Issue instructions regarding the equitable purchase of cane.
   f. Inspect roads and other amenities provided at the factory premises and purchasing centres.
   g. Call for any other information necessary to effectively implement the provisions of the sugarcane Act and Rules.

2. Every inspector shall have the power to stop, seize any vehicle carrying cane in and outside the factory zone without a valid harvesting permit and to divert the same to the factory for which the zone has been declared.

3. Every Inspector is a Licensing Inspector for the purpose of implementation of Andhra Pradesh Khandasari Sugar Manufacturers Licencing Order, 1966.

4. An Inspector who is declared by the Licencing Authority (District Collector concerned) shall be the Licensing Inspector for the purpose of the implementation of the Andhra Pradesh Jaggery Manufacturer’s Licensing Order, 1975.

5. The Sugarcane Inspector shall be the Licensing Inspector for the purpose of checking licences and for implementation of the provisions of the order for manufacture of sugar from sugarcane within his jurisdiction.
OFFICE OF THE ACCOUNTANT GENERAL (C& RA)
ANDHRA PRADESH, HYDERABAD

STATE REVENUE AUDIT MANUAL

Stamp Duty & Registration Fee
(Third Edition)

Issued by
The Accountant General (C & RA)
Andhra Pradesh, Hyderabad.

PREFACE

The audit of receipts of Stamps and Registration Department was taken up in April, 1972, and the Manual was first issued in 1980. The present edition is a revised edition incorporating the amendments and changes up to the end of March 2007.

This manual has been prepared for the guidance of the members of the State Receipt Audit Parties auditing the receipts and refunds relating to the Stamp duty and registration fees and the Headquarters Section which processes the local audit reports. This Manual, deals with the relevant provisions of the Law and the procedure for levy, assessment and collection of receipts from Stamp duty and registration fee General, references to the provisions of the Indian Stamp Act and Indian Registration Act or of the Rules or of the case law bearing on the application of the stamp and other laws to specific cases have also been given. During the course of audit if any reference has to be made to a particular provision of the law, such a reference should be made to the sections of the relevant Act or the Rules framed thereunder and not to the paragraphs of this Manual.

The Manual should be treated as a guide only and the audit checks indicated therein are not exhaustive.
Errors or omissions in the Manual may be brought to the notice of the Accountant General (C&RA), Andhra Pradesh to whom suggestions for improvement may also be sent.

The State Receipt Audit parties may also equip themselves with the important provisions of the relevant Acts such as Transfer of Property Act, 1882, the Indian Partnership Act, 1932, etc., which are relevant for the purposes of audit.

State Receipt Audit (Headquarters) section is responsible for keeping the Manual upto date.

Place: Hyderabad
Date: 

(P.J. MATHEW)
Accountant General (C&RA),
Andhra Pradesh, Hyderabad.
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CHAPTER 1
AUDIT OF REVENUE

2.1. Introduction.- Article 151 of the Constitution of India enjoins that the Comptroller and Auditor-General of India shall submit reports relating to the accounts of the Union and States to the President or the Governor of a State, as the case may be, who shall cause them to be laid before each House of Parliament or Legislature. The word ‘Accounts’ in its totality includes both receipts and expenditure transactions. Section 16 of the Comptroller and Auditor-General’s (Duties, Powers and Conditions of service) Act, 1971, specifically enjoins upon the Comptroller and Auditor General to audit all receipts of the Union and of the States and to satisfy himself that the Rules and procedures in that behalf are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are duly observed. For that purpose, the Comptroller and Auditor-General is authorized to undertake such examination of the accounts as he thinks fit and to report thereon. The scope of audit is largely left to the discretion of the Comptroller and Auditor General and under his guidance and instructions, the Accountants General conduct receipt audit.

1.2. AUDITING STANDARDS: Auditing Standards prescribe the norms of principles and practices, which the Auditors are expected to follow in the conduct of Audit. They provide minimum guidance to the Auditor (it means the Auditing Institutions represented by the Field Audit Party) that helps determine the extent of auditing steps and procedures that should be applied in the audit and constitute the criteria or yardstick against which the quality of audit results are evaluated.

The norms of Principles and Procedures to be followed by Audit are prescribed in "Auditing Standards" (2nd Edition, 2002) which, inter-alia, include the following:

A) Basic Postulates: The basic postulates for auditing standards are basic assumptions, consistent premises, logical principles and requirements which held in developing auditing standards and serve the auditors in forming their opinions and reports, particularly in cases where no specific standards apply.

The Basic Postulates are:

1) The Supreme Audit Institution of India (SAI) should comply with the International Organisation of Supreme Audit Institutions (INTOSAI) auditing standards in all matters that are deemed material.
2) The SAI should apply its own judgement to the diverse situations that arise in the course of Government auditing.
3) With increased public consciousness, the demand for public accountability of persons or entities managing public resources has become increasingly evident so that there is a need for the accountability process to be in place and operating effectively.
4) Development of adequate information, control, evaluation and reporting systems within the Government will facilitate the accountability process, Management is responsible for
correctness and sufficiency of the form and content of the financial reports and other information.

5) Appropriate authorities should ensure the promulgation of acceptable accounting standards for financial reporting and disclosure relevant to the needs of the Government, and audited entities should develop specific and measurable objectives and performance targets.

6) Consistent application of acceptable accounting standards should result in the fair presentation of the financial position and the results of operations.

7) The existence of an adequate system of internal control minimises the risk of errors and irregularities.

8) Legislative enactments would facilitate the co-operation of audited entities in maintaining and providing access to all relevant data necessary for a comprehensive assessment of the activities under audit.

9) All audit activities should be within the SAIs audit mandate.

10) SAIs should work towards improving techniques for auditing the validity of performance measures

11) SAIs should avoid conflict of interest between the auditor and entity under audit.

B) **General Standards:*** 1)The general auditing standards describe the qualifications of the auditor and the auditing institution so that they may carry out the tasks of field and reporting standards in a competent and effective manner. These standards apply to all types of audit for both auditor and audit institutions. While auditing, the auditor should be independent, competent and due care should be taken in planning, specifying, gathering and evaluating evidence and in reporting findings, conclusions and recommendations.

2) The legal mandate provided in the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971 provides for full and free access for the CAG and his auditors to all premises and records relevant to audited entities and their operations and provides adequate powers to the CAG to obtain relevant information from persons or entities possessing it.

3) The audit department seek to create among audited entities an understanding of its role and function, with a view to maintaining amicable relationships with them. Good relationships can help the SAI to obtain information freely and frankly and to conduct discussions in an atmosphere of mutual respect and understanding.

C) **Field standards** (1): The purpose of field standards is to establish the criteria or overall framework for the purposeful, systematic and balanced steps or actions that the auditor has to follow. These steps and actions represent the rules of investigation that the auditor, as a seeker of audit evidence, implements to achieve a specific result.

2) The fielded standards establish the framework for conducting and managing audit work. They are related to the general auditing standards, which set out the basic requirements for undertaking the tasks covered by the field standards. They are also related to reporting standards, which cover the communication aspect of auditing, as the results from carrying out the field standards constitute the main source for the contents of the opinion or report.

3) The field standards applicable to all types of audit are:
a) The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out in an economic, efficient and effective way an in a timely manner.
b) The work of the audit staff at each level and audit phase should be properly supervised during the audit; and a senior member of the audit staff should review documented work.
c) The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control.

i) Planning: The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out without wastage of resources in an economic, efficient and effective way in a timely manner.

1) The following planning steps are normally included in an audit:
   a) Collect information about the audited entity and its organisation in order to assess risk and to determine materiality.
   b) Define the objective and scope of the audit.
   c) Undertake preliminary analysis to determine the approach to be adopted and the nature and extent of enquiries to be made later.
   d) Highlight special problems foreseen when planning the audit.
   e) Prepare a budget and a schedule for the audit.
   f) Identify staff requirements and a team for the audit, and
   g) Familiarise the audited entity about the scope, objectives and the assessment criteria of the audit and discuss with them as necessary.

ii) Supervision: The work of the audit staff at each level and audit phase should be properly supervised during audit, and a senior member should review documented work.

3. The following paragraphs explain supervision and review as an auditing standard.

4. A. Supervision is essential to ensure the fulfillment of audit objectives and the maintenance of the quality of the audit work. Proper supervision and control is therefore necessary in all cases, regardless of the competence of individual auditors.
   C. Supervision should be directed both to the substance and to the method of auditing. It involves ensuring that:
      a. The members of the audit team have a clear and consistent understanding of the audit plan.
      b. The audit is carried out in accordance with the auditing standards and practices of the SAI.
      c. The audit plan and action steps specified in that plan are followed unless a variation is authorised.
      d. Working papers contain evidence adequately supporting all conclusions, recommendations and opinions.
      e. The auditor achieves the stated audit objectives and
      f. The audit report includes the audit conclusions, recommendations and opinions, as appropriate.

3. All audit work should be reviewed by a senior member of the audit staff before the audit opinions or reports are finalised. It should be carried out as each part of the audit
progresses. Review bring more than one level of experience and judgement to the audit task and should ensure that:

a. All evaluations and conclusions are soundly based and are supported by competent, relevant and reasonable audit evidence as the foundation for the final audit opinion or report.

b. All errors, deficiencies and unusual matters have been properly identified, documented and either satisfactorily resolved or brought to the attention of a more senior SAI officer, and

c. Changes and improvements necessary to conduct of future audits are identified, recorded and taken into account in later audit plans and in staff development activities.

3. This standard emphasis's the importance of involvement of each higher level of supervision and does not in any way absolve the lower levels of audit staff carrying out field investigations from any negligence in carrying out assigned duties.

iii) **Study & Evaluation of Internal Control:** The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control and depends on the objectives of the audit and on the degree of reliance intended. Where accounting or other information systems are computerized, the auditor should determine whether internal controls are functioning properly to ensure the integrity, reliability and completeness of the data.

iv) **Compliance with Applicable laws and regulations:** In performance audit an assessment should be made of compliance with applicable laws and regulations when necessary to satisfy the audit objectives. The auditor should provide reasonable assurance to detecting illegal acts that could significantly affect audit objectives and should be alert to situation or transaction that could be indicative of illegal acts that may have an indirect effect on the audit reports.

The following paragraphs explain compliance as an auditing standard.

7. Reviewing compliance with laws and regulations is especially important when auditing government programmes because decision-makers need to know if the laws and regulations are being followed, whether they are having the desired results, and, if not, what revisions are necessary. Additionally government organisations, programmes, services, activities, and functions are created by laws and are subject to more specific rules and regulations.

8. Those planning the audit need to be knowledgeable of the compliance requirements that apply to the entity being audited. Because the laws and regulations that may apply to a specific audit are often numerous, the auditors need to exercise professional judgement in determining those laws and regulations that might have a significant impact on the audit objectives.

9. The auditor also should be alert to situations or transactions that could be indicative of illegal acts that may indirectly impact the results of the audit. When audit steps and procedures indicate that illegal acts have or may have occurred, the auditor needs to determine the extent to which these acts affect the audit results.
10. In conducting audits in accordance with this standard, the auditors should choose and perform audit steps and procedures that, in their professional judgement, are appropriate in the circumstances. These audit steps and procedures should be designed to obtain sufficient, competent, and relevant evidence that will provide a reasonable basis for their judgement and conclusions.

11. Generally, management is responsible for establishing an effective system of internal controls to ensure compliance with laws and regulations. In designing steps and procedures to test or assess compliance, auditors should evaluate the entity’s internal controls and assess the risk that the control structure might not prevent or detect non-compliance.

12. Without affecting the SAI’s independence, the auditors should exercise due professional care and caution in extending audit steps and procedures relative to illegal acts so as not to interfere with potential future investigations or legal proceedings. Due care would include considering the concerned laws and relevant legal implications through appropriate forum to determine the audit steps and procedures to be followed.

v) Audit Evidence: Competent, relevant and reasonable evidence should be obtained to support the auditor’s judgment and conclusions regarding organization, programme, activity or function under audit.

The following paragraphs explain audit evidence as an auditing standard.

5. The audit findings, conclusions and recommendations must be based on evidence. Since auditors seldom have the opportunity of considering all information about the audited entity, it is crucial that the data collection and sampling techniques are carefully chosen. When computer-based system data are an important part of the audit and the data reliability is crucial to accomplishing the audit objective, auditors need to satisfy themselves that the data are reliable and relevant.

6. Auditor should adequately document the audit evidence in working papers, including the basis and extent of the planning, work performed and the findings of the audit. Working papers should contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditor's significant findings and conclusions.

7. Adequate documentation is important for several reasons, It will:
   a. Confirm and support the auditor's opinions and reports
   b. Increase the efficiency and effectiveness of the audits.
   c. Serve as a source of information for preparing reports or answering any enquiries from the audited entity or from any other party.
   d. Serve as evidence of the auditor's compliance with Auditing Standards
   e. Facilitate planning and supervision.
   f. Help the auditor’s professional development.
   g. Help to ensure that delegated work has been satisfactorily performed, and
   h. Provide evidence of work done for future reference.
8. The auditor should bear in mind that the content and arrangement of the working papers reflect the degree of the auditor’s proficiency, experience and knowledge.

vi). **Analysis of Financial Statements:** In all types of audit when applicable auditor should analyse the financial statement to establish whether applicable accounting standards for financial reporting and disclosure are complied with and should perform to such degree that a rational basis is obtained to express an opinion on financial statements.

f. The auditor should thoroughly analyse the financial statements and ascertain whether:

g. financial statements are prepared in accordance with acceptable accounting standards;

h. Financial statements are presented with due consideration to the circumstances of the audited entity;

i. Sufficient disclosures are presented about various elements of financial statements; and

j. The various elements of financial statements are properly evaluated, measured and presented.

The methods and techniques of financial analysis depend to a large degree on the nature, scope and objective of the audit, and on the knowledge and judgement of the auditor.

2. Where the SAI is required to report on the execution of budgetary laws, the audit should include:

a. For revenue accounts, ascertaining whether forecasts are those of the initial budget, and whether the audits of taxes, rates and duties recorded, and imputed receipts, can be carried out by comparison with the annual financial statements of the audited activity;

b. For expenditure accounts, verifying credits to assist budgets, adjustment laws and, for carryovers, the previous year’s financial statements.

3. Where the SAI is required to report on systems of tax administration or systems for realising non-tax receipts, along with a systems study and analysis of realization of revenue/receipts, detection of individual errors in both assessment and collection is essential to highlight audit assertions regarding the system defects and comment on their efficiency to ensure compliance.

D) **Reporting Standards:**

15. On the completion of each audit assignment, the Auditor should prepare a written report setting out the audit observations and conclusions in an appropriate form; its content should be easy to understand, free from ambiguity and supported by sufficient, competent and relevant audit evidence and be independent, objective, fair, complete, accurate, constructive and concise.

16. With regard to fraudulent practice or serious financial irregularities detected during audit or examined by audit, a written report should be prepared. This report should indicate the scope of audit, main findings, total amount involved, modus operandi
of the fraud or the irregularity, accountability for the same and recommendations for improvement of internal control system, fraud prevention and detection measures to safeguard against recurrence of fraud/serious financial irregularity.

17. The audit report should be complete. This required that the report contains all pertinent information needed to satisfy the audit objectives, and to promote an adequate and correct understanding of the matter reported. It also means including appropriate background information.

18. In most cases, a single example of a deficiency is not sufficient to support a broad conclusion or a related recommendation. All that it supports is that a deviation, an error or a weakness existed. However, except as necessary, detailed supporting data need not be included in the report.

19. Accuracy required that the evidence presented is true and the conclusions be correctly portrayed. The conclusions should flow from the evidence. The need for accuracy is based on the need to assure the users that what is reported credible and reliable.

20. The report should include only information, findings and conclusions that are supported by competent and relevant evidence in the auditor’s working papers. Reported evidence should demonstrate the correctness and reasonableness of the matters reported.

21. Correct portrayal means describing accurately the audit scope and methodology and presenting findings and conclusions in a manner consistent with the scope of audit work.

22. Objectivity required that the presentation throughout the report be balanced in content and tone. The audit report should be fair and not be misleading and should place the audit results in proper perspective. This means presenting the audit results impartially and guarding against the tendency to exaggerate or over emphasize deficient performance. In describing shortcomings in performance, the Auditor should present the explanation of the audited entity and stray instances of deviation should not be used to reach broad conclusions.

23. The tone of reports should encourage decision-makers to act on the auditor’s findings and recommendations. Although findings should be presented clearly and forthrightly, the auditor should keep in mind that one of the objectives is to persuade and this can best be done by avoiding language that generate defensiveness and opposition.

24. Being convincing requires that the audit results be presented persuasively and the conclusions and recommendation followed logically from the facts presented. The information presented should be sufficient to convince the readers to recognise the validity of the findings and reasonableness of audit conclusions. A convincing report can help focus the attention of management on matters that need attention and help stimulate correction.

25. Clarity requires that the report be easy to read and understand. Use of non-technical language is essential. Wherever technical terms and unfamiliar abbreviations are used, they should be clearly defined. Both logical Organisation of the material and precision in stating the facts and in drawing conclusions significantly contribute to clarity and understanding. Appropriate visual aids (such as photographs, charts, graphs and maps etc..,) should be used to clarify and summarise complex material.
26. Being concise requires that the report is not longer than necessary to convey the audit opinion and conclusions. Too much of details detracts from the report and conceals the audit opinion and conclusions and confuses the readers. Complete and concise reports are likely to receive greater attention.

27. Being constructive requires that the report also includes well thought out suggestion, in broad terms, for improvements, rather than how to achieve them. In presenting the suggestions due regard should be paid to the requirements of rules and orders, operational constraints and the prevailing milieu. The suggestions should be discussed with sufficiently high level functionaries of the entities and as far as possible, their acceptances obtained before these are incorporated in the report.

28. Timeliness requires that the audit report should be made available promptly to be of utmost use to all users, particularly to the auditee organisations and/ or Government who have to take requisite action.

1.3 Principles of Receipt Audit.- The authority for audit of Receipts is derived from section 16 of comptroller and Auditor General’s Act, 1971, and governed by the general principles laid down in chapter IV of Section II of the Manual of Standing Orders(Technical). The instructions issued in this Manual are supplementary thereto and describe specifically the procedure to be followed in the audit of receipts from stamp duties (non-judicial) and registration fees.

1.4 Audit vis-à-vis Executive functions.- It is well-known that it is the primary Responsibility of departmental authorities to see that all revenues due to Government are correctly and properly assessed, realized and credited to government account. Audit should, however, satisfy itself in general that the departmental machinery is sufficiently safeguarded against error and fraud and that, so far as can be judged, the procedure is designed to give effect to the requirements of law. The Audit Department does not, however in anyway; substitute itself for the Revenue authorities in the performance of the statutory duties.

The most important functions of audit as broadly pointed have been framed by the Revenue Departments to secure an effective check on the assessment, collection and proper allocation of taxes and (2) to satisfy itself by adequate test-check that such regulations and procedures are actually being carried out. It should also be borne in mind that the basic purpose of audit is not only to see that all demands raised are promptly collected and credited to Government account but also to secure that those demands are correctly realized and they satisfy that requirements of law and that the Executive does not grant unjustified or unauthorized remission to tax payers. In the Audit of receipts, the general is more important that the particular. The detection of individual errors is an incident rather than object of Audit.

In taxation laws, lacunae may occur as a result of oversight of omission at the time of framing or enacting the laws. If the provisions of the law lead to consequences not intended at all in the policy or purpose underlying the law and the tax payer takes unfair advantage of such lacunae or provision by way of legal avoidance, audit may
bring it to the notice of the Executive such legal evasions, the idea being not to criticize the Legislature but to enable the Government/Legislature to review the position and initiate remedial action wherever necessary to plug leakages of revenue.

Audit does not generally review the judgment exercised or decisions taken in individual cases by departmental officers but an examination of such cases in an important factor in judging the effectiveness of assessment procedure. Where, for example, the information received in any individual cases is insufficient to enable Audit to see how the requirement of law has been complied with, Audit may consider it its duty to ask for further information to enable it to form the judgment required and to the effectiveness of the system. It is, however, towards forming a general judgment rather than to the detection of individual errors that the audit enquiries should be directed. This does not however, bar, irregularities being pointed out by Audit in individual cases, where substantial amounts are involved or where there have been serious violations of the law or the rules having the force of law. For the purpose of performing their functions effectively, members of the Audit Department will have access to the relevant records and papers of the Revenue Department but they should observe secrecy in the same way as the officers of the Revenue Department are expected to do. However, to discharge these functions effectively the staff engaged in receipt audit must be thoroughly conversant with the processes and procedures relating to the levy and collection of taxes and the laws and rules governing such processes etc.

1.5 Audit vis-à-vis judicial Pronouncements. - The Audit Department does not, normally question the decision of a High Court which is binding on the officers functioning within the jurisdiction of that High Court unless it is in any way modified or over-ruled by the Supreme Court. It is only in such cases where no authoritative interpretation of provisions of law by High Court or the Supreme Court is available that the Comptroller and Auditor General states what in his judgment is the correct requirement of law on the basis of the plain meaning of the statute and puts forward that view to the Department for its examination and acceptance.

1.6 In the subsequent chapters, the basic provisions of the Acts and the rules governing the assessment and collection of stamp duty and registration fees are set out. This is only a summary to enable the staff to grasp the essentials of the administration of the Indian Stamp Act 1899, and the Indian Registration Act, 1908. For a further and exhaustive study, the provisions of the Acts and the case laws on the subject must be referred to.
CHAPTER 2. LEGISLATIVE AND CONSTITUTIONAL BACK GROUND

3.1. Under Article 268 of the Constitution, Stamp duties on documents mentioned in the Union List (item9) shall be levied by the government of India but shall be collected and appropriated by the State within which such duties are leviable. Stamp duties fall broadly into two categories, viz. Judicial and nonjudicial. “Stamp duties other than duties or fees collected by means of judicial stamps but not including rates of stamp duty” is a subject included in the concurrent list of the seventh Schedule of the constitution of India (Entry 44, List III), while duties or fees collected by means of judicial stamps are included in the state list (Entry 3, List. II). Therefore, the duties or fees collected by means of judicial stamps are regulated by State Legislation (The Andhra Pradesh Courts Fees, and suit valuation Act, 1956, for the state of Andhra Pradesh).

The State Government ordered to restrict the use of non-judicial stamps and permitted the registering public to use only upto Rs.100 denomination stamps for the documents. It was also permitted to remit the remaining stamp duty including transfer duty through designated branches of State Bank of India/Hyderabad and other Nationalised Banks.

The power to legislate on rates of stamp duty (non-judicial) in respect of bills of exchange, cheques, promissory notes, bills of lading, letters of credit, policies of insurance, transfer of shares, debentures, proxies and receipts vest in the Union Parliament (Entry 91 of Union List). In respect of other instruments, the Legislature of the State has exclusive power to legislate on rates of stamp duty (non-judicial) for that State (Entry 63 of State List).

Thus the fixation of rates of stamp duty in respect of the instruments (Widely employed in the course of trade and commerce) specified in entry 91 of the Union List is within the province of the Union Parliament, while fixation of rates stamp duty in respect of other instruments (entry 63 of List II) is within the realm of the State Legislature. But the entire proceeds of the stamp duties are assigned to the States in which they are levied.

2.2. The first all Indian Act on stamp duty was the stamp Act XXXVI of 1860. The Act of 1860 was succeeded first by Act of 1862 then that of 1869 which consolidated and amended the Act of 1862, and thereafter the Act of 1879, which consolidated and amended the Act of 1869. Ultimately the stamp law was codified in the Indian Stamp Act, 1899 (Act II of 1899) which is the basic Act in force from 1st July, 1899. The Act as amended from time to time by the Union and by the States by virtue of the devolution of powers which governs the imposition of stamp duties other than duties on stamps collected by means of judicial stamps. This act was extended in its application to the whole of India except the State of Jammu and Kashmir through the Indian Stamp (amendment) Act, 1955. Maharashtra, Gujarat, Karnataka and Kerala have enacted
self-contained Acts modelled on the Central Act. So far as Andhra Pradesh is concerned this Act as amended by the State legislature has been made applicable.

The basis and procedure for the levy of stamp duties (non-judicial) are regulated by:

(xv) The Indian Stamp Act, 1899 (The basic Act).
(xvi) Union and State Legislations from time to time.
(xvii) Rules framed under the Indian Stamp Act, 1899.
(xviii) Judicial decisions interpreting the provisions of the Acts and the rules mentioned above.
(xix) Administrative instructions issued by the Chief Controlling Revenue Authority under Indian Stamp Act.

2.3. Basic features of the Indian Stamp Act. - The Indian Stamp Act is a fiscal legislation, the Primary object of which is to collect revenue and prevent its evasion. Section 3 of the Act is the charging section. It specifies the instruments chargeable with duty and prescribes the amounts thereof (instruments not covered by the Act are not chargeable to stamp duty). The duties prescribed by this Act are paid by the person specified in section 29 of the Act either by using impressed stamp paper of proper denomination or by affixing stamps of proper denomination on them as prescribed in Section 10 to 16 of the Act and Rules made thereunder. The power to reduce/ or remit stamp duties on the instruments specified in entry 91 of the Union list is vested with the Central Government while the power to reduce or remit or compound stamp duties in respect of other instruments is vested with the State government (Section 9).

B. Registration Fees

2.4. “Registration of deeds and documents” is included in the Concurrent List-List III of the Seventh Schedule to the Constitution of India. (Entry 6- Transfer of property other than agricultural land, registration of deeds and documents). The power to legislate on this subject is vested in Union Legislature and the State Legislatures concurrently.

2.5. The Indian Registration Act.- The Registration Act 16 of 1864 which came into force from 1st January 1865 repealed earlier regulations on the subject and introduced the system of compulsory registration in India and made a division of documents into those which are compulsorily registrable and those which are registrable optionally. Act 16 of 1864 was followed by many other enactments (such as Act 20 of 1866, Act 8 of 1871 and Act 3 of 1877 all of which stand now repealed.). The Indian Registration Act, 1908, which came into force on the 1st January 1909, was enacted to consolidate the enactments relating to the registration of documents. It extends to the whole of India except the State of Jammu and Kashmir. Under Section 1(2) of the Act, the State Government may exclude any district or tracts in its territory from the operation of the Act. Several areas in Chodavaram and Srikakulam Districts are excluded from the operation of the Act (G.O. Ms. No. 243 Revenue dated 25-1-1950). This Act as amended from time to time by the Union and State
Legislature and the rules made there under broadly outline the system of registration, assessment and collection of revenue under “Registration Fees” as obtaining at present.

2.6. Registration Act a regulatory measure.- The Act is not a fiscal statute, but a regulatory measure. Fees for registration of documents and other incidental receipts which arise in the Administration of the Indian Registration Act are not in the nature of a tax. They are fees collected for services rendered by the Registration department of the state.

2.7. Services for which fees are levied.- Section 78 of the Indian Registration Act, 1908, empowers the State Government to prepare a table of fees payable for registration of documents and other allied services rendered.

2.8. Fees generally at ad valorem rates. - Registration Fees is collected, with certain exceptions, mostly at ad Valorem rates irrespective of the nature of the document. The Registration Act does not by itself provide for grant of exemption of registration fees. As the state Government is empowered to prepare a table of fees, exemptions are given from time to time by means of amendments to the table of fees. A table of fees payable is time to time by government, the rates in force (at the time of local audit) have to be referred to by the local audit parties.
CHAPTER 3.
ORGANISATIONAL SETUP AND FUNCTIONS
OF DEPARTMENTAL OFFICERS

3.1. The Registration Department of the State Government is constituted for the administration of the Indian Registration Act, 1908, in its application to the territories subject to the State Government. The duties of the department include administration of the Indian Stamp Act. In the administration of the Indian Stamp Act, the officers of the Registration Department are subject to the control of Commissioner of survey settlement and Land Records (in the State of Andhra Pradesh) who is the Chief Controlling Revenue Authority.

3.2. Broadly, the organizational set up of the Registration department is as follows:

The Registration Act envisages a three tier structure of administration with the Inspector-General of Registration at the apex (assisted by the Assistant Inspectors General) and the District Registrars and the Sub-Registrars to be respectively in charge of the Registration District and the Registration Sub-District (Section 3 to 6 of the Indian Registration Act) into which the territory of the State is divided for administering the registration law.

3.3. Inspector-General of Registration. – The Inspector General of Registration exercises general superintendence over all the registration offices in the State. He makes rules, consistent with the Indian Registration Act which, after approval of the State Government and publication in the official Gazette, have the effect as if enacted in the Indian Registration Act (Section 69). These rules regulate inter alia the amount of fines imposed under Sections 25 and 34 of Indian Registration Act. Under section 70 of the Act, he exercises the power to remit wholly or in part the difference between any fine levied under section 25 or section 34 and the amount of the proper registration fee. He has discretion to remit in part the fee leviable under Article 13 of Table of Fees relating to searches in deserving cases. He is not, however, authorized to register any document under Indian Registration Act.

“The Inspector General (IG) may suo motto, call for and examine the record of any order passed or proceedings recorded by the Collector under section 47-A, if such order or proceeding recorded is found leading to loss of legitimate revenue due to disregard of market value by the District Registrar (Collector) based on mistake, omission, or failure to take into account any direct or collateral factual evidence affecting the market value of the property involved.

The IG may initiate proceedings to revise, modify or set aside such order or proceeding, provided such action for revision shall be initiated within a period of one year.

The IG shall also be responsible for administration of CARD. For this purpose the IG shall specify, from time to time, the configuration of hardware and the software to be used in different categories of registration offices.
Powers under Indian Stamp Act

The Inspector General of Registration is appointed to perform the functions of the Inspector General (stamps) under Rule 2(d) of the Indian Stamp Rules, 1925. The Assistant Inspector General of Stamps, Hyderabad, exercises the powers of a “Collector” under section 16 of the Indian Stamp Act with the limits of the twin cities of Hyderabad and Secunderabad subject to the general control of Inspector General of Registration and Stamps (Section 2(9) of the Indian Stamp Act.) Under section 73 of the Act and the rules framed there under, the Inspector General of Registration and Stamps authorizes any person to inspect the Registers, books or Records in the custody of any public officer in the State in order to secure stamp duty and discover any fraud in relation to stamp duty.

3.4. Deputy Inspectors-General of Registration and Stamps.- Grouping the registration districts in the State into (six) regions, the State Government have appointed Deputy Inspectors-General of Registration and Stamps subordinate to the Inspector-General. They discharge the duties as Inspectors of Registration offices under section 8 of the Indian Registration Act. They are authorized to inspect any public office in their jurisdiction, except courts, at district level with a view to detecting leakage on revenue of stamp duties (Section 73 of Indian Stamp Act). They conduct annual inspection of the offices of the Registrars.

There is vigilance Officer in the rank of District Registrar attached to each Deputy Inspector general’s Office. He is in charge of a zone comprising a few districts and he conducts surprise check of sub-registrar’s offices.

3.5. District Registrar. - The Registrar is in charge of the registration district. He superintends and controls the Sub Registrars in his district (Section 68 of Indian Registration Act). He discharges administrative as well as statutory functions. He is assisted by one or two Sub-Registrars called Joint Sub-Registrars in the registration work. His office consists of Administration and Registration Branch. The Joint Sub-Registrars look after the registration work. The Registrar has discretion to receive and register a document relating to the property situated in any place in his district on payment of additional fees (Section 30 of Indian Registration Act and Article 3 of Table of fees). The senior joint Sub-Registrar of the district registration office may also exercise this power (Section 11 of Indian Registration Act.). Under Section 47-A, the District Registrar is having the power to determine the market value of the property when a reference is made by a Sub-Registrar to that effect. The Registrar entertains applications under Sec 71 and appeals (under Sec 72) over the orders of Sub-Registrar refusing registration of the documents. He accepts sealed covers containing wills for deposit (Sec 42). He has powers to remit the fees for attendance at private residence or jail (note under Article 8 of Table of Fees) and safe custody fees (note under Article 9 of Table of fees) in deserving cases. He inspects each sub-Registry Office at least once in each year and comments inter alia on the deficiency in the levy of registration fees and stamp duties. If any, found by him during the course of his examination of the accounts and registers of the Sub-Registry.
Powers under the Indian Stamp Act

The Registrar exercises the powers of a Collector under certain sections of the Indian Stamp Act. He adjudicates as to the Stamp duty with which an instrument, brought to him for his opinion, is chargeable (Section 31) and certifies by endorsement on such instruments as provided for in Section 32. He impounds instruments not duly stamped which come to his notice in the performance of his functions as an officer in charge of public Office (Section 33). He insists on payment of proper duty and penalty of instruments impounded and referred to him under Section 38(2) and those impounded by him and certifies by endorsement as provided under Section 40.

In respect of certain instruments not duly stamped, he has discretion not to require payment of penalty (Section 41). When the duty and penalty (if any) leviable in respect of any instrument are paid under Sections 35, 40 and 41. The registrar as Collector certifies by endorsement on such instrument regarding such payment and on such endorsement it is admissible in evidence and is registrable as if duly stamped (Section 42).

Under Section 48 of the Act, the revenue authorities are empowered to recover duties, penalties and any other sums required to be paid to the department by resorting to sale of movable property or any process in force as for the recovery of arrears of land revenue.

In case of doubt as to the amount of duty with which an instrument is chargeable, he refers the case to the chief Controlling Revenue Authority (Commissioner of Survey, Settlement and Land Records in Andhra Pradesh) for decision under Section 56 and acts accordingly.

3.6. Sub-Registrar.- The Sub-Registrar is the field Officer entrusted with the registration of documents after classifying them properly. The revenues of the State mainly rest on the proper classification of documents. He accepts the documents registrable under section 17 and 18 of Indian Registration Act and assesses the fees according to the Table of Fees prepared by the State Government under Section 78 of Indian Registration Act. He has to follow the rules made by the Inspector General of Registration and approved by the State Government under Section 69 of the Act. He has to maintain a faithful record of the documents registered and prepare indexes to the documents registered. In case the registration of a document is refused he records the reasons in writing. He grants copies of records and issues encumbrance certificates on the properties with reference to the indexes prepared by him.

He has the power to impound any document not duly stamped when presented for registration (Section 33) and refer the case to the Registrar under Section 38(2) of the Act. When the stamp duty with which an instrument is chargeable depends on the duty paid on
another instrument such as instrument coming under Sections 4, 25, 30 etc., the Sub-Registrar is empowered under Section 16 as ‘Collector’ to verify the latter instrument and endorse the certificate prescribed.

3.7. Assistants to District Registrars. - The posts of Assistant District Registrars have also been created to assist the Registrars of the District in their functions.

3.8. Functions of the Registration Department under other enactment.- The Inspector General appointed under Section 3 of the Indian Registration Act may hold simultaneously any other office under government. The Inspector General of Registration and Stamps, Andhra Pradesh is appointed to hold the following posts in the administration of the Acts shown against each:

(iii) Registrar of Firms : Indian Partnership Act, 1932.
(iv) Registrar of Societies : (i) Public Societies Registration Act No.1 of 1950 Fasli (Limited in its application to Telangana Area).

All the Concerned District Registrars shall exercise the powers of a Registrar under A.P. Societies Registration Act, 2001 (A.P.Act No. 35/2001) for Registration of documents for the purpose of Registration of Societies Registered under the said Act.

(Authority: G.O.Ms.No.744, Rev (Regn & Mandals) dt. 11-12-2001.)

In addition to the powers under these Acts, the Registering Officers are empowered to return the documents which are dutiable under the Andhra court fees and Suits Valuation Act, 1956, and which are unstamped or insufficiently stamped in order that the stamp duty or the deficiency in the stamp duty may be made good (Rule 34 of Andhra Pradesh Rules under Indian Registration Act).
CHAPTER 4.
THE INDIAN REGISTRATION ACT

4.1. Article 246(2) of the Constitution and item 6 and 47 of List III of the Seventh Schedule confer upon the State Legislature and Parliament the power to make laws for the registration of deeds and documents and for the levy and collection of fees in respect of the registration of such deeds and documents. The levy and collection of fees for Registration of documents is governed by the provisions of Indian Registration Act, 1908 as amended from time to time. This central Act was amended in its application to Andhra Pradesh by Andhra Pradesh Act 5 of 1969 and Act 13 of 1966.

4.2. Objects of registration.- The main objects of registration are:

   (vi) To provide a conclusive proof of the genuineness of the documents.
   (vii) To afford publicity of transactions:
   (viii) To prevent fraud:
   (ix) To afford facility for ascertaining whether a particular property has been dealt with: and
   (x) To afford security of title deeds and a facility of providing titles in case the original deeds are lost or destroyed.

4.3. The Registration Act deals only with documents and not with transactions as in the case of Transfer of Property Act. The Act does not require that a transaction affecting movable property should be carried out by a registered instrument. All that it enacts is that when a document is used to give effect to any transactions specified in Section 17 of the Act, such document should be registered. Non-registration in certain cases has the effect of rendering the documents in-effective even as between the grantor and the grantee and excludes it from evidence.

4.4. In order to see that the object of registration is achieved, the Act made provision for registration of documents (Section 17 and 18) and prescribed that property is properly described with maps and plans (Section 21 and 22), that documents are presented within the time prescribed (Section 28) by proper persons (Section 32 and 40) and that document is registered after proper enquiry (Section 34) and a reliable record of the registered document is kept (Section 51).

Registration of Documents

4.5. Section 17 specifies the documents which are compulsorily registerable and Section 18 specifies those which may be registered at that option of the party. Levy of fees under the law of registration arises only when a document is registered or a service connected with it is rendered.

Documents compulsorily registrable under section 17 are given below:
5. All instruments of gift of immovable property (irrespective of value).
6. Other Non-testamentary instruments which purport or operate to create declare, assign, limit or extinguish, whether in present or in future, any right, title or interest, whether vested or contingent, of the value of rupees one hundred and upwards, to or in immovable property.
7. Non-testamentary instruments which acknowledge the re-receipt or payment of any consideration on account of the creation, declaration, assignment, limitation or extinction of any such right, title, or interest.
8. All Leases of immovable property (irrespective of value).
9. Non-testamentary instruments transferring or assigning any decree or order of a court or any award when such decree or order or award purports or operates to create, assign, limit or extinguish, title or interest whether vested or contingent, of the value of rupees one hundred and upwards, to or in immovable property.
10. Authority to adopt a son not conferred by a will. (Section 17(3) of the Act).
11. Agreement to sell immovable property.

4.5.1. Exemptions under Section 17(2). - The following documents are exempted from compulsory registration:

(vii) any composition deed;
(viii) any instrument relating to shares in a joint stock company;
(ix) any debenture issued by any such company (see Section 17(2) (iii));
(x) any endorsement upon or transfer of any debenture issued by any such company;
(xi) any document not itself creating right, title etc. in immovable property exceeding Rs.100 but merely creating a right to obtain another document.
(xii) any decree or order of court except a decree or order expressed to be made on a compromise and comprising immovable property other than that which is the subject matter of the suit or proceeding;
(xiii) any grant of immovable property by the Government;
(xiv) any instrument of partition made by a Revenue Officer;
(xv) any order granting a loan or instrument of collateral security granted under the Land Improvement Act, 1871, or the Land Improvement Loans Act, 1883;
(xvi) any order granting a loan under the Agriculturist’s Loans Act 1884, or instrument for securing the repayment of a loan made under that Act;
(xvii) any order made under the charitable Endowments Act, 1890 (VI of 1890) vesting any property in a Treasurer of charitable Endowments or divesting any such Treasurer of any property.
(xviii) any endorsement on a mortgaged deed acknowledging the payments of the whole or any part of the mortgage money and any other receipt for payment of money due under a mortgage when the receipt does not purport to extinguish the mortgage: or
(xix) any certificate of sale granted to the purchaser of any property sold by public auction by a Civil or Revenue Officer.
4.6. Sections of Transfer of Property Act treated as supplemental to the Indian Registration Act, 1908. - The Registration Act makes registration optional in the case of immovable property of the value of less than Rs.100. Thus, while under the Registration Act a sale or mortgage for Rs.99 need not be registered, yet under the T.P. Act such a sale (Section 54) or mortgage (Section 59) may be made either by a registered instrument or by delivery of property. Again while under the Registration Act a gift of movable property need not be registered, yet under the Transfer of Property Act such a gift (Section 123) may either be made by a registered instrument or by delivery. To remove this inconsistency between the Indian Registration Act and Transfer of Property Act, sections 54 (paras 2&3), 59, 107 and 123 of Transfer of Property Act are made supplemental to Indian registration Act.

Similarly, Section 5 of the Indian Trusts Act, 1882, lays down that no trust of immovable property is valid unless it is declared by a non-testamentary instrument in writing signed by the author of the trust or the trustee and registered or by the will of the author of the trust or trustee.

4.7. Optional Registration.- Registration is optional in the case of following documents (Sec 18):

(a) Instruments (other than instruments of gift and wills) which purport or operate to create, declare, assign, limit or extinguish, whether in present or in future, any right, title or interest, whether vested or contingent, of a value less than one hundred rupees to or in immovable property;

(b) Instruments acknowledging the receipt or payment of any consideration on account of the creation, declaration, assignment, limitation or extinction of any such right, title or interest;

(c) Instruments transferring or assigning any decree or order of a Court or any award when such decree or order or award purports or operates to create, declare, assign, limit or extinguish, whether in present or in future, any right, title or interest, whether vested or contingent, of a value less than one hundred rupees to or in immovable property;

(d) Instruments (other than wills) which purport or operate to create, declare, assign, limit or extinguish any right, title or interest to or in immovable property;

(e) Wills; and

(f) Other documents not required by Section 17 to be registered.

4.8. Time limit for presenting documents.- No document (other than a will) shall be accepted for registration unless it is presented within four months from the date of its execution. A copy of a decree or order may be presented within four months from the date on which the decree of order was made. When the decree or order is appealable, then it may be presented within four months from the day on which it becomes final (Sec 23).

Note. - In computing the period of four months from the date of execution of the document, the day on which the document is executed should be excluded by virtue of
Section 9(1) of the general Clauses Act 10 of 1897. Where there are several executants of a document, section 24 specifies the time for presentation of the document for registration.

When owing to urgent necessity or unavoidable situation, a document is presented after 4 months, the Registrar may permit registration on payment of a fine not exceeding ten times the amount of the proper registration fee in cases where the delay in presentation does not exceed four months (Section 25).

A will may be presented for registration at any time (Section 27).

4.9. No document (other than a will) shall be registered under this act unless the persons executing such document or their representatives appear before the registering officer within the time allowed for presentation under Section 23, 24, 25 and 26.

Provided that, if owing to urgent necessity or unavoidable situation all such persons do not so appear, the registrar, in cases where the delay in appearing does not exceed four months may direct that on payment of a fine not exceeding ten times the amount of the proper registration fee in addition to the fine, if any, payable under section 25, the document may be registered (Sec 34(i)).

Thus, while the maximum period allowed in terms of Sections 23 and 25 for presenting a document is eight months that for the appearance of parties before the registering officer is 12 months in terms of the provision to Section 34 read with Sections 23 and 25.

The rate of fine for delay in presentation of documents is as follows: - (Rule 38 of the Registration Rules).

| When the delay does not exceed one week after the expiration of the time allowed for presentation or appearance. | A fine equal to the registration fee. |
| When delay exceeds one week but does not exceed one calendar month. | A fine equal to twice the registration fee. |
| When the delay exceeds one month but does not exceed two months. | A fine equal to five times the registration fee. |
| When the delay exceeds two months but not exceed four months. | A fine equal to ten times the registration fee. |

4.10. Place of Registration.- The territory of the State Government is divided into districts and sub-districts for the administration of the Act (Sec 5). Section 28 to 31 lay down the place of registration of a document.

A document affecting immovable property is presented for registration in the office of the sub-registrar in whose jurisdiction the whole or part of such immovable property is situated (Sec 28). Every other document not affecting immovable property or a copy of a
decree or order may be presented for registration either in the office of the sub-registrar in whose jurisdiction the documents was executed or any other sub-registry office of the state at which all the executants and claimants under documents desire it to be registered (Sec 29). A District Registrar may in his discretion receive and register a document which is registrable by any sub-registrar, subordinate to him (Section 30).

Provided that such officers may on special cause being shown attend at the residence of any person desiring to present a document for registration or to deposit a will, and accept for registration or deposit such document or will (Proviso to Sec 31).

4.11. Time from which registered document operates.- A registered document operates from the time from which it would have commenced to operate if no registration thereof had been required or made and not from the time of its registration (Sec 47). In the cases of gifts however, the deeds take effect not from the date of its registration but from the date of its execution. Registration does not purport to create a new title but only affirms the title which was created by the execution of a deed. The title is complete when the deed is executed and the effect of registration is only to make it absolute and unquestionable.

4.12. Effects of non-registration.- The effects of non-registration mainly relate to the admissibility of the document as evidence when there is a dispute or when the matter is taken to a Court of Law. These aspects are dealt with in Section 49.

4.13. Certificate of Registration.- The Registering Officer endorses a Certificate containing the word ‘Registered’ duly signed, sealed and dated (Sec 60). The word ‘Registered’ in the Limitation Act (Schedule I Article 10) refers to the date of which the endorsement ‘registered’ is made and not the date on which the document was presented for registration. The registration of a document is deemed to have been completed after the endorsements (Sec 59) and certificate (Sec 60) made on the document are copied into the margin of the register book. The document is thereupon returned to the party (Sec 61).

4.14. Liability of the registering officer for loss to Government due to neglect on his part.- A registering officer will be liable for any loss to Government arising from neglect on his part in the registration of a document, making of a search or grant of a copy of document. If before a document is returned to the party, the registering officer detects that the fee was deficiently levied on such document, he may collect from the party the amount required to make up the deficiency, intimating the registrar (Rule 160 of the Registration Rules).

4.15. Procedure where document relates to property which is not wholly situated in one Sub-district.- A document presented for registration may relate to immovable property, a part of which is situated outside the sub district of the same registration district or a different registration district. Sec 64 to 66 contain provisions prescribing the preparation and transmission of memorandum (and a copy of the document when the property is partly situated in another registration district). Thus the other registering officers are informed of the registration of a document affecting the property situated in
their jurisdiction with requisite details. Based on the particulars contained in the memorandum, entries in the books and indexes are kept up-to-date.

4.16. Powers of the Inspector General of Registration. - Sec 69 empowers the Inspector General of Registration to exercise a general superintendence over all registration offices in the State. He makes rules consistent with the Act (subject to the approval of the State Government) regulating, among other things, the amount of fines imposed by the Registers under Sec 25 and 34 (prescribed in Rule 38). Under Sec 70 he exercises discretion to remit wholly or in part the difference between any time levied under Rule 38 above and the amount of proper registration fee. Sec 69(1)(bb) enables the Inspector General to make rules providing for the grant of licences to Document writers. The fee leviable for the grant of such licence and for its yearly renewal are prescribed in Rule 203. Section 69(1)(b) enables the Inspector General to declare what language shall be deemed to be commonly used in each district.

4.17. Documents refused for registration. - The registering officer may refuse to register documents in the following types of cases. (Rule 161).

i. Documents prepared in a language which is not commonly used in the particular area (Section 19).

ii. Documents containing erasures, corrections etc. not attested by the parties (Section 20).

iii. Documents not containing a proper and complete description of the property. (Section 21 and Section 22).

iv. The date of execution is not stated in the document or correct date not ascertainable (Section 36).

v. Documents presented after time bar (Sections 23, 24, 25, 26, 72, 75 and 77).

vi. Documents presented by a person who has no right to present it (Sections 32,33,40 and 43).

vii. Documents violating the relevant provisions of the Act.

viii. The person by whom the document is presented appears to the Registering Officer to be a minor, an idiot or a lunatic or a representative of a deceased person by whom the document purports to have been executed. (Section 35).

4.18. Fees under the Registration Act. - Fees levied for registration and other services rendered under the Registration Act is not in the nature of a tax. Under section 78, the State government prepares a table of fees payable,

(a) for the registration of documents,

(b) for searching the registers,

(c) for making or granting copies of reasons, entries, or documents,

The table of fees also contains.

(d) extra or additional fees payable for every registration under sec30.
(e) for the issue of commissions,
(f) for filing translations,
(g) for attending at private residences.
(h) for safe-custody and return of documents; and
(i) for such other matters found necessary by Government to effect the purposes of
the Act.

Under sec 79 of the Act the table of fees so prepared is published in the official
Gazette.

4.19. Concessional Fees. - Certain special concessions are allowed in respect of
documents like receipts, counter-parts, ratification and rectification deeds, because the full
fee would have already been levied on the principle deeds and it would cause hardship to
levy the full fee again on such documents (which are merely ancillary in nature). Sometimes, however, the purpose for which the main document is intended is sought to be
achieved through ancillary deeds under the guise of ratifications, rectifications etc., in that
but for the execution of the latter, the title to property would not have passed from the
executant to the claimant. Audit should be on guard against such seemingly simple deeds
whose real purpose is different.

4.20. Levy of Registration fees. - The registering officer on presentation of
document determines in the first instance what fee should be paid and after its payment,
the presenting party may, if he is dissatisfied, refer this question to the Register. If the
party feels aggrieved to the decision, he may appeal to the Inspector General. Such appeals
to the Registrar or the Inspector General should be made within 30 days from the date of
payment of fee or the date of making of the Registrar’s order, as the case may be (Rule
182).

As per G.O.Ms.No. 2045 DT 28-11-2005, the Registration fee in respect of:

(i) Agreements falling under Articles 6(B), Partition Deeds, Release Deeds and Settlement
Deeds under Article 40,46 and 49, Powers of Attorney falling under Clause (e) and (g) of
Article 42 of Schedule-IA to the IS Act, 1899 is Rs.1,000, whereas, the instruments
registered under Article 7 (i.e.) Registration of Agreements/Memorandum relating Loan
Title Deeds 0.1% on the Deposit amount subject to a maximum of Rs.1,000, and in respect
of Registration of Powers of Attorney falling under Clauses (a) to (d) and (f) of Article 42
is Rs.100/-.  
The above orders applicable from 1st December 2005)

4.21. Refunds. - In the event of registration being refused, any fee or fine which
may have been levied shall be refunded except fees, commissions, summonses, attendances
and travelling allowances. Where such fees and allowances have been earned (Rule 183).
A refund of revenue to which the claimant is legally entitled will be sanctioned provided it is not time barred by limitation under the Indian Limitations Act, 1980 (i.e. after the expiry of 3 years).

In terms of Board’s standing order 925, Registrars and Sub-Registrars are authorized to refund:

(b) Fees and fines on documents refused registration or returned un-registered.
(c) Undisbursed process fees, batta and traveling allowance levied in connection with the documents, presented to them for registration.

Board’s Standing Order 927 states that the previous sanction of the Inspector General shall be obtained for the refund of any collection other than those referred to (i) in order/925. (ii) in Registration Rule 180 (relating to the refund of costs of appeal under Section 72 of the Indian Registration, Act) (iii) in the notes to Articles 8 and 9 of Table of Fees relating to the fees collected for attendance at a private residence or jail and for safe custody of documents.

4.22. Audit checks. - The following audit checks may be exercised while checking the receipts of registration fee:

(i) The audit of registration fee mainly consists in seeing whether the fees realisable for the various services rendered by the department have been determined correctly, realised and credited promptly to Government. A test check of the registered documents should also be made to see that the registering authority has discharged, effectively his duty of verifying that the instruments have been properly stamped as required under the Stamp Act and other relevant legislation for the valuation indicated therein.

(ii) Whether printed receipt books (manuscript receipt books prepared in the manner prescribed when printed receipt books are not available for supply) are brought to account first and used to secure against loss and misuse of receipt books.

(iii) Whether fees realised for the various services rendered under the laws of registration and stamps have been correctly levied in accordance with the Table of Fees prepared under Section 73 of the Indian Registration Act and the amounts have been realized;

(iv) Whether the daily cash balance in the accounts brought to Account-H correctly and verified with the cash balance;

(v) Whether the amounts creditable as departmental revenue under the major head ‘030-Stamps and Registration Fee’ are paid into the treasury on the next working day where the treasury is located in the same place as the office and in places where the treasury is not located in the same place on the days prescribed by the department.

(vi) Whether the monthly reconciliation between the departmental figures of remittances and those of the treasury is made regularly;
(vii) Whether fines leviable under the Acts Rules have been correctly levied wherever necessary and collected;

(viii) Whether proper receipts have been granted and the amounts specified in the receipts (counter foils) have been brought to accounts as prescribed;

(ix) Whether remissions and refund of fines have been authorized by competent authority and cross references have been made on the counterfoil of the receipt and against the original entry of the receipts in departmental accounts;

(x) Whether fortnightly returns have been sent to Income Tax Authority in respect of the transactions above Rs. 30 lakh.

(xi) Whether the documents deposited for safe custody and not claimed within the prescribed time, have been accounted for in the Register of unclaimed documents, fee for safe custody levied and brought to Account-B;

(xii) In case of documents relating to immovable properties not wholly situated within the Sub-District/ District whether the proper fee for sending memo/copy under sections 64 to 66 of Indian Registration Act has been realized according to the Table of Fees and brought to Account-A;

Note. - A memo book is maintained to enter the memos, despatched to other registering officers. Entries in this book may be traced in the Account-A.

(xiii) Whether exemptions from the levy of stamp duty and registration fee in respect of documents relating to cooperative societies have been correctly allowed.

**Court fees and Suits Valuation Act.**-(i) Whether the application received under Section 16 bears the proper court fee under the Court Fees Act;

(ii) Whether the Registering officer is exercising the scrutiny required under Section 5 of the Andhra Pradesh Court Fees and Suits Valuation Act 1956 (Rule 34 of the Andhra Pradesh Rules under the Indian Registration Act. 1908).
CHAPTER 5.
THE INDIAN STAMP ACT.

5.1. The Indian Stamp Act, 1899, is a fiscal enactment which taxes instruments in order to raise State revenues. The charging sections and other important provisions intended to check evasion of tax and penalize offences against stamp law are dealt with in brief from the revenue audit angle in the following paras:

5.2. Application of the Act. - The Indian Stamp Act as adopted by the State is applicable to the entire State of Andhra Pradesh. The Scope of some important sections is dealt with in the succeeding paragraphs.

5.3. Charging section. - Section 3 read with schedule-I and Schedule I-A specifies the instruments that are chargeable with stamp duty and the amount of stamp duty chargeable in each case. Documents not mentioned in the Schedule such as ‘wills’ are not subject to duty. Proviso 1 to the section exempts instruments executed by or on behalf of, or in favour of Government in cases where liability to pay duty would otherwise rest upon the Government under section 29. Any material alteration made with the consent of parties in an instrument after it is complete renders a new stamp necessary, as the effect is to make in substance a new instrument. An alteration is considered material when it changes the legal effect of the instrument by making change as regards the rights and liabilities of the parties or as regards their legal position or when it changes the legal identity or the character of the instrument either in its terms or the relation of the parties thereto. A rectification deed which is a document executed only to correct a clerical error in the document already executed earlier, does not cause a material alteration and hence no stamp duty is leviable.

Section 3 of the Act, as made applicable to the State of Andhra Pradesh contains an additional Schedule viz, Schedule-I-A for convenience. This schedule refers to all instruments (other than those mentioned in entry 91 of the Union list in the seventh Schedule to the Constitution of India) with regard to which the State Legislature has constitutional right to fix the rates of stamp duty. The rates of stamp duty in Schedule-I-A will apply to the instruments executed within the State of Andhra Pradesh or executed outside the State of Andhra Pradesh but relating to any property situate in the State or to any matter or thing done or to be done in the State and received in the State. In terms of Section 19-A if an instrument after becoming liable to duty in another State, on execution there becomes liable to duty also in Andhra Pradesh on receipt there, it must first be stamped in accordance with the law of the former State and where the rate of Andhra Pradesh is higher, it will require to be stamped with the differential amount that is in accordance with the law and rules in force in Andhra Pradesh.

5.4. Stamp duty chargeable on an instrument should be determined with reference to law in force on the date of the execution of the instrument but the levy of penalty is to be determined by reference to the law in force at the time of the presentation of the instrument in evidence (Sec 17).
5.5. Schedules to the Stamp Act forms part of the Statute and therefore, both should be read together. But in case of any inconsistency between the Schedule and the Act, the latter shall prevail. Besides section 3 which is the charging section. Stamp duty is leviable under section 4(1), proviso to section 6, proviso to section 28(4), section 28(5) and provisos (a) & (b) under section 35.

5.6. Section 4.- In the case of a sale, mortgage or settlement when several instruments are employed, instead of one, for completing the transaction, then the principal instrument only is chargeable with the stamp duty prescribed for conveyance, mortgage, or settlement and each of the other instrument is chargeable with nominal duty specified in Section A. The party has the choice as to which instrument is to be treated as the Principal Instrument subject to the condition that the principal instrument should be charged with highest duty which would be chargeable in respect of any of the said instruments employed. This section contemplates on transaction effected by several instruments at the same time and not a series of instruments effecting different dispositions at different stages with regard to the same property.

5.7. Section 5. - When an instrument comprises or relates to several distinct matters it is chargeable with the aggregate amount of the duties which are separately payable if these matters are capable of being carried out through separate instruments. Distinct matters should be understood as matters not interdependent and stand distinctly by themselves.

Example 1: Partition into 3 shares of Rs. 25,000/-, Rs. 25,000/- and Rs. 30,000/- value of separated share being Rs. 50,000/- and also a gift settlement for Rs. 5,000/- to mother with reversionary right to daughter treating it as not essential to partition – held as partition and settlement falling under section 5 of I.S. Act.

Example 2: Company sold a piece of land for Rs. 3,00,000/-. Rs.5,000/- were already paid and as security for payment of balance in yearly instalments, the purchases executed mortgage of the land. The conveyance was properly stamped with advalorem duty, but mortgage was stamped with stamp duty of one rupee, it was held that the mortgage deed was not employed for completing the sale but was independent transaction chargeable with stamp duty under Art. 35, falling under section 5.

The main test to find out whether a document comprised two distinct matters is to ascertain the leading object of the instrument and to see whether the second matter is only ancillary to the main object or is independent of it.

5.8. Section 6.- Subject to the provisions of Section-5 an instrument so framed as to come within two or more of the descriptions in schedule I or in Schedule I-A shall, where the duties chargeable thereunder are different, be chargeable only with the highest of such duties. e.g., an instrument containing dissolution on partnership and also partitions.

This would apply where the contract is essentially one transaction but answers two of the descriptions in the Schedules. According to this section, even instruments covered
by exemption under one category of the Schedule are not necessarily protected if they also fall within another category. An instrument stamped for its leading and principal object covers every thing accessory to that object and is not to be charged with any further duty.

5.9. The distinction between Section 4, 5 and 6 is summarised below:

<table>
<thead>
<tr>
<th>Section 4</th>
<th>Section 5</th>
<th>Section 6</th>
</tr>
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<tbody>
<tr>
<td>Transaction single but completed in several instruments (i.e.) transaction one instruments—several</td>
<td>More than one transaction comprised in a single instrument (i.e.) transactions—several instrument—one; thus section-5 is the converse of section-4</td>
<td>Transaction—one-instrument—one and the classification of the document is capable of being brought within the purview of more than one item of the schedule—one of them being the principal and the others ancillary to it.</td>
</tr>
</tbody>
</table>

5.10. Section 9.—The section enables the Central Government to reduce or remit the duties in respect of the instruments mentioned in Entry-91 of the Union list in the Seventh Schedule to the Constitution. In respect of the other instruments (Schedule-IA) the State Government is empowered to do so. The reduction or remission under this section can also have retrospective effect.

5.11. Payment of duty.—Stamp duty is paid in the form of stamps (non-judicial) purchased and used in executing an instrument as prescribed. The stamps are issued by Government. Two kinds of stamps are available for payment of duty, viz., impressed Stamps and adhesive stamps. Sections 10 to 16 and the rules made under Section 10 regulate the description of stamps to be used for different kinds of instruments, use and cancellation of adhesive stamps and use of impressed stamp paper. They aim at checking the mis-use of stamps once used in connection with the execution of an instrument.

5.12. Duties may be paid in cash in the following cases:

(a) When instruments are brought to the Collector Section-31 for adjudication of duty or under Section 41 with voluntary tender of duty.
(b) When instruments not duly stamped are impounded the deficient duty and penalty are levied in cash.
(c) Where duty is to be indicated by an impressed label under the Rules, the value of the label is paid in cash.

5.13. Section 11 of the Act and Rule 13 of the Rules specify the classes of instruments which may be stamped with adhesive stamps. Rule 17 specified the instruments which can be stamped with special adhesive stamps.

5.14. Denoting Duty.—Section 16. The duty with which an instrument is chargeable or its exemption from duty depends in certain cases on the duty actually paid in respect of
another instrument. In such a case the Collector on application in writing, verifies both the instruments and denotes in the first instrument the payment of such last mentioned duty in the manner prescribed under the rules made for the purpose. The applications received in this regard are filed in petition files indicating the number of registration of the document in the registering offices. The application should bear the proper court fee under court fees Act. Section 16 deals with instruments coming under Section-4, Article 25 and 30, provisos to Articles 35, 45 and 58 of Schedule I.

5.15. Time of stamping instruments.- Section 17 deal with the time of stamping instruments, section 17 provides that all instruments chargeable with duty and executed by any person in India will be stamped before or at the time of execution.

5.16. Valuation for duty.- Stamp duties are either fixed or ad valorem. Section 20 to 28 contain provisions governing the valuation of the instruments for levy of duty. According to Section 23, insertion of a provision as to payment of interest in an instrument does not effect the quantum of stamp payable in respect of such instrument. No additional stamp will be required because of insertion of a provision for payment of interest.

Section 24 lays down the mode of valuation in cases of transfer in consideration of debt. This section applied (1) where the consideration is wholly or part of a debt due to the transferee; (2) where the transfer is made subject to the payment of a debt due to another, whether constituting a charge or not. Where a property is subject to mortgage, the consideration for sale is deemed to be that amount of unpaid mortgage money or money charge, together with interest (if any) due on the sum in addition to the apparent consideration set out in the conveyance. The proviso to the section provides for reducing the duty paid originally on the mortgage from out of total duty payable for the transfer of the mortgaged property to the mortgagee. It was held by Bombay High Court that in order to be entitled for the deduction, the property transferred should be identical with that mortgaged and not be merely part of it. Board of Revenue, Madras in its proceedings 250-R Miscellaneous Dt. 2-3-1914 held that no reduction is admissible if the property sold happens to be portion of the mortgaged property.

The explanation under the section would not apply if the property is sold for a price which is the full value of the property and the vendor as part of the consideration, undertakes to clear the mortgage and release the property. The sale in such a case is not subject to mortgage even though the property sold is subject to it. In a sale subject to mortgage, the particulars of mortgage must be written in the sale deed in terms of section 27.

5.17. Section 26.- Deals with valuation of instruments where consideration consists of periodical payments like annuities.

5.18. As the value of the subject matter of the instrument is very important in determining stamp duty payable, section 27 enjoins on the executants to state fully and truly in the instrument to consideration, market value of the property and all other facts and circumstances affecting the chargeability of the instrument. Failure to comply with the
requirements of this section with an intention to defraud the State makes the person liable to prosecution under sec 64.

Further a Registering Officer appointed under the Registration Act, 1908 or any other officer authorised in this behalf may inspect the property, which is the subject matter of such instrument, make necessary local enquiries call for and examine all the connected records and satisfy that the provisions of this section are complied with.  

(Authority : Amendment Act 8 of 1998 with effect from 1.05.1998)

5.19. Section 29 specifies the party which should pay for the stamp required for that instrument.

5.20. Adjudication under Section 31.- A person is given the right to apply, in case of any bonafide doubt, for the authoritative opinion of the Collector under the Stamp Act, either before or after execution of an instrument, as to the stamp duty with which it is chargeable.

5.21. In case the instrument is already executed, the person applying for adjudication gets the benefit of obtaining the endorsement of the Collector under Section 32 on payment of the duty determined by the latter, without having to pay the penalty. On endorsement of the Collector under Section 32, the instrument is treated as if it was duly stamped from the beginning. It is acted upon and registered without any objection with regard to stamp. The Collector becomes Functus officio soon after the certificate is endorsed and he cannot review, modify or cancel his decision even if a higher duty is subsequently found payable on the instrument.

5.22. The certificate under Section 32 cannot be endorsed by the Collector if the instrument is brought to him after the expiration of one month from the date of execution. When a party seeks the adjudication of the Collector beyond the time prescribed in Section 32, the Collector has to impound the document under section 33 and proceed under section 40 to decide whether it is duly stamped.

5.23. Impounding of instruments.- In order to see that no instrument chargeable with stamp duly escapes the charge, section 33 casts a duty upon every person who has authority to receive evidence and every person in charge of a public office to impound an instrument not duly stamped when it is produced or comes to him in performance of his functions. The State Government determines which is a public office and who are officers in charge of public offices. All registering officers appointed under the Indian Registration Act exercises the powers under Section 33 of the Indian Stamp Act with regard to documents produced for registration.

5.24. The power to impound an instrument can be exercised by a registering officer only before he registers it but not after registration. Section 35 imposes an obligation on the Registering Officer to examine whether an instrument presented for registration is duty stamped. This has to be performed before registering the instrument.
5.25. An instrument can be sent to the Collector under Sec 38(2) of the Stamp Act only when it is impounded under Section 33 but not admitted in evidence on payment of penalty and or duty with the aid of section 35.

5.26. Section 38 prescribes the follow up action in respect of instruments impounded:

1. When a person invested with authority to receive evidence (officers of the court) impounds the instruments and admits it on payment of duty and penalty, he has to send an authenticated copy of the instrument along with a certificate stating the amount of duty and penalty levied and send such amount to the Collector. In such cases the Collector need not consider the stamp aspect but may refund whole or part of the penalty (Sec 39) levied in excess.

2. Any other officer impounding an instrument under Sec 33 has to send it in original to the Collector. The provisions of this sub-section are attracted in cases of instruments impounded under Sec 33 but are not admitted in evidence on payment of penalty and or duty with the aid of section 35. In respect of these instruments and the instruments impounded by him under section 33. The Collector examines and certifies as to the chargeability or otherwise of the instruments, requires the payment of proper duty and penalty and then returns the instruments to the officers who impounded the instruments (Sec 40).

5.27. Section 41.- The section provides for collection of deficit duty without penalty where an instrument not duly stamped by accident, mistake or urgent receipt is voluntarily produced before the Collector within one year of its execution.

5.28. Section 41-A.- In cases where any instrument chargeable with duty has not been duly stamped and registered by any registering officer by mistake and remarked as such by the Collector or any audit party, the Collector may within five years from the date of registration serve a notice on the person by whom the duty is payable, and after considering the representation received from the person determine by an order, the amount of duty due from such person (not being in excess of the amount specified in the notice) and such person shall pay the amount as determined.

In cases where the non-payment of duty was due to fraud, or collusion or misstatement, or suppression of facts, etc, the time limit for serving the notice is 10 years from the date of registration on such person to show cause why the amount required to makeup the deficient stamp duty should not be collected from the concerned along with penalty of 3 times of deficit stamp duty.


5.29. When the loss of revenue under the stamp law is made good by the operation of Sections 35, 40, 41 or 41A and the person admitting such instrument in evidence (under section 35) or the Collector (under Sections 40,41 and 41A) certifies by endorsement that proper duty/penalty has been levied, then, the instrument so endorsed is admitted in
evidence, registered or acted upon and authenticated (Section 42) as it had been duly stamped.

5.30. Section 45.- Empowers the Commissioner & Inspector General of Registration and Stamps/Chief Controlling Revenue Authority to refund (1) wholly or in part penalty paid under section 35 or 40 and (2) stamp duty charged (under section 35 and 40) in excess of what is legally chargeable. The refund is allowed on application in writing made within the prescribed time limit.

5.31. Section 47-A. detailing the action to be taken in respect of instruments undervalued is dealt with in a separate chapter.

Under the provisions of section 48, all duties, penalties and other sums due may be recovered by distress and sale of movable property or by any other process for the time being in force for the recovery of arrears of land revenue.

5.32. Reference to the Chief Controlling Revenue Authority/High Court/Commissioner & Inspector General of Registration and Stamps. Under section 56, if the Collector, acting under sections 31, 40 or 41 feels doubt as to the amount of duty with which an instrument is chargeable, he may refer case of the C.C.R.A./C.I.G (A.P.). Under Section 57 the latter may send any case referred to him under section 56 or otherwise coming to his notice with his opinion thereon to the High Court of the State for advice.

5.33. Under section 70, the Chief Controlling Revenue Authority (C.C.R.A.) or any officer generally or specially authorized by it may stay any prosecution under the Act or compound the offence and the amount of any such composition is recoverable in the manner provided by Section 48.

5.34. Section 73.- Under Section 73, every public Officer or any person having in his custody, any register, records, papers etc, the inspection whereof may tend to secure any duty or to prove or lead to the discovery of any fraud or omission in relation to any duty, should permit any person authorised by the Collector in writing, to enter upon any premises, and to inspect for such purposes the registers, records, papers etc, and to take such notes and extracts found necessary, without fee or charge and if necessary to seize them and impound the same under proper acknowledgement. If such seizure relates to registers in the custody of a bank, it can be done only after a notice of thirty days to make good the deficit stamp duty is given. To facilitate such inspection, the person having custody of the registers, records etc. should produce them before the officer authorized by the collector and if the authorized person is of the opinion, that any instrument is chargeable with duty and is not duly stamped, the proper stamp duty must be made good from the person liable to pay the stamp duty and in case of default shall be recovered as an arrear of land revenue.

(Amendment Act No. 17 of 1986 w.e.f.22.7.1986)

The Amendment was struck down by the Andhra Pradesh High Court in Judgment dated 27th September 1996. However, the original provisions of Section 73 of I.S.Act,
In April 1899, Deputy Inspectors General of Registration & Stamps, Zonal Officers of each region in the State were authorized to inspect any public office under section 73 of I.S. Act with a view to detecting leakage of revenue by way of non-levy of stamp duty. Subsequently, District Registrars, Assistant District Registrars at district level and Deputy Collectors of Flying Squads/Vigilance Officers at regional level were also authorized to inspect public offices under section 73.

5.35. Section 75 empowers the State government to make rules to carry out the purposes of this Act and to prescribe fines not exceeding Rs 500.

The State Government may by notification in the Official Gazette, delegate all or any of the powers conferred on it by sections 2(9), 33(3)(b), 45(1), (2), 56(1), 70(1),(2), 74 & 78 to the CCRA and under section 9(1)(b) to the C & IG (R&S)
CHAPTER 6.
CLASSIFICATION OF DOCUMENTS

6.1. The pre-requisite for correct assessment of stamp duty is the correct classification of a document. All the instruments chargeable to stamp duty are not defined in the Stamp Act and some of the definitions are not exhaustive. Clear understanding of the definitions in the Stamp Act and other Act such as the Transfer of Property Act, General Clauses Act etc; is necessary for the correct interpretation of the Acts. An acquaintance with up-to-date case laws in this regard is essential for correct classification of documents and assessment of stamp duty.

6.2. Definitions of certain terms in common use taken from other Acts or from court decisions have been give below.

(i) **Bond**: - Bond Includes.

(a) Any instrument whereby a person obliges himself to pay money to another on condition that the obligation shall be void if a specified act is performed or is not performed, as the case may be.

(b) Any instrument attested by a witness and not payable to order or bearer, where a person obliges himself to pay money to another, and

(c) Any instrument so attested whereby a person obliges himself to deliver grain or other agricultural produce to another.

ii) **Conveyance**: - Conveyance includes a conveyance on sale, every instrument and every decree or final order of any Civil Court, by which property whether movable or immovable, or any estate or interest in any property is transferred to, or vested in or declared to be of any other person, intervivos, and which is not otherwise specifically provided for by Schedule-I or Schedule-IA, as the case may be. (*Authority: AP Amendment Act No.8 of 1998 w.e.f. 1-5-1998*).

iii) **Instrument**: - Instrument includes every document by which any right or liability is or purports to be created, transferred, limited, extended, extinguished or recorded.

iv) **Attested**: - “Attested”, in relation to an instrument, means and shall be deemed always to have meant attested by two or more witnesses each of whom has seen the executants sign or affix his mark to the instrument. (Sec 3 of Transfer of Property Act).

v) **Boards “Standing Orders”**: - The erstwhile Board’s standing orders are only executive instructions issued for the guidance of the officers who carry out the policy of the then Board of Revenue. Beyond that they do not have any statutory force or force of lay, contravention of which would be hit by Sec 23 of the Indian Contract Act (S.A. No.668 of 1972 A.P.F.R.A.W.R. Dated 24-1-1975).

vi) **Transfer of Property**: - Sec 5 of the Transfer of Property Act defines transfer of property as an act by which a living person conveys property in
present or in future, to one or more other living persons, or to himself, or to himself and one or more other living persons; and “to transfer of property” is to perform such act. “Living person” in the above definition includes a company, or association or body of individuals, whether incorporated or not.

It is of interest to note that Transfer or Property Act, but for certain exemptions does not apply to transfer by operation law, but is limited to transfers by action of parties. Transfers by operation of law occur in cases of testamentary and intestate succession, forfeiture, insolvency and court sales.

A transfer by means of a will or testament is outside the provisions of the Act.

vii) Coparceners: - A term in Hindu Law. The term is used to signify the persons in a joint Hindu family who are entitled to succeed to the estate of deceased or who are entitled to demand partition of the joint family property.

viii) Chose-in-action: - A thing to get possession of which an action must be brought (Actionable claim).

ix) Disposition: - Giving away or giving up by a person of some which was his own (CA No. 128 of 1969 & 1341 of 1971).

x) Assignment :- Transfer of claim, right to property to another (CA No.128 of 1969 & 1341 of 1971)

xi) In severalty:- He who holds lands or tenements in severalty or is sole tenant thereof is he that holds them in his own right only without any other person being joined or connected with him in joint interest during his estate therein (Wharton. Law lexicon 14th Edition).

xii) Document: - According to Section 3(10) of the General Clauses Act 1897 “document” shall include any matter written, expressed.

xiii) Gift :- Gift if not defined in the Stamp Act. Its definition in other Acts are as follows:

From transfer of Property Act:
Section 122 of the Act defines ‘gift’ as the transfer of certain existing movable or immovable property made voluntarily and without consideration by the donor to the donee and accepted by or on behalf of the donee.

xiv) Lease.

(i)From Transfer of property Act: - “A lease of immovable property is a transfer of a right to enjoy such property, made for a certain time, express
or implied, or in perpetuity, in consideration of a price paid or promised or of money”. (Sec 105).

(ii) From Indian Registration Act: - A lease includes a counter-part, Kabuliyat, an undertaking to cultivate or occupy and an agreement to lease (Sec 2(7)).

(iii) As per the definition of Lease under section 2(16) of the Act, Lease means a lease of immovable property and also includes:

(a) a patta
(b) a kubuliyat or other undertaking in writing, not being a counterpart of a lease, to cultivate, occupy or pay or deliver rent for immovable property:
(c) any instrument by which tolls of any description are let;
(d) Any writing on an application for a lease intended to signify that the application is granted.”

All leases are compulsorily registerable documents with effect from the year 1999

(iv) From a Court Decision: - A lease in the transfer of a right to enjoy the premises; whereas a license is a privilege to do some thing on the premises which otherwise would be unlawful (B.M Lall Vs. M/s. Dunlop Rubber Company (India Limited) AIR 1968 SC 175).

(xv) Non-testamentary: - A document which is plainly intended to be operative immediately non-testamentary.

(xvi) Property: - Property that which belongs to a person exclusive of others and can be the subject of bargain and sale to another (Potters Vs. Commissioner (1854) 10 (Ex. 147).

A trade mark was held to be property when the property consisted of a goodwill comprised in the reputation obtained by advertisement of a particular kind of a soap sold under the trade mark.

(Benjamin Brook Company vs. Commissioner)

Transfer of goodwill of a business is chargeable as a conveyance.

(xvii) Debts or choses-in-action are movable properties under the General clauses Act. Book debts are property.

A share and interest in a partnership and assets thereof is property.

Assignment of benefit of a contract is a conveyance of a chose-in-action. An exclusive licence to use and vend an invention protected by a patent within a limited district is property.
(xviii) Reversioner: - Article 56 of Hindu law of Succession lays down that reversioner meant a person, male or female who on the death of the limited heir or in some cases on sooner determination of the estate by remarriage of the limited heir succeeded to the estate as the heir of the last full owner and included a presumptive reversioner.

(xix) Testamentary: - Testament is solemn declaration relating to the disposition of personal property to take effect after the owners’ death according to his desires and direction; a will ‘Testamentary’ Relating to a will; given by a will; ‘will’ shall include a codicil and every writing making a voluntary posthumous disposition of property.( Section 3(64) of General Clauses Act).

(xx) Will: - ‘Will’ according to Indian Succession Act, 1925 means the legal declaration of the intention of a testator with respect to his property which he desires to be carried in to effect after his death. A codicil is an instrument made in relation to a will. It explains, alters and makes additions to its dispositions. It is deemed to be a part of the will.

The tests of a valid will are:

1. Existence of intention to take effect the death of the testator:
2. Execution in accordance with the formalities prescribed by law;
3. Revocability; and
4. Existence of some disposition of property.

(xxi) Trust: Indian Trusts Act. 1882: - A trust is defined as an obligation annexed to the ownership of property and arising out of confidence reposed in and accepted by the owner of declared and accepted by him for the benefit of another or of another and the owner (Sec 3).

(xxii) Distinction between trust and Power of Attorney:

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<tr>
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<th>Trust</th>
<th>Power of Attorney</th>
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<td>1.</td>
<td>The intention to create trust is clear from the recitals for efficient management and for the benefit of the owner and for the family members, etc.</td>
<td>1. Provides for ratification of the acts of the agents.</td>
</tr>
<tr>
<td>2.</td>
<td>Powers are conferred on the trustee to manage the properties, to dispose of them and sue or be sued on behalf of the owner.</td>
<td>2. Provides for revocation of the power of attorney.</td>
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<tr>
<td>3.</td>
<td>Will be in force till a certain thing happens.</td>
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(xxiii) The distinction between the various terms is indicated below:

(a) **Bond and Agreement:** In the case of a bond the party who is obliged to pay money to the other is liable for the sum stipulated in the instrument. In the case of an agreement, however the quantum of damages has to be fixed by court. (In the case of Hamdard Dawakhana (Wakf) Delhi (1967) 69 L.R. (D) 270).

(b) **Bond and Promissory Note:** A document which on the face of it, is not payable to bearer or order and is attested by a witness is a bond. It cannot become a promissory note because of explanation to Sec 13 of the Negotiable Instrument Act. (1971 Madras 290). A promissory note may be payable on demand or payable after a certain period.

(c) **Lease and Mortgage:** If the transfer was intended by the parties for the enjoyment of the property by the transferee it is a lease and if it was intended solely to secure the amount advanced by him, it is a mortgage.

(d) **Receipt and Reconveyance/Release:** If a document styled as receipt, contains, besides acknowledgement of receipt of money, a mention to the extinguishment of mortgagee’s claims in the mortgage, it has to be treated as a reconveyance / release.

If the document merely acknowledges receipt of money giving reference to the original mortgage deed and nothing more, it will have to be treated as a receipt only.

(e) **Release and Partition:** A document termed as release of part right executed by a father in respect of some ancestral property and some self acquired property, while take ‘A’ schedule property as consideration and relinquishing right over ‘B’ schedule property, has to be treated as partition since father, can direct a partition as a karte of a Hindu undivided Family.

(f) **Settlement and Trust:** A trust deed which was executed by a husband in favour of his wife, whereby the property was kept in wife’s possession and she was appointed as manager of the family and as managing trustee was held as a settlement deed.

6.3. Certain important decisions of the courts relating to interpretation of the provisions of Stamp Act etc., are given below:-

(i) “Instructions in the stamp Manual are only administrative instructions which cannot bind the courts which are to consider the matter in the light of provisions of law and lay down the correct principle applicable to the case”. (Subramanian Chettair vs. R.D.O. A.I.R. 1956 M. 454).
“Stamp duty is leviable on the instrument and not on the transaction. It is the substance of the transaction as embodied in the instrument and not the form of the instrument that determines stamp duty”.
(Sahayanidhi Virudhunagar Ltd. Vs. Subramanya Nadar, AIR 1951, Mad, 209 (F.B)).

“In order to determined whether a document is sufficiently stamped, the court must look at the document itself as it stands and not at any collateral circumstances which may be shown in evidence. The Nature of a document can be determined only from the language it employs and the purpose which is intended to serve”. (Uttamchand vs. Prema and AIR 1942, LAB 265)

Partition.- Partition really means that where initially all the coparceners had subsisting title to the totality of the property of the family jointly, that joint title is by partition transformed into separate titles of the individual coparceners in respect of several items of properties allotted to them separately.

As per item 40 to Schedule I-A to I.S.Act, an instrument of partition means any instrument whereby co-owners of any property divide or agree to divide such property in severalty and includes also final order for effecting a partition passed by any revenue authority or any civil court and an award by an arbitrator directing a partition (and a memorandum regarding past partition)

(Authority: Amendment Act 17 of 1986 w.e.f. 16.8.1986).

If the document, whatever be the name given to it by the parties purports or operates to divide the properties, it is required to be stamped as an instrument of partition. (Venkatappa Naidu Vs. Naidu MUSAL NAIDU AIR, 1934, MAD 204).

An instrument where the consideration for release was payment of cash out of the joint assets or where it forms common property was an instrument of partition. (T.N. Nanjundasetty vs. State of Mysore, 1964, Mys. 124).

A release deed by which some members of a family separate themselves from the family in consideration of their being paid by the releases i.e., the other members a certain sum by the sale of the family properties is liable to be stamped as partition deed.

(The chief controlling Revenue Authority vs. B.A. Mallayya (1971) IMLJ 177).

In order that there may be division of property, within the meaning of the word ‘divide’ in section 2(15), the deed of partition must mention the entire property which is divided and its division must be shown in separate

In a partition the true antithesis is between the original common ownership and the subsequent cessation of that common ownership. (24 AIR 1937, MAD, 308).

(v) Release and gift/ Conveyance:- The supreme court held that a release deed could only feed title but could not transfer title and that a renouncement must be in favour of a person who had already title to an estate, the effect of which was only to enlarge the right.

Hence it was held that a registered document releasing the right, title and interest of the releasor without consideration may operate as a transfer by way of a gift, if the document clearly shows an intention to effect the transfer and is signed by the releasor and attested by two witnesses.

(Kuppuswami Chettiar vs. Arumugham Chettiar, AIR 1967 SC-1 396).

it was also held that a registered instrument styled a release deed releasing the right, title and interest of the executant in any property in favour of the releasee for valuable consideration may operate as a conveyance if the document clearly indicates an intention to effect a transfer in favour of person having no interest.


Release involves renunciation of claims. In order that a renouncing member may become separate from the other members of the family the renunciation must be in respect of the entire interest in respect of all the joint family properties (Tulsi Bai vs. Haji, Baksh AIR 1936 LAB 476) and must be in favour of all the remaining coparceners. In the case No 83 of 1970 (Subhadramma vs. District Registrar, Nellore) (Judgement delivered on 18-1-1974) the Andhra Pradesh High Court held that a release by a coparcener has to be executed in favour of all the remaining coparceners as a body. When however, the release was executed in favour of one or some of the remaining coparceners (and not all the coparceners) for consideration it was held to be a conveyance.

(vi) Release or conveyance on sale:

(B. Prakasa Rao vs. Board or Revenue, Andhra Pradesh case No. 3 of 1974 High Court of Andhra Pradesh 19-7-1976).
P. who owned a house sold an undivided 1/20th share in the building to S for a consideration of Rs. 1,000/- through a registered document, sixteen days later P by another document purported to have released his right in 19/20th share of the same building in favour of S for consideration of Rs. 19,000/-.  

Held: - The latter document is a conveyance on sale. Having fixed the value of the buildings at Rs. 20,000/- 1/20th share was sold on 27-5-1973 for Rs. 1,000/- and the remaining 19/20th share was conveyed 16 days later for precisely the balance of the value of Rs. 19,000/-. The document feature of a sale is the transfer of ownership for a price. It is significantly stated in the document that P was not getting any income from the building and therefore did not want to keep it. These are the characteristics of a sale and not of a release. Warranties of the title and possession of the building and covenants to save and indemnify S against all encumbrances, etc., are the essential characteristics of a sale deed.


G and H entered into an agreement to carry on business in partnership as exhibitors of cinematograph films. Each partner who was an owner of a theatre brought his theatre in to the books of the partnership as an asset of the partnership. The partnership was dissolved and on dissolution, it was agreed between the partners that the theatres should be returned to their original owners. In the books of accounts maintained by the partnership, the assets were shown as taken over at the original price less the depreciation allowed, the depreciation being equally divided between the two partners.

A partner may in an action for dissolution insist the assets of the partnership be realised by sale of its assets but where in satisfaction of the claim of the partner to his share in the value of the residue determined on the footing of an actual or notional sale, property is allotted, the property so allotted to him cannot be deemed in law to be sold to him. The adjustment of the rights of the partners in a dissolved firm is not a transfer, not is it for a price.

(Supreme Court decision reported in Income Tax Journal volume 11-7. dt. 10-4-1968 page 444 to 447).

Section 29 of the Indian partnership Act Rights of transferee of a partner’s interest.

(1). A transfer by a partner of his interest in the firm either absolute or by mortgage, or by the creation by him of a charge on such interest does not entitle the transferee, during the continuance of the firm to interfere in the conduct of the business or to require accounts, or to inspect the books of the firm, but entitles the transferee only
to receive the share of profit of the transferring partner and the transferee shall accept
the account of profits agreed to by the partners.

(2) If the firm is dissolved, or if the transferring partner ceases to be a partner, the transfees is entitled as against the remaining partners to receive the share, of the assets of the firm to which the transferring partner is entitled as for the purpose of ascertaining that share, to an account as from the date of dissolution.

Section 42. Subject to contract between the partners, a firm is dissolved.

(c) by the death of a partner and (d) adjudication of a partner as an insolvent.

“if a partner dies, his executors or devises have no right to insist on being admitted into partnership with the surviving partners, unless some agreement to that effect has been entered into by them”.

(Tatam Vs. Williams 3 Hare 347 reported in ‘Law of partnership’ by Premnath Chandha on page 215).

“Where one of the partners of firm transfers his share in the firm without the consent of the other partners, the transferee does not get the status of a partner in view of Sec 31 of Indian Partnership Act”.

(Ramprasad Singh vs. Shivanandan Misra, AIR 1963 Patna 149, quoted on page 126 ibid).

“Where partner’s interest is transferred to a stranger the transferee does not become a partner and transferor does not cease to be a partner”.

(Sundra Bai vs. Ram Lal, AIR 1942 Flag L. Jour. 22 of Page 216 ibid).

Deed of dissolution creating charge on assets of Partnership:

N. Guruva Reddy vs. The District Registrar, Hyderabad.

In a deed of dissolution of partnership, clause 9 reads as follows:

“The continuing parties to this agreement hereby create a charge on the assets of the partnership subject only to the first charge in favor of Andhra Pradesh State Financial Corporation, Hyderabad, for the payment of the amount mentioned above to the various outgoing partners”. The document in so far as it creates a charge, can only be considered to be a mortgage deed and nothing else. Two distinct matters viz, the rights of the parties of the agreement at the time of the dissolution and creation of charge on the assets of the partnership were provided for by the deed. The matter must be held to be two distinct matters or transactions and the charge cannot be said to be merely ancillary to the dissolution of the partnership. Under the Indian partnership Act, there is no implied right or statutory right in favour of an outgoing partner for the security of his share in the assets of the
partnership which he is entitled to seek at the time of retirement or dissolution. (As such) clause 9 of the partnership deed, which creates a charge must be held to be a separate and distinct matter from the terms of the deed of dissolution.

Under the circumstances, it must be held that the document under consideration was both a deed of dissolution and a mortgage deed and hence the stamp duty has to be charged under relevant Article of the Schedule to the Stamp Act read with Sn. 5 and Sn. 6.

(Decision of the Andhra Pradesh High Court reported in the Andhra Weekly Reporter dated 1-10-1976 Vol. XL II Part-4.3)

There can be no release of a property by one person in favour of another if they are not co-owners at the time of the formation of original partnership. The Chief Controlling Revenue Authority A.P. Hyderabad had expressed the view in August, 1971 (BPRT No. 1887/71 dt. 17-8-1971) that an outsider who was not a member at the time of original partnership but who purchased the share of one of its partners, could not be considered as a co-owner and the document executed in his favour by one of the co-owners, relinquishing his right in the properties of partnership would be a conveyance and not a release.

(Govt. of A.P. Memo. No. 3825/U2/81-82, Dt. 18-07-1985).


(A) Partnership Act 1932. Sec 14, 15, 29, 32, 37, 38 and 48 - Interest of Partner in partnership property during subsistence of partnership and after its dissolution-Nature of the provisions of Ss. 14, 15, 29, 32, 37, 38 and 48 make it clear that whatever may be the character of the property which is brought in by the partners when the partnership is formed or which may be acquired in the course of the business of the partnership it becomes the property of the firm and what a partner is entitled to is his share of profit if any, accruing to the partnership from the realisation of this property and upon dissolution of the partnership to a share in the money representing the value of the property. No doubt, since a firm has no legal existence, the partnership property will vest in all the partners and in that sense every partner has an interest in the property of the partnership. During the subsistence of partnership, however no partner can deal with any portion of the property as his own. Nor can he assign his interest in a specific item of the partnership property to anyone. His right is to obtain such profits, if any, as fall to his share from time to time and upon the dissolution of the firm to a share in the assets of the firm which remain after satisfying the liabilities set out in Cl. (a) and sub-Cls. (i) (ii) & (iii) of Cl. (b) of S. 48. The whole concept of partnership is to embark upon
a joint venture and for that purpose to bring in as capital money or even property including immovable property. Once that is done whatever is brought in would cease to be exclusive property of the person who brought it in. It would be the trading asset of the partnership in which all the partners would have interest in proportion to their share in the joint venture of the business of partnership. The person who brought it in would, therefore, not be able to claim or exercise any exclusive right over any property which he has brought in much less over any other partnership property. He would not be able to exercise his right even to the extent of his share in the business of the partnership. It is true that even during the subsistence of the partnership a partner may assign his share to another. In that case what the assignee would get would be only that which is permitted by S. 29(1), that is to say, the right to receive the share of profits of the assignor and accept the account of profits agreed to by the partners. Lindley on Partnership, 12 Edn. P. 375 Ref. to English and Indian Case Law discussed AIR 1947 Lah 13 (FB) Approved. AIR 1959 and Pra 380(FB). Affirmed.(Paras 3.5).

(viii) Agreement or Leases:- (a) Whether a Contract for Collection of tolls is a lease falling within the definition of clause (16) of section 2 of Indian Stamp Act Prachayat Samithi, Narisipatnam (petitioner) vs. Kethevarapu Kannamma, C.R.P. No 1211 of 1971-A.P High Court.

In an auction the respondent took the contract for collection of toll from the Panchayat Samithi (Petitioner) for a period of 6 months. A document was executed where by the respondent agree to abide by certain terms including the payment of the amount. As the respondent was in arrears the Panchayat Samithi instituted a suit for the recovery of the arrears and filed the document which the respondent executed in favour of the Samithi. An objection was taken under the Stamp Law that the document was a lease within the meaning of Sec 2 clause 16 of the Indian Stamp Act. The lower court upheld the objection and directed the petitioner to pay the Stamp duty together with penalty. The petitioner came with a revision petition seeking the judgement of the High Court against the said order of the Lower Court.

Held: A casual reading of the definition of lease indicates that any instrument by which tolls of any description are let come within the definition of the term ‘lease’ in so far as the question of letting tolls concerned there is no dispute between the parties when once that is admitted that by and under the document tolls are let, then it would have been an instrument by which tolls of the appropriate description are let and as a result such instrument can be a lease within the meaning of clause (16) of Sec 2 of the Act.

(b) The Forest Department conducted auction of forest produce. In the agreement to be executed by the successful bidders Stamp duty was required to be levied as though they were leases. The matter came before the Supreme Court where
it was decided that the agreement in question possesses characteristics of licences and did not amount to lease.

The second question that came up for consideration was whether the security deposits paid by the bidders should be considered as mortgages and stamp duty leviable under Article 35(c) of schedule to Indian Stamp Act. The court held that they are not mortgages as no right over the security deposits was created in favour of State Government.

Board of Revenue vs. A.M. Ansari C.A. Nos. 67 and 22 to 28 of 1969 (17-3-76).

(c) A.P. High Court case No. 128 of 1981 Dt. 5-8-85. K. Venkatadri Sarma vs. Inspector General of Registration and Stamps A.P. Hyderabad.

Lease-cum-sale agreement executed in connection with the allotment of a house by the A.P. Housing board is an agreement (Hire purchase agreement)-governed by Article 6 of schedule 1-A (Article-31(a)IV or 31(c) is not attracted).

Held: Sec 3 is the charging section and it is clear that the levy of the duty on the instrument but not on the transaction. However, in order to determine the nature of instrument the court has to look into the nature of the transaction covered by the instrument. An agreement to lease is not a lease for purpose of Transfer of Property Act or the Indian Stamp Act. In the present case though the word “rent” is used it is only by way of an agreement that the agreed price is being taken by way of instalments. The deed does not create the present demise. Even for the purpose of evicting the allottee a separate special procedure is provided without leaving the rights to be worked out under general law treating the allottee as tenant. Hence it is an agreement to hire the building till the property is conveyed to the allottee.

(d) The Inspector General of registrations and Stamps A.P. Hyderabad in his proceeding No. S1/8313/79 DT. 25.8.80 had clarified that agreements to plant coconut trees on government lands, canal banks, etc., and to enjoy fruits are to be treated as leases.

(ix) Mortage by conditional Sale:- The Supreme court has taken the following circumstances into account to decide that a document is a mortgage by conditional sale (Vide Mahesh Bhagat vs. Ram Saran Mehta, AIR 1968 Supreme Court, 1466. P.L. Bapuswamy vs. N. Pattay Gounder, AIR 1966 Supreme Court (902)).

1. The existence of the relationship of debtor and creditor between the parties.
2. The existence of Security for the repayment of debt.
3. The condition for repurchase was embodied in the same document. If the parties intend the document even in such a case to be a sale, they must specify their intention by clear and express words.

4. The consideration for the transaction is less than the real value of the property.

5. The patta was not transferred.

6. The consideration for reconveyance is the same amount as the consideration for the original transaction.

(x) Agreement relating to mortgage by deposit of title deeds.- (Union Bank of India vs. Lakh Ram and Co) When the debtor with the creditor, title deeds of his property, with an intent to create a mortgage no registered instrument is required under section 59 as in other cases of mortgage. It is essential to bear in mind that the essence of a mortgage by deposit of title deeds is the actual handing over, by a borrower to the lender, of documents to title to immovable property with the intentions that those documents shall constitute a security which will enable the creditor, ultimately, to recover the money which he has lent. But if the parties chose to reduce the contract to writing, this implication of law is excluded by their express bargain and the document will be the sole evidence of its terms. In such a case, the deposit and the document both form integral parts of the transaction and are essential ingredients in the creation of mortgage. It follows that in such a case the document which constitutes the bargain regarding security requires registration under section 17 of the Indian Registration Act as a non-testamentary instrument creating an interest in immovable property where the value of such property is one hundred rupees and upwards. If a document of this character, is not registered, it cannot be used in evidence at all and the transaction itself cannot be proved by oral evidence either (Decision of the Supreme Court).

In order classify an instrument as agreement relating to deposit of title deeds it should merely contain the bargain between the parties with regard to deposit of title deeds and conditions subsidiary and ancilliary thereto. But if it contains all the provisions which are normally found in a mortgage deed the mere fact that it also contains a bargain with regard to deposit of title deeds will not make it an agreement for the deposit of title deeds.

The documents relating to deposit of title deeds containing the following recitals or conditions have to be classified as simple mortgages.

(a) Where the deed contains many provisions which are never found in agreement with regard to deposit of title deeds such as provisions with regard to acceleration of the due date for the payment of mortgage debt.
(b) Where a document evidencing the deposit of title deeds containing a condition enabling the lender to sell the immovable property on default of payment on the agreed date, the power of sale creates interest not only in the title deeds but in the properties themselves and the document is classifiable as a regular mortgage.

(c) Where a document contains a clause irrevocably appointing the mortgagee receiver to be appointed, to sign for and on behalf of the mortgager to do all acts including the power of sale of properties, such document has to be classified as a mortgage cum-power of Attorney for consideration.

(d) The Inspector General of Registration and Stamps, A.P. Hyderabad in his memo No. G4/6006/81, dt. 28-4-82 had clarified that an agreement relating to deposit of title deeds containing an undertaking given by the borrower to keep the property free from encumbrance and not to create any charge on the property as long as the document in question is operative should be classified as simple mortgage.

(xi) Power of Attorney or Usufructuary Mortgage: (A) Bapiraju and others vs. District Registrar, Srikakulam). A power of Attorney contained among other things, the following four conditions:

(1) the agent shall work, on behalf of the Principal, the mines mentioned in schedules A and B to the plaint:
(2) the agents may, in their discretion, appropriate the net sale proceeds towards the decree amount due to them;
(3) the principal agreed not to revoke, cancel, or modify the power of attorney in question, unless and until the amount due to the agents under the compromise decree is completely discharged; and
(4) there should be an accounting and ascertainment of the net sale proceeds worked out during the period and appropriated to the decree amount. The agents were put in possession of the properties. In view of these conditions the Board of Revenue was of the opinion that the properties were held as security in satisfaction of the decree debt, and that the document is usufructuary mortgage.

The power of attorney was executed pursuant to a compromise decree in connection with the recovery of certain sum owned by the principals to the agents. The contention on behalf of Government, is that the compromise decree and the power of attorney read together amounts to a mortgage with possession and though styled a power of attorney, it should be stamped as a mortgage with possession.

The decision of the Supreme Court in S. Chattanath Karayalar vs. The Central Bank of India Limited (515) 1966 II SC. J.P. 317 (320) is not a case under the stamp Act. The question for consideration in
that case was, whether the status of the third defendant therein in relation to a transaction as an overdraft account was that of a surety or a co-obligant. It was held that there was an integrated transaction constituted by three documents executed between the parties on the same day, and their legal effect was to confer on the third defendant the status of a surety and not of a co-obligant. Their lordship held that the principle is well established that if a transaction is contained in more than one document between the same parties must have be read and interpreted together and they have the same legal effect for all purposes as if they are one document. The principle is unexceptionable, but it is of no assistance in deciding the question in controversy in the instant case.

In view of the forgoing discussion we hold that the document in question is liable to be charged with duty only as a power of attorney but not as a mortgage with possession (Reported in Registration Gazettee, dated 28-12-1966).

(xii) Mortgage/ Power of attorney for consideration / Mortgage with Possession.- (a) Power of attorney given for consideration and authorising the attorney to sell any immovable property for & on behalf of the principal is chargeable to Stamp Duty under Article 42(e) of Schedule I-A to Indian Stamp Act, 1899 at rates applicable to conveyance for the amount or value of consideration mentioned there in.

By Amendment Act.No.21 of 1995 to the Indian Stamp Act 1899, (w.e.f.1.4.1995), any power of attorney when given for construction on, development of, or sale or transfer (in any manner whatsoever) of, any immovable property, such a power of attorney is chargeable with a Stamp Duty @ 5% on the Market Value of the property.”

(Authority: Amendment Act 21/1995 w.e.f 1.4.1995).

Further, in exercise of the powers conferred by clause (a) of sub-section (1) of Section 9 of I.S.Act, 1899 (Central Act II of 1899), the Governor of A.P. reduces the stamp duty payable under Article 6(B) of schedule-IA ibid, in respect of documents relating to Agreements or Memoranda of Agreements of sale/construction/development of immovable properties to 1% on the sale consideration or estimated cost of construction/development, as declared by the parties in the document, subject to a maximum of Rs. 20,000/- and if it is combined with GPA clause then 1% on the sale consideration or estimated cost of construction/ development, as declared by the parties in the document, subject to a maximum of Rs. 50,000/- on the condition that the stamp duty so paid shall not be adjustable at the time of registration of consequent/ subsequent sale deeds in pursuance of such Agreement duly registered the Registration Act, 1908.
Sometimes simple mortgage deeds also contain the clauses of appointment of mortgagee as power of attorney and authorising the attorney to sell the mortgaged immovable property and the classification of such document, is different. In some documents, besides the usual conditions of mortgages certain specific clauses are included empowering the mortgagees to sell the properties in the event of default and another clause irrevocably appointing the mortgagees as attorneys to do all acts, deeds and things in the name and on behalf of the mortgagor which the mortgagor ought to do, such documents have to be classified as power of attorney for consideration under Article 42(e) of Schedule I-A and charged to stamp duty under section 6 of the Indian Stamp Act.

(b) As per explanation under Article 35(b) of schedule I-A to Indian Stamp Act, a mortgagor who gives or has given the mortgagee a power of attorney to collect rents, or gives or has given to the mortgagee a lease, of the property mortgaged or part thereof is deemed to have been given possession thereof within the meaning of the article.

 Accordingly, a document satisfying the above explanation has to be classified as a mortgage with possession. Documents of mortgages with possession attract levy of transfer duty/Transfer of Property Tax under the provisions of local Acts.

In exercise of the powers conferred by clause (a), subject to a maximum of Rs. 1000/- if the power of attorney is given in favour of Family. In other cases it is 1%.


(xiii) Paripassu agreements.- Paripassu agreements are agreements whereby a borrower takes loans from two or more financial institutions or parties (by offering all or any such securities as simple mortgage of lands and building equitable mortgage of immovable properties, deposit of title deeds without any formal document, hypothecation of movable properties etc.) and the borrowers and ledgers agree inter alia that rights in the properties created in favour of the lender/lenders would, inter se rank paripassu (on equal footing or proportionately) or priority for any lender over the others for all intents and purposes.

Paripassu agreements usually come into existence in the following circumstances.
(i) An industrialist or a firm or a company obtains credit facilities from financial institutions by offering all or any of the securities viz, simple mortgage. Mortgage by deposit of title deeds, hypothecation of movables etc.

(ii) When the borrower takes loans from more than one institution, the subsequent creditors insist that their rights in the mortgaged properties shall rank paripassu with the earlier creditors. Thus the mortgagor and mortgagee enter into an agreement to bring all the creditors on par so far as their mortgage rights are concerned.

In modern business practice the parties are resorting to obtain huge amounts of loans running to several lakh of rupees or unregistered and unstamped documents styled as memorandum of deposit of title deeds and then getting the paripassu agreements alone registered. This agreement is containing several clauses and conditions relating to appointment of Receivers, Power of sale of the properties, provision for insurance of the properties and distribution of money received from Insurance companies to the creditors towards advances etc. These conditions are not subsidiary or ancillary to deposit of title deeds. According to judicial decisions if a document contains all the provisions which one would normally found in a mortgage deed, then the mere fact that the document also contains the bargain with regard to deposit of title deeds will not make it an agreement for the deposit of title deeds. By incorporating such conditions in the paripassu agreements a charge being created over the immovable property themselves. Hence paripassu agreements attract duty not only as agreements but also as simple mortgages in respect of all the loans obtained earlier on equitable mortgages chargeable with higher duty under Article 35 of Schedule I-A read with sec 6 of the Indian Stamp Act.

(xi) Sale Agreements.- (a) In the case of Neerukonda Hanumantha Rao vs. Puthumbaka Narayana Prasad and others (case No. SA 626 of 1980) the High Court of Andhra Pradesh Hyderabad held on 18-11-1983 that when the effect of the recitals in the agreement is that title has been conveyed with absolute rights of alienation etc., the mere clause that a regular sale deed would be executed at a later date does not take away the character of the document as being a sale deed. As a result in the enactment Act No. 17 of 1986 passed on 22-7-1986 (w.e.f. 16-8-1986) a new article 47-A has been introduced in the Schedule I-A to Indian Stamp Act to bring the agreement to sell with possession to be charged at conveyance rates. As per explanation under Article 20 of Schedule I-A to the Indian Stamp Act as amended in the enactment Act No. 17 of 1986 dt.22.07.1986.

The above position is changed w.e.f. 1.4.1995 as a result of Amendment Act No. 21 of 1995 to Indian Stamp Act, as Explanation I is added to Article 47-A which states that an Agreement of sell followed by or evidencing delivery of possession of the property agreed to be sold the Article 47-A shall be chargeable as a “Sale” under.
Provided that, where subsequently a sale deed is executed in pursuance of an agreement of sale as aforesaid or in pursuance of an agreement referred to Clause (b) of Article 6, the Stamp duty, if any already paid or recovered on the agreement of sale be adjusted towards the total duty leviable on the sale deed.

The above position is applicable only to Agreement of Sale evidencing/agreeing to deliver possession of property. However, when the aspect of possession of property is not disclosed in the Agreement of sale, such document is chargeable with stamp duty @ 5% on the market value or Advance paid by the purchaser whichever is higher under Article 20 of Schedule – IA to the Act. In such cases also, when a sale deed is executed in pursuance of the Agreement of Sale, the duty already paid on the Agreement is to be adjusted.

(Authority: Amendment Act No.21 of 1995 w.e.f. 1.4.1995)

Further, as per G.O.Ms.No. 1475, Revenue (Regn.II) dt. 30-07-2005, the Governor of A.P.under Clause (a) of sub-section of section 9 of IS Act, 1899, reduces the stamp duty payable under section 6(B) of Schedule-IA to the Act, in respect of documents relating to Agreement of Sale of immovable properties to 1% on the sale consideration as declared by the parties subject to a maximum of Rs. 20,000/- on the condition that, the stamp duty so paid shall not be adjustable at the time registration of subsequent sale deeds in pursuance of such Agreements.

(xv)Small land holders who mortgage their lands with Cooperative societies, Grameena Banks, etc., are exempt from levy of stamp duty and registration fee (the limit of holding is 5 acres of wet or 10 acres of dry). While arriving the quantum of land holding 2 acres of dry are considered equal to 1 acre of wet. Lands classified in land Revenue records as “Irrigated dry” are to be treated as wet when such ‘irrigated dry’ land is irrigated from a permanent water source of the government.

6.4. Audit Checks. - The following audit checks may be exercised.

(i) Copies of documents of files in books 1,3 and 4 should be test checked to the prescribed extent with a view to seeking that they have been adequately and properly stamped as per the provisions of the Stamp Act and other relevant legislation. The classification of documents should be checked with reference to recitals.

(ii) Documents attracting ad valorem duty are likely to be misclassified as documents attracting fixed duty. Special care may be taken in respect of such cases of possible misclassification.

(iii) In order to select documents for scrutiny Account-A may be reviewed thoroughly and miscellaneous documents, documents with
higher value and other documents where there is a possibility of misclassification may be selected.

(iv) While checking the rectification deeds it should be seen whether there is change in the extent of area and boundaries of property. If so a suitable comment may be included about the material alteration involved.

(v) While checking the gift settlement deeds it should be seen:

(a) Whether a gift of site to a Panchayat for construction of Office building is properly classified as “pure gift” and proper transfer duty levied on the transaction.

(b) Whether the gifts for religious purpose made in favour of Deity or Murthy are properly classified as “pure gifts”.

(c) Whether the gift made in favour of institutions such as local authorities, choultries, devasthanams etc., for religious and charitable purposes in memory of the dead or to perpetuate the name of a particular person or persons were classified as “pure gift”.

(SD & RF is exempted in respect of Gift Deeds, Settlement deeds if executed in favour of Government perpetuating the memory of living or dead persons vide G.O.Ms.No.877, Revenue Dept., dt.30.10.04)

(vi) While checking the dissolution of partnership cum release deeds it should be seen whether the releasors and releasees are existing partners of the partnership firm (not assignees or legal heirs).

(vii) While verifying the Trust deeds it should be seen whether authors of Trust are included in the Managing Trustees.

(viii) While commenting the objection on misclassification of power for consideration as simple mortgage it must be ensured that the documents contain the following recitals or clauses.

(a) It should be for power of attorney as defined in Section 2(21) of Indian Stamp Act.

(b) It should be given for consideration and authorising the attorney to sell any immovable property.

(ix) Whether exemptions from levy of Stamp duty and registration fee in respect of documents relating to cooperative societies have been correctly allowed.

(x) Whether deduction of Stamp Duty already paid is allowed under Sec 24 of Indian Stamp Act without the requirements of Sec 16, ibid, having been fulfilled (viz, the application in writing having been received and the certificate of verification of stamp duty borne by the earlier document having been denoted by the Collector. Here sub-registrars exercise the function of collector for denoting the duty under Section 16 of the Indian Stamp Act.).
Whether the differential duty (under Sec 19A of Indian Stamp Act clause (bb) of the first proviso to sec 3) is realised in respect of instruments executed outside the State.

Whether fines leviable under the Acts/Rules have been correctly levied and collected.

Whether remissions and refund of fines have been authorized by competent authority and cross reference have been made on the countererfoil of the receipt against the original entry of the receipts in departmental accounts.

Redevolution of duties of members of State Receipt Parties as per C.A.G’s Circular No. 6 of 1984. Registration fee and Stamp duty.

H. Registration fee and stamp duty.

1. Audit Officer

   1. Review of items marked with asterisk and discussion of outstanding local Audit Report paras.
   2. Checking correctness of valuation by comparison and by cross check with records of other departments and giving suitable directions and guidance to Asst. Audit Officer/ Auditor in this regard.
   3. Arrangements for custody of stamps and account of Stamps received and sold.
   4. Returns/ reports from and to Inspectors, Inspector General and Collectors,
   5. Delays resulting in revenue locked up by reference to Collector or otherwise and other system defects.

11. Assistant Audit Officer/Section Officer

   1. Audit of Stamp duty assessment on instrument and documents (court fee documents e.g., plaints as and when their audit is taken up) in addition to review at least 10 per cent high value cases to be audited by Audit Officer by allotting to himself.
   2. Check of registration fee charge.
   3. Check of exemptions, refunds and penalty and fines.

III. Auditor

   1. Tracing of 10% of debit and credit entries in stamps and Registration office with corresponding credit and debit entry as per cash book/treasury records.
   2. Check of cash books (main and subsidiary) and other registers including receipt books.
   3. Check of receipts other than Registration fee and Stamp duty.
CHAPTER 7
MARKET VALUATION SCHEME

7.1 Section 47-A in the Indian Stamp Act. - The stamp duty is mostly ad valorem. Therefore there is a possibility of evasion of stamp duty by undervaluation of instrument. In order to safeguard the financial interests of Government against such undervaluations a new section viz., Sn. 47-A was introduced in the Stamp Act by Act 22 of 1971.

Section 47-A lay down that if a registering officer appointed under the Registration Act, 1908, (Central Act 16 of 1908), while registering any instrument of conveyance, exchange, gift, partition, settlement, release, agreement relating to construction, development or sale of any immovable property or power of attorney given for sale, development of immovable property, has reason to believe that the market value of the property which is the subject matter of such instrument has not been truly set forth in the instrument, or that the value arrived at by him as per the guidelines prepared or caused to be prepared by the Government from time to time has not been adopted by the parties, he may keep pending such instrument and refer the matter to the Collector for determination of the market value of the property and the proper duty payable thereon:

Provided that no reference shall be made by the registering officer unless an amount equal to fifty per cent of the deficit duty arrived at by him is deposited by the party concerned.

7.2 On receipt of a reference under sub-section (1), the Collector shall, after giving the parties an opportunity of making their representation and after holding an enquiry in such manner as may be prescribed by rules made under this Act, determine the market value of the property which is the subject matter of such instrument and the duty as aforesaid:

Provided that no appeal shall be preferred unless and until the difference, if any, in the amount of duty is paid by the person liable to pay the same, after deducting the amount already deposited by him:

Provided further that where after the determination of market value by the Collector, if the stamp duty borne by the instrument is found sufficient, the amount deposited shall be returned to the person concerned, without interest.

(3) The Collector may also suo motto call for, within two years of their registration, instruments which were not referred to him already and examine them to see whether properties mentioned therein were correctly valued and properly stamped. Under section 47-A of the Indian Stamp Act 1899, the A.P.Prevention of undervaluation Rules 1975 were framed.

(3-A) (i) The Inspector General may suo motto, call for and examine the record of any order passed or proceeding recorded by the Collector under sub section (3), and if such order or proceeding recorded is found leading to loss of legitimate revenue due to disregard of market value by the Collector, based on mistake, omission, or failure to take any factual evidence effecting the market value of the property, may make such enquiry or cause such enquiry and inspection of the property to be made and subject to the provisions of this Act,
may initiate proceedings to revise, modify or set aside such order in reference there to as he thinks fit:

Provided that the powers conferred under this clause shall be invoked within a period of six months from the date of order or proceeding issued by the Collector under section (3);

(ii) the power under clause (i) shall not be exercised by the authority specified there in in respect of any issue or question which is the subject matter of an appeal before, which was decided on appeal by the appellate authority.

(iii) no order shall be passed under clause (i) enhancing any duty unless an opportunity has been given to the party to show cause against the proposed revision of market value and deficit stamp duty;

(iv) where any action under this sub section has been deferred on account of any stay order granted by the Court in any case, or by reason of the fact that another proceeding is pending before the Court involving a question of law having a direct bearing on the order or proceeding in question, the period during which the stay order was in force or such proceeding was pending shall be excluded in computing the period of six months specified in the proviso to clause (i) of this section for the purpose of exercising the power under this sub-section.

(4) Any person aggrieved by an order of the Collector under sub-section (2) or (3) may appeal to the appellate authority. All such appeals shall be preferred within such time and shall be heard and disposed of in such manner, as may be prescribed by rules made under this Act.

(4A) Any person aggrieved by the order of the Inspector-General under sub-section (3A) may appeal to the High Court within a period of two months from the date of receipt of such order.

(5) The appellate authority shall be –
   (i) in the cities of Hyderabad and Secunderabad, the City Civil Court,
   (ii) elsewhere-
      (a) the Subordinate Judge or if there are more than one Subordinate Judge, the Principal Subordinate Judge, having jurisdiction over the area in which the property concerned is situated; or
      (b) if there is no such Subordinate Judge, the District Judge having jurisdiction over the area aforesaid.

(6) For the purposes of this Act, market value of any property shall be estimated to be the price which in the opinion of the Collector or the appellate authority, as the case may be, such property would have fetched or would fetch if sold in the open market on the date of execution of any instrument referred to in sub-section (1):

Provided that in respect of instruments executed by or on behalf of the Central/State Government or any authority/body incorporated by or under any law for the time being in
force and wholly owned by Central/State Government, the market value of any property shall be the value shown in such instrument.

(Authority: A.P.Amendment Act No.8 of 1998 w.e.f. 1.5.1998 and Act.No.14 of 1999 w.e.f.1.7.1999).

The Government (vide G.O. Ms. No. 2046 Revenue (Regn-I) Department dt. 28.11.2005) by a notification w.e.f. 1.12.2005 reduced the stamp duty on sale deeds of land, buildings, and plant and machinery by limiting the stamp duty to the amount arrived at on the auction amount declared in the sale deeds of land building and plant and machinery of the individual units disposed off by the implementation Secretariat of the Public Enterprises Department.

Further, the Governor of Andhra Pradesh reduces the Stamp Duty payable on Sale Deeds of Plant and Machinery (movable or immovable i.e. whether fastened to earth or severed) in respect of normal sale/conveyance transactions, to 2% on the Book Value shown in the financial accounts as on the closing date of the immediately preceding financial year. These orders are effective from 1st December, 2005.

(Authority: G.O.Ms.No.2046, Revenue (Registration. I) Department, dated 28.11.2006.)

7.3. Statement of market valuation.- According to Rule 3 of Andhra Pradesh Stamp (prevention of undervaluation of instrument) rules, 1975 the Registering Officer, before registering an instrument, has to satisfy himself that the party has enclosed to the instrument, a statement, giving the market value in respect of each of the properties separately. He may for the purpose of satisfying himself as to whether the market value of the consideration has been correctly furnished in the instrument or not, make such inquiries, as he may deem fit. He may elicit from the persons concerned any information having a bearing on the subject and call for and examine any records kept with any public officer or authority.

The registering officer may also refer to the registers containing market value guidelines prepared under the Andhra Pradesh Market Value Guidelines Rules 1997.


Further, if the Registering Officer is of opinion that the market value of the property affected by the instrument is not correctly furnished, he shall keep the document pending and without delay refer the matter to the Collector with details of his assessment of the market value arrived at by him in the Form-I. No copy to such document shall be granted notwithstanding anything contained in any of the provisions of any other Act or Rules.

The Registering officer shall maintain a register of such references to the Collector in Form-IV and obtain acknowledgement from the Collector. The Collector shall also maintain office-wise Register of references received from each Registering Officers in Form-V.

7.4. Valuation by the Collector.- As per Rule 4(4) the Collector, after considering representation, if any, received from the person to whom notice under sub-Rule (1) has been issued, and after examining the records and evidence before him shall pass an order, in writing, provisionally determining the market value of the properties or the consideration and the duty payable. The basis on which the provisional market value or Consideration was determined shall be clearly indicated in the order.

In terms of Rule 7, the Collector after considering the representations received in writing those urged at the time of hearing and after careful consideration of all the relevant factors and evidence placed before him, shall pass an order determining the market value of the properties of the consideration therefore the deficit amount of stamp duty shall be paid, communicate the order to the Parties and take steps to collect the deficient amount of stamp duty, if any. The Collector shall, after receipt of the reference under sub-section (1) of Section 47-A dispose of the case expeditiously.

A copy of the order shall be communicated to the registering officer concerned for his record. If the parties to the document fail to prefer an appeal within 2 months under Rule 9 from the date of receipt; of Collector’s order under Rule 7, or fail to pay the deficit stamp duty is not recovered by coercive process under Section 48 of the Act, and Registering Officer shall destroy the document after a period of 5 years from the date of Collector’s order under sub-section (2) of Section 47.

(Authority: G.O.Ms.No.997 Rev. (U) dt. 14-8-1986 w.e.f. 16-8-1986)

7.5. Valuation by the appellate authority.- Rule 12 states that in case, the appellate authority i.e., city civil court in the twin cities and sub-ordinate or District judge, elsewhere, does not accept the valuation of the properties or the consideration determined by the Collector, it shall determine the correct market value of the properties or the consideration and the duty payable on the instrument.

The appellate authority shall embody its decision and the reasons therefor in an order and communicate it to the appellant, the Collector and the registering officer concerned. After receipt of the orders issued by the Appellate authority under sub-section (4) of Section 47-A if the parties fails to pay deficit stamp duty if any, or if such deficit stamp duty is not recovered by coercive process under Section 48, the Registering officer shall destroy the document after 5 years from the date of the orders of the Collector under sub-section (2) of Section 47-A. If any Officer by conducting spot inspection or otherwise detects that a document is undervalued and reports to the Collector with his assessment of the value of the property affected by the document within 2 years from the date of registration of such document the Collector shall exercise his powers under sub-section (3) of Section 47-A.

(Authority: G.O.Ms.No.997, Rev. (U) dt.140801986 w.e.f.16-8-1986.)

7.6. All District Registrars are Collectors under Section 47-A

7.7. Valuation of Lands. - For the guidance of the registering officers to decide whether the properties in any of the instrument under reference were undervalued “basic registers” indicating the market values of the different types of Agricultural lands, survey number-wise and also those of the urban land according to the wards and blocks are
supplied. The following executive instructions were issued by Inspector General of Registration and stamps for arriving market value of house sites. Lands having survey number in the documents and described as “Gramkantham” (Village sites) have to be treated as house sites and rates fixed for house sites have to be adopted. (IGR & S proceedings No. MV/903/77 dt. 20-12-77).

The I.G.R. & S. in his circular Lr. No. MV3/977/85 date 30-4-85 has clarified that if the agricultural land is converted into small plots and the plots are sold out through sale deeds as house sites, it attracts, stamp duty as house sites and not as agricultural land.

The basic register rate per acre should be adopted when agricultural lands are sold in bulk and minimum house site rate should be adopted when they are sold in bits admeasuring 10 cents or less (4 guntas or less). In case when agricultural lands are purchased in bulk by industrialists, Educational/Religious institutions, Co-operative Housing societies etc., the registering officers need not insist for adoption of house site rate. However they should make sincere efforts to elicit the real consideration involved in the transaction as it would generally be higher than the basic register and stamp duty should be levied on such higher rates only. 

(Authority: Proceedings No. MVI/20363-A/90, dated 10-08-1990 of the I.G. & R.S.)

7.8. Valuation of Building. - For valuation of buildings also guidelines were given from time to time indicating the rates for construction of different types of buildings on plinth area basis including depreciation tables showing the rates of depreciation per rupee on capital cost. Expected life of the building is based on the type construction.

<table>
<thead>
<tr>
<th>TYPE OF CONSTRUCTION</th>
<th>LIFE</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) R.C.C. Roof. Jack archroof Madras Terrace &amp; Cuddapah Slab buildings</td>
<td>80 years</td>
</tr>
<tr>
<td>(ii) Houses having roof with Mangalore Tiles, Shabad stones, Tin Sheets, Acc sheets, Zinc sheets Country Tiles and Mud roofs.</td>
<td>60 years</td>
</tr>
<tr>
<td>Houses having roof with palm leaves constructed on walls with bricks and Chagiti Midde</td>
<td>40 years</td>
</tr>
</tbody>
</table>

As per C& IG Proceedings No.MV5/9380/2006, dt.28.07.2006, depending the age of the buildings, the depreciation is allowed. No depreciation is allowed in respect of buildings or structures whose age is up to 10 years. If the age of the building is above 10 years, 1% of depreciation is allowed for each year over and above 10 years subject to maximum of 50%.

Valuation of House Buildings & Flats is assessed based on the structure values given by the C&IG vide Proceedings ibid.
(iii) For arriving the value of amenities provided to houses buildings i.e., water, electricity, sanitary fittings etc., certain percentages were prescribed to calculate the value bases on the total cost of house buildings. No separate value need be calculated for residential wells as it has been included in the amenities provided under ‘Water’. For agricultural wells a uniform rate of Rs.8,000/- (w.e.f.15-5-85) for each well may be added irrespective of diameter, depth and age of the well.

(iv) Valuation of multistoryed flats. - The value of the flats of multi-storyed buildings should be arrived at with the help of the data furnished to the registering officers for calculating the value of building. (Proceedings I.G.R. & S No. SI/32372/84 dated 30-4-85).

The parties executing documents are required to give the details of the relevant buildings in the Form in annexure I-A or fully described in the recitals of the document so as to enable the Registering Officer to workout the market value of the property in Annexure-I-B/CARD Cheqslips. These include the area of site, built up area, type of construction, age of the building, etc., Annexure I-A forms part of the document.

The registering officer should adopt the highest of the following as market value of the property.

(a) Consideration mentioned in the document.
(b) Value estimated by the party as indicated in recitals Annexure I-A.
(c) Eighteen times the annual rental value.
(d) Market value as calculated by the registering officer (Annexure I-B)

(e) For the buildings used for Shops, Commercial establishments and offices, the 18 times of Average Annual Rental Value (AAR) based on the Annual Rental Value prescribed by the Inspector General of Registration & Stamps is to be considered. (Authority: IG’s Circular Memo No. MVI/20955/2001, dated 21.08.2001 w.e.f. 1.09.2001)

If the value of the property arrived at by the Registering Officer is higher that that declared by the executants or the consideration set forth in the document, the Registering Officer shall keep such instrument pending and refer the matter to the Collector for determination of market value of property and proper duty payable thereon.

7.9. Value of land sold or purchases by Govt. concerns.- Government issued instructions to all Registering Officers that the value mentioned in the sale deeds may be accepted where land is sold or purchased by the concerns wholly owned by Govt. (Vide Govt. Memo. No. 2012/U2/ 76-2 DT. 28-7-76).

Further, by an amendment to Section 47-A, the value of the property shown in the instruments executed by or on behalf of the Central Government or the State Government
or any authority or body incorporate by or under any law for the time being in force and
wholly owned by Central/ State Government, shall be the value for the purpose of Stamp
Duty.

(Authority: Amendment to Section 47-A by Act 8 of 1998 w.e.f. 1.5.1998)

7.10. Calculation of market value of open terrace and incomplete structures are
furnished below (which are effective from 7.11.2001)

(Authority: C&IG’s Proceedings No. MV1/30324/2000 dt. 2-11-2001 with effect from 7-
11-2001)

For computing the market value of an open terrace - Adopt 70% of market value of the
site.

Incomplete Structures:

Up to foundation level- 25% of the proposed construction’s value

Up to lintel level- 40% of the proposed construction’s value.

Up to slab level- 60% of the proposed construction’s value.

Up to finishing level - 80% of the proposed construction’s value.

(Authority: C&IG’s Proceedings No. MV1/30324/2000, dated 2.11.2001 w.e.f.

7.11. For any variety of houses not covered by the guidelines, the District Registrars
should contact the Executive Engineer Roads and Buildings concerned and ascertain
suitable rates for application.

(I.G.R. & S. Proceedings No. S1/32372/84 Dt. 15-5-85)

7.12. Important Executive Instructions. - Some important executive instructions
issued for the guidelines of the Registering Officers are given below:

(1) Higher value given by the party.- how dealt with.- If the party gives a
higher market value than that given in the Basic Register, the value given
by the party should be adopted by the Sub-Registrar and a suitable note
added in the remarks columns under the relevant entry in the copy of the
extract with the Sub-registrar and a note of the value should be submitted to
the District Registrar with the details of the document who should
incorporate in the Basic register against the relevant survey number. The
higher value adopted by the party should be treated as the market value and
adopted for future transactions also in respect of the particular survey
number or portion thereof as the case may be. (Proceedings No. MV-3/312/85 dt. 27-9-85).

(2) **Market valuation scheme applicable to property in Andhra Pradesh State Only.** - The market value scheme should be applied only in respect of the properties situated in the State of Andhra Pradesh. (Proceeding No. MVA/1130/75 Dt. 25-8-1975).

(3) **Applies to mortgage by conditional sale.** - The provision of the Act 22/71 apply to mortgage by conditional sale. (Proceeding No. MVA/1130/75 Dt. 25-8-75).

**Collection of registration fees before delivery of the documents.** - The procedure laid down in Registration Rule 160(ii) has to be followed for collection of Registration fees until a suitable provision is made for the purpose. (Proceedings No. MVA/18/76 DT. 16-3-1976).

**Rectification deeds.** - Rectification deeds altering the survey number of previously registered deed without altering the extent and boundaries where the market value of the wrong number is lesser than the market value of correct number should be treated as rectification deeds creating rights and charged to stamp duty on the difference in such value. (Proceedings No. MVA/1130/75 DT. 25-9-1975).

**Methods of Valuation.** - Capitalised value of the building should be arrived at by multiplying the annual rental value (as ascertained from the municipal property tax receipt in the executant’s possession by the figure 18 which is the number of years purchase adopted for land acquisition purposes. (Proceedings No. MV/EE/II/975 DT. 22-5-1975).

As the rates for marble flooring etc., have not been fixed, until further orders, the additional value for such flooring may be ascertained from the parties and added to the value arrived at on the basis of the existing formula. (Proceedings No. MVA/1130/75 DT. 9-8-1975).

**Basic Registers.** - **a permanent Record.** - Basic registers should be maintained permanently. (Proceedings No. MV/1130/75 DT. 9-8-1975).

**Register of cases referred to Collectors.** - A register of cases referred to collector under Section 47-A should be maintained in the form communicated by the Inspector General in his proceedings Dt. 25-6-1975. (Proceedings No. MVA/1526 DT. 7-8-1976).

**Valuation of hutment.** - Since hutments, i.e., cottages raised on bamboos or thatties covered with mud are not covered by the prescribed formulae, the valuation in such cases given by the parties may be adopted if found reasonable. (Proceedings No. MVA/1130/75 DT. 25-9-1975).
Certificates.- Reclassification of Lands.- In cases where the classification of certain survey numbers was not given in the Basic Registers but the maximum and minimum values were fixed for wet and dry lands, the parties may be asked to bring certificates from village officers as regards the nature of the land affected by the document.

High rise structures with ACC/TIN/ZINC sheets such as (a) Cinema Halls, Mills, Factories etc., with walls exceeding 10 feet height (b) in respect of Poultry Farms are to be valued as under:

(i) Areas covered by Mpl. Corporations/Municipalities, Urban Development Authorities, and Notified areas including the Gram Panchayats falling within their master plan areas and urban agglomeration areas & in respect of Secunderabad Cantonment areas: (a) Rs.320/- per Sq. ft. and (b) Rs.250/- per sq.ft.

(ii) Areas falling within Gram Panchayat: (a) Rs.290/- per sq.ft. And (b) Rs.240/- per sq.ft.

The above rates are applicable from 1.08.2006.


7.13. The following points may be looked into while verifying the market values of the properties:

(i) that the correct rates for the lands and plots as mentioned in the basic registers and for the buildings as mentioned in the executive instructions were applied.

(ii) That the age of the building mentioned in Annexure IA recitals by the party agrees with the information available in the documents and the plan of the building:

(iii) That the life of the building was correctly adopted and that correct depreciation rates were followed.

(iv) That no items of the building such as compound wall first or higher floors etc., were omitted while calculating the market value (For this purpose, it would be necessary if plans of the buildings are verified);

(v) that the consideration which was higher than the market value in respect of the last transaction was adopted for the future transactions;

(vi) that CARD check slip or Annexure I-B was prepared correctly;

(vii) that the annual rental value was verified from the municipal tax receipt;

(viii) that the highest of the amount of consideration market value of the capitalised value represented by 18 times the annual rental value was adopted;

(ix) that market values were adopted in cases of mortgages by conditional sale also;

(x) that valuation of mines, quarries, etc., was done after consulting the concerned authorities on mining; and

(xi) And that all cases of undervaluation detected by the department were referred to the revenue authorities.
CHAPTER 8.
TRANSFER DUTY

8.1. Under the provisions of the various local bodies’ Acts mentioned below, a duty in the form of a surcharge on the stamp duty in respect of transfers of immovable property situated within the limits or in the area under the jurisdiction of the local bodies is levied on the under-mentioned instruments.

1. Andhra Pradesh Gram Panchayat Act, 1964 (Sec 69 and 73). Andhra Pradesh Panchayath Raj Act, 1994 (Sections 60 & 69)
2. Andhra Pradesh Municipalities Act, 1965 (Sec 80, 82, 120 & 121)
4. The Cantonments Act, 1924 (Sec 60 & 61).

<table>
<thead>
<tr>
<th>Description of Instrument</th>
<th>Amount on which duty shall be levied</th>
<th>Levied under the Act(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale of immovable property</td>
<td>The amount or value of the consideration for the sale as set forth in the instrument or market value whichever is higher.</td>
<td>Acts (1), (2) &amp; (3) mentioned above.</td>
</tr>
<tr>
<td>Exchange of immovable property</td>
<td>The consideration equal to the value of the property of the greater value as set forth in the instrument or market value whichever is higher.</td>
<td>Do</td>
</tr>
<tr>
<td>Gift of immovable property</td>
<td>The value of the property as set forth in the instrument or market value whichever is higher</td>
<td>Do</td>
</tr>
<tr>
<td>Mortgage with possession of immovable property</td>
<td>The amount secured by the mortgage as set forth in the instrument</td>
<td>Do</td>
</tr>
<tr>
<td>Lease in perpetuity of immovable property</td>
<td>An amount equal to 1/6th of the whole amount or value of the rents which would be paid or delivered in respect of first 50 years of the lease as set forth in the instrument.</td>
<td>Act (1) &amp; (2) ibid.</td>
</tr>
</tbody>
</table>

**Note:** Under Hyderabad Municipal Corporation Act 1955, item (v) is excluded and item (IV) exists modified as Mortgage.

8.2. Transfer duty means the duty on transfers of property. An instrument of sale, exchange, gift, mortgage with possession, lease in perpetuity of immovable property on which transfer duty is leviable. All the provisions of the Stamp Act and the rules made hereunder shall also be applicable to the Transfer duty. The transfer duty to be levied or collected is as under:

(i) Transfer Duty on transfers of property has been fixed at 3% and 2% for Flats/Apartments in respect of Panchayats vide Notification-I of G.O.Ms.No.239 Panchayat Raj and Rural Department (PTS.III), dt.30.06.2005.

(ii) Duty on transfers of property in all the Municipal Corporation areas has been fixed at 2% without any deduction towards collection charges vide G.O.Ms.No.622, Mpl. Admn. & Urban Development (T.C.I) Department, dt.27.06.05.

(iii) Duty on Transfer of property in all selection/special grade Municipalities has been fixed at 2% without any deduction towards collection charges vide G.O.Ms.No.623 Mpl. Admn. & Urban Development (TC.I) Department, dt.27.06.05.
(iv) Duty on Transfer of property in Municipalities (other than Selection or Special Grade Municipalities) has been fixed at 3% without any deduction towards collection charges vide G.O.Ms.No.624, Mpl. Admn. & Urban Development (TC.I) Department, dt.27.06.05.

(v) Tax on transfer of property in Municipal Corporations and Municipal areas of the State has been fixed at 2% without any deduction towards collection charges on all sale deeds of flats/apartments vide Notification-II of G.O.Ms.No.625, Mpl. Admn. & Urban Development (TC.I) Department, dt.27.06.05. These orders are applicable from 1.07.2005 and transfer duty so collected in respect of properties situated within a Panchayat are allocated to the Panchayat, Panchayat Samithi and Zilla Parishad in the ratio of 3:1:1. The amounts collected in cash are directly remitted to the account of the concerned local body after deducting five percent of the total receipts as collection charges.

8.3. The Andhra Pradesh Gram Panchayat Act contains a provision for the exemption from levy of transfer duty. However, no such provision exists in the Andhra Pradesh Municipalities Act.

8.4. The following audit checks may be exercised in respect of the receipts relating to transfer duty;

(i) that the duty was properly collected in the form of stamps in areas outside the limits of Municipal corporation of Hyderabad and Cantonment and allocated in the prescribed ratio to the concerned local bodies;

(ii) that the duty collected in cash in areas within the limits of Municipal Corporation of Hyderabad and cantonment is promptly remitted into the Bank to the accounts of the Concerned local bodies.

(iii) That the collection charges are retained by the department before allocation or remittance to the local bodies;

(iv) That the amounts allocated to the local bodies are got adjusted to the accounts of the local bodies through the treasuries;

(v) That the statements sent by the sub-Registrars to the district Registrar are prepared correctly; and

(vi) that no exemptions are allowed where such exemptions are not provided in the Acts.
CHAPTER 9
STAMPS: SUPPLY AND SALE OF STAMPS

9.1. Judicial and non-judicial stamps are printed at the Indian security Press at Nasik Road. The Inspector General of Registration, Andhra Pradesh is appointed by the State Government to perform the functions of the Inspector General of Stamps, Andhra Pradesh under the Indian Stamps Rules, 1925 (as applied in Andhra Pradesh). Inspector General of Stamps sends a consolidated forecast of all stamps required in the state (Andhra Pradesh) to the Controller of Stamps, Nasik Road, after obtaining the necessary information from the local depots.

9.2. Every treasury is a local depot for the custody and sale of stamps and Government may establish local depots at places where there is no treasure. Every sub-treasury is a branch depot for the sale of stamps. The General Stamp Office, Hyderabad is a local depot for the custody and sale of stamps in the Cities of Hyderabad and Secunderabad. Sub-Registry Offices of the Registration Department where sale counters for stamps are opened are for this purpose, treated as a sub-depots of the branch depot (in the sub-treasury) Concerned.

9.3. Treasury Officers and Officers-in-charge of local depots forward to the Accountant General and to the Inspector General of Stamps. Andhra Pradesh returns regarding the sale of stamps in the form of plus and minus memoranda. The treasurer of the District Treasury and the Sub-Treasury Officer of every sub-treasury are ex-officio stamp vendors who sell stamps of all values to applicants including the licensed stamp vendors. They maintain detailed accounts of the stock of stamps and their sale.

9.4. The rule regulating the grant of discount and the grant of licences to licensed vendors for the sale of judicial and non-judicial stamps are prescribed in B.S.No. 77 (G.O. Ms. Ns. 1238 Revenue dt. 5-8-1964)

9.5. Losses of stamps shall be written off-in-accordance with the rules prescribed by the Govt. in this regard.

9.6. Sale of stamps in Sub-Registrar Offices of the Registration Department.- With a view to eliminating difficulties experience by the registering public sale depots have been opened in certain sub-registry offices for sale of stamps in cash to the public. The Sub registrars in charge of the sub-depots will be ex-officio vendors for sale of stamps to public. They obtain supplies from branch depots (viz., sub-treasury) generally once in a week by means of indent (in duplicate). The supply to be kept in these sub-deposits should not fall short of probable demand of one week. At places where both the branch depot (in sub-treasury) and the sub-depot (in sub-registry office) are located, the sale of stamps to licensed stamp vendors is made by the Branch Depot only. Physical verification of stamps in sub-depots in sub-registry offices is conducted by the District Treasury Offices; The stamp vendors also sell the stamps to public.
9.7. **Accounts and Registers.** - Separate stock Ledgers for each category of stamps viz., non-judicial, judicial, court fee labels and copy stamps etc., are maintained and stocks received from sub-treasury (G.S.O. in twin cities) are entered under attestation by the sub-Registrars with dated initials.

9.8. **Sale Register.** - Sale registers are maintained separately for each category of stamps. Every sale is individually recorded giving the denomination sold, value, number of sheets, particulars of persons who tendered the money and the persons for whom the stamps are purchased.

At the end of each day the number and value of each denomination of stamps sold as worked out in the sale register is posted in the relevant stock ledger as sales and the balance struck and attested by the sub-registrar with his dated initials.

9.9. **Cash Book.** - Cash book is maintained to post the indent number, value of the indent, and cash received. Stamps are delivered to the parties against indent (in prescribed form duly filled in and signed) and cash for the value of the indent. Sale proceeds are remitted through challan by the shroff on the next working day under the relevant sub-head pertaining to 030 stamps and Registration Fee (B) Stamps judicial or (C) Stamps non-judicial as the case may be.

9.10. Records are maintained and monthly returns are sent to the sub-treasury officer as prescribed by the Inspector-General of Stamps.

9.11. The indent number is marked on the indent as noted in column No. 1 of the sales register. The serial numbers of the indents are commenced afresh every day.

9.12. While examining the records relating to the stock and sales of stamps the following points merit consideration:

(a) That the full particulars of the stamps sold are recorded in the sale register in serial order under the signature of the Sub-Register.
(b) That the Register is daily closed and stock account is tallied.
(c) That the sale proceeds are remitted without any delay to the correct head of account.
(d) That the sales are made on proper indents and the indents cash receipts are cross-referenced;
(e) That the physical verification of stocks is conducted regularly every year by the District Treasury Officer.
(f) The plus and minus memorandum prepared by the local depots are checked, verified and tallied.
CHAPTER 10
RECORDS AND REGISTERS IN REGISTRATION OFFICES

10.1. Registering Officers appointed under the Indian Registration Act, 1908, are authorised to register and keep record of the documents presented for registration. They register the documents and render services incidental to or connected with registration. The Indian Stamp Act, 1899, casts a duty on the registering officers to examine whether the documents presented for registration are instruments chargeable with stamp duty and if so, whether they are duly stamped. The Indian Registration Act and the rules made thereunder provide for proper documentation of the process of registration and other allied functions of the registering officers.

Registering Officers are also required under the State enactments to ensure that proper duty on transfer of property imposed for the benefit of the local bodies is paid and accounted for. Under the law of Income Tax, they are to render certain returns to the income tax authority and to insist on the production of certificates of tax clearance by the parties registering the documents. They are also to examine whether a document dutiable under the Andhra Pradesh Court Fees and Suits valuation Act, 1956, is sufficiently stamped before registration. The Register-books and indexes of the contents of the Register books accounts, and other records maintained by the Registering Officers are dealt with briefly in this chapter from Revenue audit angle.

10.2. Register Books. - As per Section 51 of the Indian Registration Act the following books shall be kept in the registration offices: Book-1 is a register of Non-testamentary documents relating to immovable property. All documents or memoranda registered under Section 17, 18 and 89 which relate to immovable property (other than will) are entered or filled in this book. A file book is also maintained corresponding to Book-1 to file copies of maps and plans relating to immovable property which accompany the documents under Section 21(4), copies and memoranda of registered instruments received under Section 64 to 67 copies of certificates and orders received under Section 89 and such other communications mentioned in Rule 12 of the Registration Rules framed by I.G.(R&S) under Section 69 of the Indian Registration Act, 1908.

The book (with its indices) is open to public inspection and copies of entries in it (and its indices) are given to persons applying for them on payment of the prescribed fee, vide Section 57(i).

10.3. Book 2. - is a record of reasons for refusal to register documents. When document is refused registration and on appeal ordered to be registered or when the refusal is confirmed, a note of the fact is entered in this book. Copies of entries in it are given to all persons applying for them. When the applicants are the executants of the documents the registration of which is refused or their representatives, or agents the copy is given free of charge.
10.4. **Book 3.** - is a register of wills and authorities to adopt. This book is not open to public inspection. Copies of entries in it and its index are given on payment of the prescribed fee to the persons executing the document to which such entries relate or to their agents and after the death of the executants (but not before) to any person applying for such copies vide Section 57(2).

10.5. **Book 4.** - is a miscellaneous register in which all other documents (registered under clauses (d) & (f) of Section 18) which do not relate to immovable property are entered. Copies of entries in it and its index are given, on payment of prescribed fees, only to the parties executing or claiming under the documents to which such entries relate or to the agents or representatives of such persons, vide Section 57(3).

10.6. **Book 5.** - is a register of deposit of wills, kept in the office of the Registrars only. It records the deposit of sealed covers purporting to contain wills deposited and their subsequent withdrawal.

**Note:** A rectification deed or a cancellation deed shall be registered in the same class or register book as that in which the original document which it cancels or rectified has been registered.

10.7. Documents admitted to registration are copied in the books appropriate therefor in the order of their admission and in the manner prescribed by the Inspector General of Registration. Every entry of a registered document is an exact copy of the original. With the sanction of Inspector-General of Registration special volume of Book-1 or book-4 in the form of file book with numbered butts, is also opened for registering documents of a temporary character and leases which are prepared on forms printed in the manner prescribed so as to avoid the necessity of copying the documents. In the file book corresponding to Book-1 shall be filed:

(a) Copies of maps and plans mentioned in Section 21:
(b) Copies and memos of registered instruments received under Section 64 to 67.
(c) Copies of certificates and orders received under Section 89;
(d) Returns of lands acquired under Land-Acquisition Act;
(e) Communication received from officers of other departments intimating the cancellation, modification or rectification of transactions evidenced by papers previously filed; and
(f) Copies of instruments of collateral security executed under the Land Improvement Loans Act received from Revenue Officers (Rule 13(i)).

10.8. The following audit checks in respect of books 1.3 and 4 may be applied:-

Copies of document or file in Books 1.3 and 4 should be test checked to the prescribed extent with a view to seeing that they have been adequately and properly stamped as per the provisions of the Stamp Act and other relevant legislation.
10.9. Accounts.- A Registering Officer is required to grant receipts for documents presented for registration, powers of attorney presented for authentication, sealed covers deposited and for fees or fines levied. He has to bring them to account at once. Registration fee forms major part of cash held by a registerin officer. At stations where there is a treasury and the treasury is open, the collections should be remitted daily to the treasury provided that such remittance need not be made on any day when the total collections to be remitted do not exceed Rs. 5 [Rule 187 (u)].

The following Accounts are prescribed:

10.10. Account-A.- It shows the daily registrations in Book 1,3 and 4 and the fees realised thereon such as fee for registration, fee for copying documents in the register books, fee for copying endorsements on documents, fee levied for filing a translation under section 19 of Indian Registration Act, fee levied for registration by a District Registrar under Section 30 of the Indian Registration Act and fee for each copy of memorandum of document relating to immovable property made under section 64, 65 and 66 of Indian Registration Act.

The form of Account contains 21 columns in which important particulars of each registration, such as the number signed to the registration, book and volume in which the entry is made, nature of document (as assessed by the registerin officer), value of the document, value of the stamps borne by the document under the Indian Stamp Act, fees levied under the law of registration, amount of Tax/duty on transfer of property levied for the benefit of the local bodies, dates of purchase of stamps, execution, presentation, registration and return of documents are noted.

The following audit checks may be applied while auditing Accounts-A:-

(i) Whether proper receipts have been granted and the accounts specified in the receipts (counter-foils) have been brought to the accounts prescribed;

(ii) In case of documents relating to immovable properties not wholly situated within the Sub-District/District, Whether the proper fee for sending memo/copy under Sections 64 to 66 of Indian Registration Act has been realised according to the Table of fees and brought to Account-A;

Note: A memo book is maintained to enter the memos despatched to other registering officers, Entries in this book may be traced in Account-A.

(iii) Whether the extra fee (in the Sub-Districts to which Registration Rule 200 is made applicable) on instruments not written by licensed document writers is levied and brought to Account-A; (there is a column “Number of licence of document writer” in Account-A),

(iv) In the case of documents under test check, whether the entries made by the registerin officer in Account-A regarding the nature of the document, value of the document and the stamp borne by the
document are themselves correct; (thus can be seen only by reading
the document transcribed in the Register book volumes, notes and
endorsements, depositions/if any recorded in the deposition
register);

**Note:** In other cases the correctness of registration fees stamp duty etc., are checked
only with reference to the entries made by the Registering officers in Account-A.

(v) When sub-registry office operates in itinerating centre in any village
for the benefit of the registering public whether the fees levied for
registrations have been brought to Account-A of the office and
remitted as prescribed;

(vi) In order to select documents for scrutiny, Account-A may be
reviewed thoroughly and miscellaneous documents, documents with
higher value and other documents where there is a possibility of mis-
classification may be selected.

**10.11. Account B.-** It shows fees other than the fees realised or account of
registrations, searches and copies, return of documents, etc., by post, process fees, batta
and traveling allowance of witnesses. This account thus accommodates rents of buildings
and all other receipt of miscellaneous nature such as fee for deposit of sealed covers
purporting to contain will and for withdrawal of sealed cover (Article 6 of T.F.) fee for
attesting power of attorney (Article 7 of T.F.). The following audit checks may be applied
while Auditing Account B;

Whether the documents deposited for safe custody and not claimed within the
prescribed time have been accounted for in the register of unclaimed documents, and
whether fee for safe custody was levied and brought to Account B.

**10.12. Account C.-** This is a suspense account of cash held by a registering officer
in course of his duties. It shows the receipts and disbursements of accounts of such as fees
under Marriages Act, 1954, deficit stamp duty and penalty and adjudication fees levied
under the Indian Stamp Act. Undisbursed pay and allowances, subsistence allowance,
traveling allowance for attendance at private residence and the like. Any amount received
either by money order or with a covering letter is ledgered in this account in the first
instance and when the amounts are transferred to Accounts A, B, D the payments are
indicated on the disbursements side.

Registration fee collected for pending document has to be accounted for in Account
A and not in Account C as per Registration Rule 180 read with standing order 1215(a).

The same audit checks as mentioned at Account A will apply here.

**10.13. Account D.-** It shows the applications received for searches and copies and
the fees collected therefor viz, fee for search or inspection of a single entry, fee for general
search or inspection of any number of entries (Article 13 of T.F.) fee for granting copy of
reasons, entries or documents (Article 14 of T.F.) fee for applications for an inspection or
search or a copy of extract of any document or record in a registration office (Article 15 of T.F.). Fee for searches is generally payable in advance.

Audit Checks.

Whether all applications for copies, searches, or inspection have been ledgered in Account D and filed after levying proper fee.

Where the results of search indicated in the office copies of the encumbrance certificates reveal the existence of an additional property whether the extra fee has been collected.

10.14. Account G.- This is a daily account showing the number of documents admitted to registration, copies, pending returned, and unclaimed, attested powers of attorney unclaimed, and applications for copies and encumbrance certificates admitted and complied with and the number of unclaimed copies and encumbrances certificates.

The Register is mainly designed to have an effective watch over the daily progress of work and the work that is in arrears.

10.15. Account H.- This is a consolidated account showing the total cash balance at the close of each day. Cash balance from the Accounts A, B, C, D, of balance of permanent advance shown in the contingent register, cash balance, if any relating to the administration of other Acts is posted in this account at the close of each day and the total worked out. This account enables a registering officer to have a verification and analysis of the cash balance with him.

Audit Checks

Whether the daily cash balance in the accounts is brought to Account H correctly and verified with the Cash balance.

10.16. Receipt Books.- Receipts in two distinct forms are prescribed one for cash receipts ledgered in Account B and other for documents and all other fees received. Receipts for documents are granted in the serial order of the number assigned to the documents. Total amount of fees levied in all cases is noted in figures as well as in words. Printed receipt books are supplied and taken to stock register on their receipt and accounted for.

When printed receipt books are not available use of manuscript receipt books is permitted by the Inspector General of Registration subject to the Condition that they are page numbered and used in the manner prescribed.

Audit Checks
(i) Whether printed receipted books (Manuscript receipt books prepared in the manner prescribed when printed receipt books are not available for supply) are brought to account first and used to secure against loss and misuse of receipt books.

(ii) Whether fees realised for various services rendered under laws of registration and stamps have been correctly levied in accordance with the Table of Fees prepared under Section 78 of the Indian Registration Act and the amount have been realised.

IV. Other Records and Registers

10.17. Surcharge Ledgers and connected Returns.- For the benefit of the local bodies, the Andhra Pradesh Municipalities Act, 1965 (Sections 82 and 120) and the Andhra Pradesh Gram Panchayat Act, 1964 (Section 69 and 73) provide for the levy of a duty on transfer of property in form of a surcharge on stamp duty on specific instrument, viz., sales, gifts, exchange mortgages, mortgage with possession and leases in perpetuity relating to immovable property situated in the limits of a municipality and a gram Panchayat respectively. As the duty is not paid in cash except in Municipal Corporation Hyderabad but in stamps at the time of execution of the documents its allocation to the local bodies concerned in the prescribed ratio after retaining 5% towards collection charges for the Registration Department requires book adjustment through treasury officer. To facilitate this allocation and the adjustment the Registering Officers are required to maintain surcharge ledgers (village-wise). The transfer duty shown in Account A against the document registered is transferred to the ledger folio of the concerned village Municipality in which the immovable property is situated. The totals of these ledgers are worked out monthly and agreed with the total transfer duty recorded in Account-A.

Monthly Statements and quarterly statements in prescribed form based on the ledgers are prepared and sent by the sub registrars to the Registrars. Similar statements are prepared from the ledgers maintained by the Registrar in respect of the documents registered in his office. All these statements are consolidated in the Registrar’s office and authorisations issued to the treasury officer for carrying out the requisite book adjustment of the amounts allocated to the local bodies (Gram Panchayats-Panchayat Samithis, Zilla Parishads in case of properties situated in Panchayat areas in the ratio of 3:1:1 respectively and Municipalities) and the amounts creditable to the department towards collection charges.

Section 261 of the Hyderabad Municipal Corporation Act, 1955, provides for levy and collection in cash of a tax on transfer of property situated in the Municipal limits of Hyderabad and Secunderabad. Cash received on this account is distinctly shown in Account-A. 5% of the proceeds being collection charges of the department is transferred to Account-B and remitted as departmental receipt.

The balance of the amount is remitted through separate challans to the credit of the corporation and the particulars of challans noted in Account-A.
10.18. Similarly the cantonment Board of Secunderabad with the previous sanction of the Central Government imposes a duty on transfer of immovable property (in form of surcharge on the stamp duty on instruments of specified description) in respect of the whole or part of the immovable property situated within the limits, of the cantonment (section 60 of the Cantonment Act, 1924). The transfer duty collected by registering officers in cash is credited to the cantonment Board withholding 5% towards collection charges creditable to the department. The audit checks to be exercised are indicated in chapter 8.

10.19. Minute Book.- Every registering officer is required to maintain a Minute Book and enter a brief record of each day’s proceedings in respect of every document on which a presentation endorsement is made. Entries in this register include entries in respect of document presented for registration but returned for correction under Rule 31(ii), documents put aside pending appearance of parties and witnesses, documents kept pending having been referred to the registrar for orders, documents returned unregistered at the request of the party presenting it, etc.,

The register also gives reference to the final disposal of the documents entered in it.

10.20. Register of Unclaimed Documents.- A register is maintained to show all documents registered or refused registration, lying unclaimed and certified copies and encumbrance certificates which are returned undelivered by the post office, for which safe custody fee is leviable. When the documents for which safe custody fee is leviable(under Article 9 of T.F) are claimed. Safe custody fees is collected and the amount so collected is brought to Account-B for remittance as departmental receipt.

10.21. Register of Impounded Documents (In sub-Registry Office).- In every sub-registry office, this register is maintaining to enter therein every document impounded under section 33 and to watch its disposal with reference to the orders of the Registrar. The Registrar is reminded when a document entered in this register is about to be time-barred for registration. In respect of the document impounded, the Sub-Registrar collects the deficit stamp duty and penalty under the order of Registrar and bring the collection to Account-C for remittance. If the payment of deficit stamp duty and penalty for which a notice is issued by the Sub-Registrar is not made within a reasonable time, the matter will be referred to the Registrar for recovery under Section 48 of the Indian Stamp Act.

10.22. File of application for searches and copies and file of certificates of encumbrance issued on general searches.- Applications for searches and copies are filed in three separate file books, each with a separate set of serial numbers running by calendar year.

1. File of applications for general search;
2. File of applications for single search and copy containing all applications for searches or for copies of registered documents or entries in Book 1 to 4 and for copies of documents pending and refused registration;
3. File of applications for copies of miscellaneous records such as appeal orders, depositions and other miscellaneous papers.

Note: The expression “General search” is applied to a search for more than one document concerning a specified property or a specified person. The expression “single search” covers a search for a single entry or document.

A file containing each copy of the encumbrance certificate issued by the registering officer is also maintained in a separate file book in which the various certificates will be numbered consecutively in a separate series for each calendar year. A certificate of encumbrance contains a complete list of all acts and encumbrances affecting the property specified in the application.

10.23. Statement of fees foregone.- The Registration Department is a service department. In the levy of fees under the law of registration, certain exemptions from payment of fees are allowed to members of some co-operative societies and land mortgage banks belonging to some specified categories. But the exemptions amount to a subsidy by Government to the Cooperative Department as the latter reimburses to the Registration Department quarterly the fees foregone on account of such exemptions. In order to facilitate this adjustment in account, registering officers maintain a statement of fees foregone. Monthly statements of fees foregone are sent by the sub-registrar to the Registrar in forms prescribed separately for documents registered, searches and certified copies and other services rendered.

The Registrar’s office consolidates these statements (incorporating the fees foregone by the registration branch of his office) for the registration district and forwards a quarterly statement to the Inspector General of Registration. After obtaining the acceptance of the cooperative department, the Inspector-General initiates the requisite adjustment in accounts debiting the cooperative department and crediting the Registration department to the extent the fees are foregone.

10.24. Files of compounding offences under the Stamp Law.- Registrars are empowered by the Board of Revenue to sanction prosecutions under Section 70 of the Indian Stamp Act in cases of undervaluation and to stay such prosecutions of compound any offence. A note for compounding an offence is added at the foot of the transcription of the document and separate file is maintained by the Sub-Registrar to contain the orders of the Registrar and the particulars of the compounding fee collected and remitted.

10.25. Files of Statements (Annexure-IA and IB) Regarding the value of buildings.- Under Rule 3 of the Andhra Pradesh stamp (prevention of under-valuation of instruments) Rules 1975, the executant of an instrument mentioned in Section 47-A of the Indian Stamp Act is required to attach a statement to the instrument containing his own assessment of the market value of the items of property affected. If such item is a building, a statement (Annexure IA) is prescribed to furnish details of the building.
With reference to the details furnished by the executants in Annexure I-A the registering officer works out the value of the building in accordance with the instructions issued from time to time. These statements (Annexure IA & IB) are filed separately in bound volumes. The statements bear the number and date of registration of the document to which they relate. The statement thus contain the basic information for valuation furnished by the executant and the assessment of the value made by the registering officer.

Audit Checks.- It may be seen that all the relevant particulars are furnished in Annexure IA and that Annexure IB is prepared correctly based on the information furnished in Annexure IA recitals of the document.

10.26. Register of cases referred to Collector under Section 47-A of Indian Stamp Act.- References made to the Collector under Section 47-A are noted in a statement in form prescribed in Rule 4 of the Andhra Pradesh Stamp (Prevention of under valuation of Instruments) Rules, 1975. A register maintained by the registering officer also serves as an office copy of each statement forwarded to the Collector, for determination of market value and the proper stamp duty. Besides the details prescribed in the statement, this register provides additional columns to record the number and date and gist of orders of the Collector, number and date and gist of orders of appellate authority, if any.

Audit Checks.- It may be seen that the register is maintained with up-to-date information and that all the columns are properly filled in.

10.27. Register of documents adjudicated by District Registrar (Under India Stamp Act).- The register is maintained in the registrar’s office to watch the receipt and disposal of the documents dealt with under Section 33 or 38(2) of the Indian Stamp Act. The register records, inter alia, the date of communication of the decision of the District Registrar to the party or to the Sub-Registrar and particulars of payment of deficit stamp duty and penalty.

10.28. Register of appeals and inquiries.- A register is maintained in every Registrar’s Office to enter the appeals filed under Section 72, applications under Section 73 and inquiries under Section 74 of the Indian Registration Act and to watch their disposal.

10.29. Register of documents certified by District Registrar as Collector under Section 31 and 32 of Indian Stamp Act.- Separate registers for ledgering the daily transactions relating to Section 31 and 32 and those relating to section 41 and Section 42 of the Indian Stamp Act are maintained. The serial numbers assigned to the transactions ledgered in these registers commence and terminate with each calendar year. The duty paid under Section 32 or Section 41 and the fee levied under Section 31 of the Indian Stamp Act are remitted into the treasury through separate challans under the prescribed heads of account.

10.30. Copies of Accounts A to D sent monthly by the Sub-Registrars are reviewed in the office of the District Registrars and review remarks, if any, communicated to the Sub-registrars.
Each Sub-Registry office is inspected by the Registrar at least once in each official year. Part-I of the report contains the results of verification of cash, serious omissions and irregularities, loss of stamp, fees and the like. Part-II contains the omissions and irregularities not sufficiently serious for inclusion in Part-I.

Offices of the Registrar are annually inspected by Inspector General of Registration/ Deputy Inspector General of Registration. These inspection reports are recorded in the offices inspected after requisite action is taken.

10.31. Records relating to reconciliation of receipts. - The Revenue receipts of the Department are accounted for under the Major Head ‘0030-Stamps and Registration Fees’ with the following Sub- Heads/ Detailed Heads of Account.

Judicial 101- Court Fee realized in Stamps 102- Sale of Stamps Other receipts

Stamps Non-judicial 102- Sale of Stamps 103- Duty on impressing of documents 800- Other receipts

Registration fee104- Fees for registering documents other receipts
SH (77) – User Charges.

Every Sub-Registrar prepares for each month a statement (known as IV(a) Statement) in duplicate showing the registrations and revenue remitted in the month under ‘D’ Registration Fees and obtains the certificate of verification of the treasury Officer thereon. One copy is sent to the registrar concerned and the other is retained in his office. The statement is accompanied by the details of remittances (challan-wise). The Registrar prepares a consolidated statement (IV (a) statement) for his Registration District incorporating therein the revenue remitted by his office as well, and sends it to the Inspector General of Registration for purpose of reconciliation with the figures booked by the Accountant General under the Major Head.

The remittances made relating to deficit stamp duty, penalties, etc., falling under the sub-major head ‘C’ Stamps-Non-Judicial are posted in the challan posting registers separately by the Sub-Registrar who gets them verified by the Treasury Officer and sends a statements of reconciliation to District Registrar. Consolidated statements of reconciliation are prepared by the District Registrar for his registration District and sent to the Inspector General.

The Inspector General of Registration receives the statements of reconciliation with the treasury figures in respect of the remittances made for sales of non-postal stamps covered by the sub-major heads B.-Stamps Judicial and C.-stamps Non-Judicial from all the District treasury Officers and the General Officer, Hyderabad. The reconciliation of the receipts under the Major head is made by the Inspector General of Registration with the figures in the accounts maintained by the Accountant General, Andhra Pradesh.
10.32. Periods of preservation of records.- Registration Rule 192 and Appendix XXXIII to registration manual, part-I volume-II (Standing Order 967(b)) deal with the periods of preservations of books and file. The following records among other things are preserved permanently. Books 1 to 5 Indexes I to IV and subsidiary Indexes, files of translations, files of appeal, orders and judgments and order of courts and deposition books.
CHAPTER 11
RECEIPTS UNDER THE ANDHRA PRADESH
CHIT FUNDS ACT

11.1. Introduction.- The Act is passed to regulate the chit funds in the State.

The Inspector General of Registration and Stamps who is appointed as the Director of chits in terms of Section 51 of the Act, administers the Act through the Registrars and Inspecting Officers. The registrars of the Registration district functions as the Inspecting Officers while the Sub-Registrars act as the Registrars of chits within the limits of their jurisdictions under the Indian Registration Act.

11.2. Some important definitions.

1. Chit.-“Chit” means a transaction, whether called chit fund, chitty, or by any other name, by which its foreman enters into an agreement with a number of subscribers that every one of them shall subscribe a certain sum of money or a certain quantity of grain or other commodity, by installments for a definite period and that each subscriber in his turn, as determined by lot or by auction or by tender or in such other manner as may be provided for in the agreement, shall be entitled to a prize amount, whether payable in cash, kind or any other article of value.

2. Chit Agreement.-“Chit Agreement” means a document containing the articles of agreement between the foreman and the subscribers relating to the chit and filed under Section 6.

3. Chit Amount.-“Chit Amount” means the sum total of the subscriptions payable by all the subscribers for any installment of a chit without any deduction for discount or other wise.

4. Discount.-“Discount” means the sum or money or the quantity of grain or other commodity, which a prized subscriber has under the terms of the chit agreement to forego and which is set apart under the said agreement to meet the expenses of running the chit or for distribution among the subscribers or for both.

5. Dividend.-“Dividend” means the share of a subscriber in the discount available under the chit agreement for rateable distribution among the subscribers at each installment of the chit.

6. Foreman.-“Foreman” means the person who under the chit agreement is responsible for the conduct of the chit and includes any other person discharging the functions of the foreman under Section 30.

7. Prize Amount.-“Prize Amount” means the difference between the chit amount and the discount, and, in the case of a fraction of a ticket means the difference between the chit amount and the discount proportionate to the fraction of the ticket; and when the prize
amount is payable otherwise than in case, the value of the prize amount shall be the value at the time it becomes payable.

8. **Subscriber.**—“Subscriber” includes a person who holds a fraction of a ticket and also a transferee of a ticket or a fraction thereof by assignment in writing or by operation of law.

9. **Ticket.**—“Ticket” means the share of a subscriber in a chit and the expression fraction of a ticket shall be construed accordingly.

11.3. **Registration of chits.**—The Chit Funds Act requires that a person conducting a chit should register the proposed bye-laws of the chit with the Registrar (Section 3) and file the chit agreement (Section 6). Amendments to bye-laws can be made under Section 9 (2) by paying the prescribed fee vide rule 8(2) under the Act.

11.4.1 **Security to be given by the Foreman.**—Under section 11 the foreman will have to file a copy of the minutes of each draw after paying the prescribed fee. Under Section 12, the foreman is required to execute an indenture of mortgage and trust before applying for the certificate of commencement in favour of the Registrar as trustee creating a charge in a property sufficient to the satisfaction of the registrar or deposit an amount not less than half the chit amount in any approved bank or invest in Government securities of the face value or market value, whichever is less, of not less than half of the chit amount. The security in respect of one chit can be accepted as security for another conducted by the same foreman after the termination of the first chit. The security under this section has to be furnished in respect of each chit.

As per Rule 16, the receipt or the pass book in respect of cash deposited in an approved bank under Section 12 shall be delivered to the Registrar and in case of Government Securities transferred in favour of the Registrar under the Same section, he will keep them in safe custody under his control in a Government Treasury.

11.4.2. **Certificate of commencement of chit.**—Under Section 7 the Registrar grants a certificate of commencement of chit on being satisfied that the bye-laws of the chit have been registered and the chit agreement has been filed and the security required under Section 12 has been furnished by the foreman. Every foreman has to file with the Registrar under Section 16 a balance sheet relating to the period of account audited either by a qualified auditor or by a chit auditor appointed under Section 51.

11.4.3. **Inspection of chit books.**—The Registrar or any officer authorised by the Director of chits may inspect the chit-books and all records under the provisions of Section 37(1).

A copy of the winding-up order by court will have to be filed by the petitioner in the winding-up proceedings and of the receiver with Registrar (Section 46).
11.4.4. Audit of chit accounts.- In cases where the registrar is of the opinion that the accounts of any chit are not properly maintained he can get the accounts audited by a chit auditor Section 51(4).

When the audit under Section 16, 37, or 51(4) is conducted at the premises of the foreman or outside the office of the registrar an additional fee has to be paid for each such audit.

In terms of Section 52 any person may, on payment of the prescribed fee, inspect the documents kept by the Registrar and obtain a copy or extract of any document to be certified by the Registrar.

11.5. Fine and penalties for offences under Chit Fund Act.- Whoever contravenes the provisions regarding the registration of bye-laws, or regarding the issue of any notice etc., relating to a chit, the bye-laws of which have not been registered regarding the obtaining of a certificate of commencement shall be punishable with imprisonment upto one year or with fine upto Rs. 500/- or both.

11.6. Levy and collection of fees.- Section 53(1) lays down that fees are to be levied at the rates prescribed by government from time to time in respect of the following;

(a) the registration of the bye-laws of a chit under Section 3.
(b) filing with the registrar of the chit agreement and copies of documents under Section 11,20,21,29 and 32.
(c) the grant of a commencement under Section 7.
(d) the audit of the accounts of the foreman and the issue of an audit certificate under Section 51.
(e) the inspection of documents under Section 52.
(f) the certified copy of extract of document under Section 52.
(g) such other matters as may appear necessary to give effect to the purposes of the Act.

11.7. Refunds. - The registrar may with the previous sanction of the inspecting Officer, refund any fee paid to him in excess of the amount prescribed or any fee that is earned (i.e., fee paid in connection with the registration of the bye-laws, the filing of a document or other service to be performed by the Registrar where such registration or filing is not actually effected or the service is not actually rendered.).

11.8. Registers maintained in Registration Offices.- The following are the important books and forms prescribed by the Director of Chits for maintenance by the Registrars vide his proceedings No. CF/8/1971 DT. 27-7-1971.

1. Form IA Register of by-laws registered or filed.
2. Form IB Particulars of documents registered or files.
3. Form 2 Daily account of Fees
4. Form 3 Register of securities
5. Form 4 Register of receipts and disposal of balance sheets.
6. Form 5  Audit Register
7. Form 6  Record Registers
8. Form 7  Register of prosecutions
9. Form 8  alphabetical index of foreman of chits
10. Form 9  Memorandum acknowledging receipt of documents
11. Form 10 Receipt books for fees
12. Form 11 monthly statistical returns

(Authority: Proceedings No. CF/8/1971 of 27-07-71)

The amounts of receipts are credited to the Head of Account “104-other General Economic Services-(b) Regulation of other business Undertakings-V. Administration of Chit Funds Act” and the expenditure is debited to the Head of Account “304-Other General Economic Services-regulation of other business undertaking-Administration of chit funds Act”.

11.9. Recovery of amounts due from a foreman.- In terms of section 64, all amounts due from a foreman to the Registrar or any other officer under this Act by way of any fee will be recovered as arrears of land revenue.

11.10. Audit Checks.- During local audit of Registration Offices the following checks may be exercised in connection with the chit fund records :

(i) that all the moneys due to Government by way of fees are correctly assessed, collected and remitted to the correct head of account.
(ii) that the refunds are made in respect of the cases provided in the Act and in the rules – under sanction by competent authority and that necessary notings are made against the original entries and in the original documents.
(iii) that security to the extent necessary has been obtained and properly accounted for and that it has been released or adjusted to a fresh chit only after the termination of the earlier chit and under the orders of competent authority.
(iv) that the inspections/audit prescribed in the Act are being conducted regularly.
(v) that action in respect of amounts due from the foreman is taken under revenue recovery Act.
CHAPTER – 12
SPECIAL MARRIAGE ACT, 1954

12.1 Marriages under Special Marriage Act :- The Special Marriage Act 1954 (Central Act) deals with the solemnization of marriage between any two persons subject to the fulfillment of the conditions laid down, therein. The Inspector General of Registrations and Stamps appointed as the Registrar General of Marriages administers this Act through the District Registrars and the Registering Officers who function within their territorial jurisdiction as the Marriage Officers for the purpose of this Act. The Andhra Pradesh Special Marriage Rules 1959 are made under section 50 of the Act for carrying out the purposes of this Act.

12.2 Hindu Marriage Act, 1955 :- The Hindu Marriage Act, 1955 (25 of 1955), became law on the 18th May, 1955. It applies to all Hindus, Buddhists, Jains or Sikhs. It applies also to all other persons who are not Muslims, Christians, Parsis or Jews unless they establish that they were not governed by Hindu law, custom or usage prior to the Act.

As per Amendment Act 2 of 1978, the minimum age of marriage is increased from fifteen to sixteen for females and from eighteen to twenty-one for males.

The Hindu Marriage Register shall at all reasonable times be open for inspection, and shall be admissible as evidence of the statements therein contained and certified extracts therefrom shall, on application, be given by the Registrar on payment to him of the prescribed fee.
CHAPTER – 13
CARD Project

In exercise of the powers conferred by sub-section (1) of the Section 16 of the Registration Act, 1908 as amended by clause (3) of the Registration (Andhra Pradesh Amendment) Ordinance, 1998, the Commissioner & Inspector General of Registration and Stamps prescribes the software to all offices of Registration Department notified by the Government of Andhra Pradesh through G.O.Ms.No. 44 Rev.(Regn.I) Dept., dt. 12-1-99 and G.O.Ms.No.696 Rev (Regn.I) Dept., dt. 30-10-01 under sub-section (1) of the section 70-B of Registration Act, 1908 as amended by Registration Act, 1999 (Andhra Pradesh Second Amendment Act 16 of 1999) for the purposes of carrying out the process of registration with the help of electronic devices like computers, scanners and compact disks.

In view of the above, the CARD Project (Computer Aided Administration of Registration Department) was introduced w.e.f. 05-02-1999 in the department with a view to provide transparency to enhance speed, efficiency of registration and to issue allied certificates and also to eliminate unproductive work. It also give true picture to parties concerned w.r.t. rates of duties/fee payable separately for each instrument. Once a document is registered cannot be altered or rectified in the system after scanning. However, it provides Registering Officers/Parties concerned to rectify any document at a later stage through Rectification deeds only.

The following is the procedure being followed by the Registration Officers for registration of documents under the CARD System.

(1) **Procedure**: The documents presented to Registration Officer (R.O.) shall be scrutinized by them w.r.t. classification and the appropriate transaction code assigned/ticked on the input form, initialed and passed to the computer counter. The details of the documents so sent shall invariably entered into computer and registration check slip printed, initialed by DEO and given to the party concerned. The deficit stamp duty, if any, shall be collected in cash duly issuing printed computer receipt. The document together with check slip and cash receipt for DSD shall be presented to R.O. for causing registration process following the existing instructions and procedure involving broadly, endorsing, presentation and admission of documents.(To the extent possible, rubber stamps shall be used for the standard endorsements to save delay). After this process is over, a regular number shall be assigned and the document shall be sent for scanning by using the Imaging Software to ensure the good quality of all pages of the document. The document, after scanning, shall be returned to the party concerned duly obtaining acknowledgement.

**Note**: (1) The serial number assigned by the computer (C.S.No.) will be treated as the ‘pending document number’ for all practical purposes, till a regular number is assigned. However, in case a document is to be registered manually and kept pending, shall be given a pending number.

(2) Copying of documents, endorsement certificate have been dispensed with effect from 5-2-1999.
(2) **Presentation at Private residence**: The existing procedure shall be followed in respect of documents necessitating attendance at a private residence, to the extent of presentation and admission of execution only. Further process shall be carried out on the computer.

(3) The documents scanned should be archived at the end of each day on to the CD/tapes in triplicate. After testing the CD’s/tapes so archived, the system should be permitted to delete the images of documents so scanned and a copy of each CD’s/tapes shall be sent IG(R&S) and Concerned DR under acknowledgement and another copy preserved safely with R.O.

(4) The system may fall out of order at times. In such cases, all the instruments have to be registered manually duly endorsing specific reasons necessitating to resort to manual system in the minute book. On restoration of system, the documents registered manually shall be entered into the computer.
CHAPTER-14

THE ANDHRA PRADESH SOCIETIES REGISTRATION ACT 2001
(Act No.35 of 2001)

Prior to the enactment of Act 35 of 2001, (received the assent of the Governor on the 9th October, 2001 and the said assent is hereby first published on the 10th October, 2001) the law relating to the Societies and their registration has been governed by the Societies Registration Act, 1860 (Central Act 21 of 1860) in the Andhra and by Andhra Pradesh (Telangana Area) Public Societies Registration Act, 1350 Fasli (Act of 1350 Fasli) in the Telangana Area of the State of Andhra Pradesh. In order to have a comprehensive law and to secure uniformity, the present Act is enacted to provide for Registration of Societies throughout the State for promoting Art, Fine Arts, Charity, Crafts, Religion, Sport, Literature, Culture, Science, Philosophy, Political Education or any public purpose and for matters connected therewith or incidental thereto. The word ‘society’ means an association of persons having common interest, beliefs, objects or profession. In a recent case under the Central Act the word “charitable purpose has been incorporated to include religious purpose also”.

If an application for registration of a society presented to Registrar by complying with all the provisions of this Act, is not disposed within a period of thirty days, the society shall be deemed to have been registered from the date of its presentation.

The societies should not be registered with undesirable names and that it should not be registered by a name, which contravenes the provisions of the Emblems, and Names (Prevention of Improper Use) Act, 1950 (Sec.6).

(1) Short title, extent and commencement: - This Act may be called the Andhra Pradesh Societies Registration Act, 2001.

Definitions :- In this Act, unless the context otherwise requires, -

1. ‘Bye-laws’ means the bye-laws of a society;
2. ‘Committee’ means the executive committee appointed under Section 14 or any person or body of persons to whom the management of the affairs of a society is entrusted by its bye-laws;
3. ‘Court’ means in the cities of Hyderabad and Secunderabad, the City Civil Court, and elsewhere, the Principal Civil Court of original jurisdiction.
4. ‘Financial Year’ means the period of twelve months for which the accounts of a society are required to be made up by the bye-laws and if the bye-laws do not so provide, the period of twelve months ending with the 31st March of each year;
5. ‘Government’ means the State Government of Andhra Pradesh;
6. ‘Member’ means a person, individual or body corporate, who/which, having been admitted to membership in any society has not resigned or ceased to be a member, or been removed from membership, in accordance with the bye-laws of that society;
7. ‘Memorandum’ means the memorandum of association of a society as originally framed or as altered, from time to time, in pursuance of the provisions of this Act or the Societies Registration Act, 1860 (Central Act 21 of 1860) or the Andhra Pradesh (Telangana Area) Public Societies Registration Act, 1350 Fasli (Act 1 of 1350F) as the case may be;

8. ‘Notification’ means a notification published in the Andhra Pradesh Gazette and the word notified shall be construed accordingly;

9. ‘Officer’ includes any director, manager, treasurer, trustee, secretary, member of the Committee, or any person appointed by a society to sue and be sued on its behalf and any other person empowered under the rules or the byelaws to give directions in regard to the business of a society;

10. ‘Registrar’ means an officer of the Registration Department, not below the rank of the Sub-Registrar as may be specifically empowered by the Government to exercise the powers of a Registrar under this Act;

11. ‘Society’ means a society registered or deemed to be registered under this Act; and

12. ‘Special Resolution’ means, resolution passed by a majority of the total members of the society and not less than three-fifths of the members present and voting in a meeting.

Records and Accounts to be maintained by every Society:

The following accounts, records and documents are to be maintained by every Society, namely –

(a) a copy of this Act with up to-date amendments incorporated;
(b) a copy of it’s registered memorandum along with up to-date byelaws with amendments made from time to time;
(c) the minutes book;
(d) accounts of all sums of money received and expended by the society and their respective purposes;
(e) accounts of all purchases and sales of goods by the society;
(f) accounts of all assets and liabilities of the society;
(g) an up to-date register and a list of all members with voting rights for the current year prepared within thirty days of the closure of the society’s financial year;
(h) copies of the audit reports, and if any, and compliance reports thereon; and
(i) all such other accounts, records and documents as may be required by this Act.

Audit Checks:

1. Whether the requisite fee was collected at the time of registration of a Society has to be seen in audit.
CHAPTER – 15

THE ANDHRA PRADESH STAMP
(FRANKING IMPRESSION OF STAMPS) RULES, 2005

Governement of Andhra Pradesh through G.O.Ms.No.1455, Revenue (Registration-I), dated 26th July, 2005 have introduced A.P. Stamp (Franking Impression of Stamps) Rules, 2005.

(1) **Scope and extent of use of the Franking Machine :-** The Franking Machines shall be used for franking impression of stamps upto a value of Rs.1,000/- on all kinds of instruments under the provisions of the Indian Stamp Act, 1899 and the rules made thereunder.

Provided that the franking may be made to denote stamp duty upto Rupees two lakhs on very non-registrable instruments by the departmental counters and authorised users like Banks and Corporate Institutions, vide G.O.Ms.No.599, Revenue (Regn.I), dt.26.05.2006.

**Procedure regarding use of Franking Machine by the Proper Officer :-**

(1) Franking Machines shall be installed at the Office of the Commissioner and Inspector General of Registration and Stamps, Hyderabad Offices of the District Registrars and Offices of the Sub-Registrars and in any other office as may be authorised by the Chief Controlling Revenue Authority in Andhra Pradesh for impressing Stamps indicating the payment of stamp duty on the instruments chargeable with duty.

(2) The machine shall be operated under the strict control and supervision of the Proper Officer after the machine is installed in the presence of the Proper Officer.

Before the machine is put to use, the same shall be authorisedly loaded and sealed by the Assistant Inspector General (Stamps), Office of the Commissioner & Inspector General of Registration and Stamps or District Registrar or Sub-Registrar or such other Officer authorised by the Commissioner & Inspector General of Registration and Stamps/Chief Controlling Revenue Authority.

The Proper Officer other than the District Registrar shall take permission in writing from the District Registrar well in advance regarding periodical loading of the machine.

The access code to the numeric of the Franking Machines shall be exclusively with the Assistant Inspector General (Stamps).
The Proper Officer shall ensure that the seals are not tampered within any way by any person or that the machine is not handled by any unauthorized persons.

The Proper Officer shall be responsible for the custody of the machine.

On receipt of the application, the Proper Officer, after satisfying himself of the payment made by the parties, shall emboss the instruments by means of Franking Machine with the requisite amount of Stamp Duty. Thereafter the Proper Officer shall affix his signature in the space provided on the impressed stamps.

All the applications received for stamping shall be kept in a file, each being serially numbered and the particulars entered in the Register.

(3) Use of Franking Machines by the authorized users :-  

(1) An authorization for use of Franking Machine may be granted by the Commissioner and Inspector General of Registration and Stamps/Chief Controlling Revenue Authority on application, filed by the intending user along with an undertaking and Indemnity Bond duly stamped.

The intending user shall pay a fee of Rs.1,000/- for grant of Authorization for use of the Franking Machine along with the application.

The Chief Controlling Revenue Authority reserves himself/herself the right for refusing or canceling an authorization without assigning any reasons for the same.

The authorization for each Franking Machine may be renewed every year on payment of a Fee of Rs.1, 000/-. The renewal will be subject to satisfaction of the Commissioner and Inspector General of registration and Stamps/Chief Controlling Revenue Authority about proper use of the machine.

The authorized machine shall be utilized for franking/impressing stamps on the instruments as specified in Rule 3 by the authorized user only.

The authorized user shall send account of the monthly use of the machine in respect of each instrument to the District Registrar on or before 15th of the succeeding month.

The Government or the Chief Controlling Revenue Authority shall not be responsible for any loss or damage caused to the authorized user on account of misuse or mis-handling of the machine or for any damage caused to the machine or loss of the machine on any ground.

The authorized use is not permitted to keep with him any unserviceable or worn-out Franking Machine.
The authorized user must take adequate steps to guard against the fraudulent use of the machine.

The authorized user shall maintain the following records separately for each franking machine.

Franking Machine Register regarding posting in Form No.8
Franking Machine Record Book in Form No.9

The authorized user shall not sell or transfer or dispose of in any manner whatsoever the Franking Machine.

(4) **Payment by the authorized users, setting or re-setting machine and sealing thereof**: (1) The authorized user shall pay in advance a minimum sum of rupees fifty thousand of advance Stamp Duty, through, a Banker’s Cheque or Demand Draft or Challan for which he wishes the machine to be set at the time of purchase of machine.

Whenever authorized user wishes to deposit any sum in advance and to have the meter of the machine reset, he shall produce the Franking Machine and the record book register regarding the posting in the Office of the district Registrar for verification.

The entries in respect of advance payments should be made by the setting or the resetting officer, in the Franking Machine record book of the authorized user and the concerned office records shall be got attested by the concerned Officer.

The seal of Franking Machine and pliers for the lead seal for sealing Franking Machine shall remain in the personal custody of the officer authorized, to use them.

The authorized user shall ensure that the seals on the Franking Machine are not tampered with or broken or handled in any way.

No person or official other than those authorised for the purpose shall break or tamper with the seal in any way.

The authorized user shall immediately stop using the machine and bring the matter to the notice of the authorizing authority and the District Registrar concerned, in the following cases :-

Breaking or tampering with the seals;
Discrepancy in the meter readings;
Franking or impression on any instrument shall be allowed upto an amount of Rs.1,000/- only.

The Assistant Inspector General (Stamps), Office of the Commissioner and Inspector General of Registration and Stamps, Andhra Pradesh, Hyderabad and District Registrars shall maintain the following Registers, namely:

- Master Ledger in Form No.10; and
- List of Authorised Users in Form No.11

The above Registers shall be verified every year by the Deputy Inspector General of Registration and Stamps concerned.

**Records to be verified in audit:**

(i) Whether loading and reloading figures have been entered in the prescribed forms or not and the returns are properly send to the authorities concerned.

(ii) Whether Indemnity Bond duly stamped was accompanied with the application filed by the intending user or not.

(iii) Whether requisite amount of fee was paid by the intending user for grant of authorization.

(iv) Whether the requisite amount of fee was collected at the renewal of authorization every year.

(v) Whether proper records are maintained by the authorised user or not.

(vi) Whether the amounts so received by way of licence fee, renewal fee advance payments etc were properly remitted in the Government account.

(vii) Whether the reconciliation of receipts of Franking Machines was done with those of Treasury figures.

The above check are only illustrative and not exhaustive.