FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

COMMITTEE
ON
PUBLIC ACCOUNTS
(2016-2019)

TWENTY FIFTH REPORT

(Presented on 12th June 2018)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2018

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TWENTY FIFTH REPORT

On

Action Taken by Government on the Recommendations contained in the 63rd Report of the Committee on Public Accounts (2001-2004)

1221/2018.

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(2016-2019)

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Smt. S. Shahina, Joint Secretary

Shri P. P. Shahnawas, Deputy Secretary

Shri A. Jafar Khan, Under Secretary.

INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report, on their behalf present the Twenty Fifth Report on Action Taken by Government on the remommendations contained in the 63rd Report of the Committee on Public Accounts (2001-2004).

The Committee considered and finalised this Report at the meeting held on 7th June, 2018.

V. D. SATHEESAN,
Chairman,
Committee on Public Accounts.

Thiruvananthapuram,
7th June, 2018.

REPORT

This Report deals with the Action Taken by the Government on the recommendations contained in the 63rd Report of the Committee on Public Accounts (2001-2004).

The 63rd Report of the Committee on Public Accounts (2001-2004) was presented to the House on 19th January, 2004. The report contained 10 recommendations relating to Taxes. Government was addressed on 5th February 2004 to furnish the Statements of Action Taken on the recommendations contained in the Report and the final reply was received on 28th February 2017.

The Committee examined the statements of Action Taken at its meetings held on 10-1-2007, 14-10-2009, 22-9-2010 and 31-5-2017 and decided to pursue further action taken on the recommendation on Para 8, 10, 11, 23 and 39 received from Taxes Department and those are included in Chapter I.

The Committee decided not to pursue further action taken on the remaining recommendations in the light of the replies furnished by Government. Such recommendations and Government replies are incorporated in Chapter II of this Report.

CHAPTER I

RECOMMENDATIONS IN RESPECT OF WHICH ACTION TAKEN BY GOVERNMENT ARE NOT SATISFACTORY AND WHICH REQUIRE REITERATION

TAXES DEPARTMENT

Recommendation

(Sl. No. 1, Para No. 8)

1.1 The Committee notes that due to the stay by High Court, the Sales Tax Department has not been able to realize the revised tax amount and penalty from the assessee Larson and Toubro Ltd., even after the lapse of more than 5 years. There is undue delay in the finalisation of cases relating to realization of taxes. Government should realize that the delay would lead to heavy loss to public Exchequer. The Committee recommends that the Taxes Department should take urgent measures to ensure speedy disposal of cases relating to Tax.

The Committee appreciates the initiative taken by the Department in taking up the matter with the Honourable Chief Justice. The Committee also suggests that the setting up of a separate bench of court for the purpose will be beneficial.

Action Taken

1.2 Strict instructions have been issued to the concerned officials for the speedy disposal of pending tax cases.

For the speedy disposal of disputed cases through settlement, a settlement Commission has been constituted, consisting of a chairman and two other members and empower the existing Additional Bench of the Appellate Tribunal at Ernakulam having the District Judge as Chairman and the member (Departmental) and members (Accounts) as other member to function as settlement commission for a period of one year as per G.O.(P)186/04/TD. Dated 24-11-2004.

Further Recommendation

1.3 The committee should be informed on the action taken by the Department for setting up of a separate bench in the High Court for the speedy disposal of pending tax cases. The Committee also wanted to know whether any representation is given to the Hon. Chief Justice of High Court for this purpose.

Recommendation

(Sl. No. 3, Para No. 10)

1.4 The Committee note that various factors affect revenue collection in the State. The check posts far from the border of the State provides ideal condition for unauthorized transportation of goods from across the border. To prevent tax evasion in this way, setting up of check posts at the border itself is necessary. The committee also recommends that the Government should examine whether more check posts should be set up to curb illegal transportation of goods from neighbouring states. To curb tax evasion existing in, the transportation sector by means of air buses and trains, the committee suggests a more vigilant inspection and field checking at the border and also at different parts of the railway stations and its premises especially at the time of arrival of trains by deputing Tax Officers and other staff for the purpose.

Action Taken

1.5 The Check post committee formed by the Department have conducted a survey through out the State and examined the requirements of the Sales Tax Check posts in the border area and facilities to improve the functioning of present Sales Tax Checkposts on the basis of the report. Certain new STCP were

established in the border areas and computerization of checkposts and improvement of infrastructure are going on. At present the Department has no access to the properties of Railway. So, prevention of evasion through railway is practically not possible. Therefore for preventing leackage of revenue through railway, changes should be made in both central and State Acts.

Further Recommendation

1.6 The Committee recommended that the Department should initiate steps for taking up the matter with Central Government to bring necessary amendment to the Central Act to prevent the leakage of revenue.

Recommendation

(Sl. No. 4, Para No. 11)

1.7 To prevent tax evasion in the field of gold business the Committee suggests to conduct an in-depth study about the issue by officers of the department and to find out ways to prevent tax evasion and to improve tax collection in the Sector.

Action Taken

1.8 A Committee was formed as per Order No. C1-59542/03/CT dated 1-11-2003. The above Committee submitted its report on 5-1-2004 with following suggestions:

1	The present rate of tax on Bullion and Specie may be reduced to 1%.
2	The Compounding rate under Section 7(1) (a) of the Act may be reduced to 150%.
3	Various schemes are announced by the dealers to attract customers for the purchase of ornaments. Before starting every such scheme the fact has to be informed to the assessing authority can watch the monthly returns of the dealer whether the turnover conceded is in accordance with the sales actually effected. Incorporating such a provision has to be examined because sometimes the dealers will argue that the various schemes have been announced to boost the sales and it has no connection with the actual sales, it is only for purpose of trade promotion.

4	Inspection have to be conducted to unearth suppression and also to gather dates from various fields mentioned above for the purpose of a valid and adequate assessment.

Bullion has been included in the IInd Schedule of the KVAT Act @ 1% . For the year 2006-07 the compounding rate of gold under Section 7 (1) of the KVAT Act was fixed at 200%. Consequent on this the tax collection from gold increased from 21.21 crore during 2005-06 to 97.90 crore during 2006-07 as detailed below:

1	No. of gold dealers compounded	₹ 822
2	No. of Top 20 in each District who compounded	₹ 171
3	Total collection of compounding of gold during 2006-07	₹ 51.62 Crore
4	Collection from other gold dealers During 2006-07	₹ 46.28 Crore
	Total	**₹97.90 Crore**

In the Finance Act 2007, the compounding facility has been announced for the year 2007-08 also and the action is being taken to get the top 40 gold dealers in each district to compound and inspections are being conducted to persuade dealer to compound. As a result of this improvement is expected to prevent tax evasion and to improve the collection in the field gold sector in future also.

Further Recommendation

1.9 The Committee opines that in the business of gold ornaments almost all the dealers give false bill in the name of estimate instead of actual bill which is a naked violation of law. The Committee recommends that stringent departmental action and legal action should be taken against such violations.

Recommendation

(Sl. No.7, Para No. 23)

1.10 The Committee notes that the disciplinary action against the officer who made the incorrect assessment of M/s Genlite (P) Ltd., was dropped even though the appeal on the case was not disposed. The Committee expresses concern at the propriety of the action of the authorities in dropping the disciplinary action.

Action Taken

1.11 The question involved in the these case is as to whether the grant of exemption on the turnover of ₹ 18,16,720 supported by the EI & C forms under Section 6 (2) of the Act is legal and valid.

On scrutiny of the purchase order filed by the assessee it is seen that the audit objection is not correct. Provision for inspection of goods are before its despatch and therefore there is no termination of transit before sale. The order also clearly specifies that transaction should be sale in transit. If there is provision for inspection after delivery and an option for acceptance or rejection of goods after inspection, sales becomes complete only after inspection and acceptance. In such cases, there is termination of transit before completion of sale and such transaction will not fall within the ambit of transit sale falling under Section 6(2) of the CST Act (1956). Here, in this case, there is no such termination of transit before completion of sale. Therefore, the claim of exemption allowed appears to be in order.

However, as a protective measure, the assessment was set aside by the Deputy Commissioner, Ernakulam invoking powers under Section 35 of the KGST Act 1963 and assessment was revised on 5-12-1998 creating an additional demand of ₹ 1,93,299. The assessee then filed appeal before the Tribunal and the Tribunal confirmed the same. Even before disposing of the appeal filed by the assessee, the Department had scrutinised the assessment records meticulously and dropped the disciplinary action initiated against the assessing authority on the conclusion that the claim of exemption allowed by the assessing authority was perfectly in order. The Hon'ble High Court set aside the revised assessment as per TRC No. 57/2003 dated 28-2-2003 in the light of the verdict in the case of

Shri P. A. George & Company Vs the Assistant Commissioner (Assessment) (1998) (110 STC 253) which held that the only requirement for getting exemption under Section 6(2) of the CST Act is the production of E1 Form obtained from the seller and C Form from the purchaser. In the instant case, this condition has already been settled and ₹ 1,53,268 out of ₹ 1,93,299 has been collected as a protective measure. This was the reason for settling the disciplinary action. So it is clear that the original assessment was in order.

A copy of the judgement in SLP-CC-2278/04 dated 19-3-2004 is enclosed (Annexure- I).

Further Recommendation

1.12 The Committee observed that the Special Leave Petition was dismissed by the Hon'ble Supreme Court solely due to inordinate delay of 217 days in filing Special Leave Petition. Hence, the Committee recommends that strict action should be taken against the officers responsible for this lapse.

Recommendation

(Sl. No. 10, Para No. 39)

1.13 The Committee observes that there are many cases of under assessment and irregularities in assessment resulting in short collection of tax. The internal audit wing of the department is also not vigilant in discharging their duties.

The Committee urges the Department to take the issue seriously and initiate steps to ensure that such lapses does not recur. There is also undue delay in taking disciplinary action against the officers who made the irregular assessment. Urgent measures are necessary to prevent the erring officers from escaping punishment.

Action Taken

1.14 Internal Audit is intended to provide reasonable assurance of proper enforcement of law, rules and departmental instructions. They also help in preventing of loss of revenue and work for adequate safe guards against evasion of tax. The duty of the Internal Audit is to check loss of revenue by way of omission, short levy of tax, excess credit wrong application of law and such other

irregularities and make improvement in the work of assessment and collection without any blemish. In the case of escapement of tax amounting to ₹ 5000 or above special report is sent to the Commissioner of Commercial Taxes. The Inspecting Assistant Commissioner (Audit) also furnishes a list of cases involving tax effect of less than 5000 for taking appropriate action.

The details of disciplinary action taken against the delinquent officers is enclosed (Annexure-II).

Further Recommendation

1.15 The Committee opined that since money has been recovered from the officers responsible for the loss sustained to Government, it was evident that the officers were guilty. In such a situation the exoneration of them without imposing any Department punishment proved to be an unfair act.

CHAPTER II

RECOMMENDATIONS IN RESPECT OF WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE FURTHER IN THE LIGHT OF THE REPLIES FURNISHED BY GOVERNMENT

TAXES DEPARTMENT

Recommendation

(Sl. No. 2, Para No. 9)

2.1 The Committee disagrees with the reply furnished by Government on the audit objection regarding the under assessment case involving 3 assessees M/s Chethana Cashew Corporation, Kollam, M/s Sun Food Corporation, Kollam, M/s Vijayalekshmi Cashew Corporation, Kollam, under Sales Tax Officers, Special Circle, Kollam. The Committee finds fault with the office for their lapse in assessing tax amount correctly also for their reluctance in admitting it even when the Audit had specifically pointed out the irregularity. The Committee directs the Department to verify the case. The Committee also urges the Government to evolve a fool proof system to prevent the recurrence of such irregularities in future.

Action Taken

2.2 In order to find out mistake in assessment the system of scrutiny of assessment orders by controlling officers are made more effective. Circular instructions were issued to the Inspecting Assistant Commissioner and Deputy Commissioner to scrutinize assessment orders and forward report to the Commissioner of Commercial Taxes. By this system of scrutiny of assessment orders, under assessment, irregular grant of exemption etc., causing revenue loss are being checked. Timely instructions are issued in the form of circulars from the Commissioner of Commercial Taxes to enlighten the assessing authorities of frequent changes in the Act & Rules. Moreover the officers are given in service training in the Centre for Taxation studies, Pappanamcode.

Government requested concerned authorities to verify the assessment involving assessees viz, Chethana Cashew Company, Kollam, M/s Sun Food Corporation, Kollam and M/s Vijayalekshmi Cashew Company, Kollam. The details of verification is enclosed as Appendix-I (Annexure-III) A proposal to form additional mobile squads mainly in the border districts and few other districts having substantial trade volume is under consideration.

Recommendation

(Sl. No. 5, Para No. 12)

2.3 The Committee desires to have an account of the total revenue loss on account of non collection of sales tax for the past 10 years including details of RR proceedings initiated to recover the arrears.

Action Taken

2.4 The Committee on Public Accounts during the meeting held on 15-5-2014 requested to furnish a report detailing the cases of RR proceedings pending with authorities concerned. Department had filed a detailed report in this regard and the same was included as Appendix in Page No. 350 & 351 of 111th Report (Annexure -IV).

Revenue Recovery Registers are maintained in each office of the Commercial Taxes Department and the pending cases are easily identifiable. The revenue recovery arrear pending list is prepared by carrying over all the pending

arrears to the next financial year. Those RR arrear pending list is regularly reconciled with the Revenue Department and that is reviewed at the district level monthly meeting by the District Collector. As per the RR arrear pendency list total arrear amount pending for recovery before revenue authorities as on 31-8-2016 is ₹ 246342.13 lakhs. Total amount reported as non collectable by the District Collector is ₹ 993.29 crores.

The Public Accounts Committee's recommendation pertains to the KGST era and is related to the period from 1991-92 to 2001-2004. The present RR pendency list is a carry overed list which includes those non collected arrears also.

Recommendation

(Sl. No. 6, Para No. 22)

2.5 The Committee opines that the irregularity in the assessment has resulted in the incorrect grant of exemption to the tune of ₹ 5.86 lakh in the case of M/s Lilly Foam Industries. The Department has not yet been able to realize the revised tax amount from the assessee. Immediate measures should be taken to realize the amount.

Action Taken

2.6 In the case of M/s Lilly Foam Industries, the RRC has been issued to the collector, Mumbai city through the District Collector, Ernakulam for realization of arrears. The case is being followed up regularly with the collector.

Recommendation

(Sl. No. 9, Para No. 40)

2.7 The Committee learns that a large amount is due from the State Farming Corporation and Plantation Corporation as arrears. The Department should speed up action to realize the amount from the assesses.

Action Taken

The State Farming Corporation

2.8 While completing the assessment for the year 1996-97, the assessing authority has not considered the amount of replantation expenses for 1996-97 to the tune of ₹ 33,83,530. The escapement noticed was set right by issuing revised order under section 41(2) of AIT Act and demand so created has been

recommended for revenue recovery as per order No. RRC/21/01-02 dated, 21-3-2002 for ₹ 23,64,242 (including interest of ₹ 1,64,947). Government ordered vide G.O.(Rt.) No.211/04/AD. Dated, 7-2-2004 that the arrears of AIT from the State Farming Corporation of Kerala for the period from 1992-93 to 1997-98 amounting to ₹ 29,60,63,599 will be converted into equity.

Plantation Corporation

The IAC (Spl.), Ernakulam has revised the assessment in respect of M/s Plantation Corporation for the year 1997-98 under section 41(1) of the AIT Act as per order dated, 27-8-2001 by fixing a net loss of ₹ 5,93,93,643. Thus the net loss for the year 1997-98 has been reduced to ₹ 5,93,93,643 as against a net loss of ₹ 6,25,98,960. Since the original and revised assessment for the year 1997-98 have been completed by fixing net loss, there is no demand of AIT.

Recommendation

(Sl. No. 10, Para No. 41)

2.9 Regarding the collection of Plantation & Agriculture taxes, the committee opines that imposing of both on small scale farmers puts additional burden on them. The Committee therefore suggests to explore the feasibility of discontinuing either AIT or plantation tax in respect of small scale farmers who are destined to pay both at present.

Action Taken

2.10 Sub Section 10 of section 13 of the Agricultural Income Tax Act 1991 provided that not withstanding anything contained in the Kerala Plantation Tax Act 1960 any person who is permitted to pay tax in accordance with the provisions of this section shall be exempted from payment of plantation tax under the provisions of the said Act during the period of such permission. Provisions still continues.

Thiruvananthapuram,
7th June, 2018.

V. D. SATHEESAN,
Chairman,
Committee on Public Accounts.

APPENDIX

Summary of main Conclusions/Recommendations

Sl. No.	Para No.	Department Concerned	Conclusion/Recommendations
1	1.3	Taxes Department	The committee should be informed on the action taken by the Department for setting up of a separate bench in the High Court for the speedy disposal of pending tax cases. The Committee also wants to know whether any representation is given to the Hon. Chief Justice of High Court for this purpose.
2	1.6	Taxes Department	The Committee recommends that the Department should initiate steps for taking up the matter with Central Government to bring necessary amendment to the Central Act to prevent the leakage of revenue.
3	1.9	Taxes Department	The Committee opined that in the business of gold ornaments almost all the dealers give false bill in the name of estimate instead of actual bill which is a naked violation of law. The Committee recommends that stringent departmental action and legal action should be taken against such violations.
4	1.12	Taxes Department	The Committee observes that the Special Leave Petition was dismissed by the Hon'ble Supreme Court solely due to inordinate delay of 217 days in filing Special Leave Petition. Hence, the Committee recommends that strict action should be taken against the officers responsible for this lapse.
5	1.15	Taxes Department	The Committee opines that since money has been recovered from the officers responsible for the loss sustained to Government, it was evident that the officers were guilty. In such a situation the exoneration of them without imposing any Department punishment proved to be an unfair act.

Annexure I

ITEM No.8 Court No. 8

SUPREME COURT OF INDIA
RECORD OF PROCEEDINGS

Petition(s) for Special Leave to Appeal(Civil)...../2004
(CC:2278)
(From the judgement and order dated 28/02/2003 in TRC 57/03 of The HIGH COURT OF KERALA AT ERNAKULAM)

STATE OF KERALA Petitioner (s)

VERSUS

M/S. GENLITE (P) LTD. Respondent (s)
WITH I.A.1 (C/delay in filing SLP)

Date : 19/03/2004 This Petition was called on for hearing today.

CORAM :
HON'BLE MR. JUSTICE S.N. VARIAVA
HON'BLE MR. JUSTICE H.K. SEMA

For Petitioner (s)
Mr. Ramesh Babu M.R.,Adv.

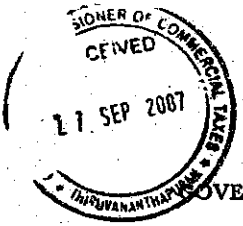
For Respondent (s)

UPON hearing counsel the Court made the following
O R D E R

There is no proper explanation for the inordinate delay of 217 days in filing the Special Leave Petition. Application for condonation of delay is dismissed. Accordingly, the Special Leave Petition stands dismissed.

(Jasbir Singh)

Annexure II



GOVERNMENT OF KERALA

039952

Abstract

Commercial Taxes Department – Establishment – Review Petition dated 29.12.2006 filed by Sri. Raman Janardhanan, Deputy Commissioner (AA), Kottayam – Disposed of- Orders issued.

Taxes (D) Department

GO. (Rt) No. 768/07/TD Dated, Thiruvananthapuram, 25.09.2007

Read: -

1. GO. (Rt) No. 309/2003/TD dated 9.5.2003.
2. GO. (Rt) No. 531/2003/TD dated 20.8.2003.
3. Review Petition dated 29.12.2006 filed by Sri. Raman Janardhanan, Deputy Commissioner of Commercial Taxes Department, Kottayam.
4. Letter No. H2-27649/2001/CT dated 14.5.2007 from the Commissioner of Commercial Taxes Thiruvananthapuram.

ORDER

In the Government Order read as Ist Paper above, disciplinary action was finalized against Sri. Raman Janardhanan by awarding him "a penalty of barring two increments with cumulative effect" for the irregularities committed by him by way of short levy of tax in respect of 4 separate cases. As per GO. read as second paper above Government dismissed his review petition dated 16.6.2003. Sri. Raman Janardhanan filed a WP (c) No. 1992/2004/K with a prayer to quash the above GO. He again filed a Review Petition to Government on 29.12.2006 requesting to exonerate him and to cancel the punishment .He retired on 30.4.2007.

2. The Commissioner of Commercial Taxes in his letter read as fourth paper above reported that Sri. Raman Janardhanan while working as Inspecting Assistant Commissioner (Special Circle), Ernakulam made

certain mistakes which resulted in short levy of tax. The Comm. of Commercial Taxes has also reported that at present no arrea outstanding against the assesses in all the four cases and recommended the favourable consideration of the review petition.

3. Government have examined the matter in detail with reference to the remarks furnished by the Commissioner of Commercial Taxes and are pleased to exonerate him of the charges framed and cancel the punishment, as loss of revenue has since been made good.

By Order of the Governor,
P. MARA PANDIAN ,
Secretary to Government.

To

The Commissioner of Commercial Taxes, Thiruvananthapuram.
Sri. Raman Janardhanan, Deputy Commissioner (AA)(Retd), Kottayam (Through Commissioner of Commercial Taxes)
The Principal Accountant General (Audit), Kerala, Thiruvananthapuram.
The Accountant General (A&E), Kerala, Thiruvananthapuram.
SF/OC

Forwarded/ By Order

Section Officer.

Annexure III

Additional information on para 9

The committee directed to verify the assessment involving 3 assessees Viz.M/s. Chethana Cashew Company, Kollam, M/s. Sunfood corporation, Kollam and M/s.Vijaya Lakshmi Cashew Company, Kollam.

Recommendations

The Deputy Commissioner, Commercial Taxes,Kollam has reported that the original assessment in all the 3 cases are seen completed. After verifying entire aspects of the case and without obtaining and filing detailed statements regarding the stock transfer receipts from outside the State. All such details were obtained and filed subsequently only in pursuance of notice issued under section 19 of the Act. All the three firms have duly accounted the stock transferred from Andhra Pradesh and the details were as follows. Earlier, only consolidated statements relating to three States Kerala, Tamil Nadu and Andhra Pradesh were filed.

This office has also examined the aspects pointed out by the Deputy Commissioner,Kollam with the connected assessment records and convinced that the report of the factual position of affairs.

1. M/s. VIJAYALEKSHMI CASHEW CORPORATION.

The assessee had received 2500 tins of Cashew kernels from their branches at Andhra Pradesh in four consignment vide 'F' forms Nos.02-6351K, B02.6352K, B02-6362K and B 02.6365 K during 04/1995 to 06/1995 and 09/1995 and the same had been duly accounted.

The details of the above four 'F' forms are as follows:

1.F.from B02.6351K: Transfer as per invoice No.1/20 dated 18.4.1995 for cashew Kernels of 700 tins worth Rs. 12,25,000/- accompanied with way bill No.0137280 dated 18.4.1995 transported through Salestax Check Post, Aryancavu accounted in stock register page No.4. The above goods were transported in Vehicle No.KL.2/4978.

Contd....2

2.F form BO2-6352K(1216 tins)

1) Transfer of 640 tins of cashew kernels worth Rs.11,20,000/- as per invoice 1/35 dated 13.5.1995 to their Branch at Kollam. The above goods were transported through Salestax Checkpost, Aryancavu vide way bill No.0993611 dated 13.5.1995. This transaction entered in the stock register page No.9 dated 17.5.1995. The goods transported in Vehicle No.Kl.2/9304.

(ii) Also 576 tins (good quality 36 tins and rejection remaining) of cashew kernels transferred to Kollam Branch as per invoice No.1/36 dated 17.5.1995 valued Rs. 1,17,000/- The above goods were transported in vehicle No.TAU/5995 through Salestax Checkpost, Aryancavu accompanied with way bill No.993612 dated 17.5.1995. The above stock recorded in the stock register at page No.10 dated 20.5.1995.

3.F form BO2-6362K: 302 tins of cashew kernels transferred to Kollam branch as per invoice No.1/4 dated 10.6.1995 worth Rs. 4,30,600/- transported by way bill No.0993572 dated 19.6.95 by Vehicle No. KL.2/9304. This transactions is entered at page No.17 of stock register on 16.6.1995.

4. F form BO2.6365K. 282 tins of cashew kernels transferred to Kollam branch as per invoice 1/13 Dated 26.9.1995 worth Rs. 4,51,200/- transported in Vehicle No.KL2/9304 accompanied by way bill No.0993598 dated 26.9.1995. This transaction is entered in the stock register at page No.45 on 30.9.1995.

II. SUN FOOD CORPORATION, KOLLAM 1995-1996.

The observation pointed out in the audit report is that the dealer had received by way of stock transfer of 3250 bags of raw cashew nuts from their branch in Andhra Pradesh during May 1995 to June 1995 and they had issued F form bearing BO2.6406K and BO2.6407K. It is observed that the transfer receipt had not been accounted in the Kollam unit.

On verification it is revealed that instead of filing the manufacturing and trading details of Kernels separately the statements filed were the consolidated for the three States, Kerala, Tamil Nadu and Andhra Pradesh. The State wise details were as follows:

Contd...3

	Kerala	Tamil Nadu	Andhra Pradesh	Total
ening stock	1128 Bags	2602 Bags	163 Bags	3893 Bags
port	18120 Bags	17568 Bags	-	35688 Bags
rchases	5385 Bags	9514 Bags	22505 Bags	37404 Bags
TOTAL	24633 Bags	29684 Bags	22668 Bags	76985 Bags.
ock transfer om AP to rala.	+3250 Bags	—	-3250 Bags	-
om AP to TN	—	+18019 Bags	-18019 Bags	
	27883	47703	1399	76985
riage	1285	1598	678	3561
	26598	46105	721	73424
ess closing stock	6317	11593	385	18295
onsumption	20281	34512	336	55129

Thus there is stock transfer of 3250 bags of raw cashew nut rom Andhra to Kerala for which they have issued the following 'F' Forms

B02-6406 K 2500 Bags 5/95
B02-6407 K 750 Bags 6/95

TOTAL 3250 Bags.

These transfers are supported by proforma transfer invoices and departmental delivery notes. The receipts of all transfer are entered in the stock register.

III. CHETHANA CASHEW CORPORATION,KOLLAM,1995,96

The observation in the audit report is that M/s.Chethana Cashew Corporation in Andhra Pradesh had sent 4750 bags of raw Cashew nuts as transfer to their branch at Kollam in Kerala against which 'F' form Nos.B2.6306K, 6307K, 6308K and 6309K during the year 1995-96 were not accounted.

On verification for the year 1995-96 it is revealed that instead of filing the manufacturing and trading details of Kerala separately, the statement filed were consolidated for the three States, Kerala, Tamil Nadu and Andhara. The State wise details are as follows:

Contd...4

	Kerala	Tamil Nadu	Andhra	Total
Opening stock	496 Bags	2385 Bags	646 Bags	3527 Bags
Import	12325 Bags	16137 Bags	-	28462 Bags.
Purchases	—	3502 Bags	38287 Bags	41789 Bags.
TOTAL	12821 Bags.	22024 Bags	38933 Bags	73778 Bags.
Stock transfer	+4750	+ 27364	- 32114	
Balance	17571	49388	6819	73778
Driage	896	1260	1625	3781
	16675	48128	5194	69997
Closing stock	5930	5416	-	11346
Consumption	10745 Bags	42712 Bags.	5194 Bags	58651 Bags.

Thus there is a stock transfer of 4750 bags raw cashew nuts from Andhra Pradesh to Kerala for which they have issued the following F forms.

B 02 No.6306K	500 Bags	6/95
B 02 No.6307K	1875 Bags	10/95
B 02 No.6308K	2250 Bags	11/95
B 02 No.6309K	125 Bags	5/95

The above transfers were supported by Proforma invoices, department delivery note (A.P)etc. The receipt of above transfers are duly entered in the books of accounts.

Attested

M.S. SASIDHARAN
Section Officer
Taxes (C) Dept.
Govt. Secretariat
Thiruvananthapuram
Phone : 2518887

T.O/