

## CHAPTER-I: GENERAL

### 1.1 Trend of Revenue Receipts

**1.1.1** The tax and non-tax revenue raised by the Government of Assam during the year 2009-10, the State's share of net proceeds of divisible Union taxes and duties assigned to States and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(₹ in crore)

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
<b>1.</b>	<b>Revenue raised by the State Government</b>					
	• Tax revenue	3,232.21	3,483.32	3,359.50	4,150.21	4,986.72
	• Non-tax revenue	1,459.28	1,859.27	2,134.59	2,271.90	2,752.95
	<b>Total</b>	<b>4,691.49</b>	<b>5,342.59</b>	<b>5,494.09</b>	<b>6,422.11</b>	<b>7,739.67</b>
<b>2.</b>	<b>Receipts from Government of India</b>					
	• Share of net proceeds of divisible Union taxes and duties	3,056.78	3,898.99	4,918.21	5,189.90	5,339.53 <sup>1</sup>
	• Grants-in-aid	4,297.12	4,425.37	4,912.62	6,465.03	6,805.30
	<b>Total</b>	<b>7,353.90</b>	<b>8,324.36</b>	<b>9,830.83</b>	<b>11,654.93</b>	<b>12,144.83</b>
<b>3.</b>	<b>Total revenue receipts of the State Government (1 and 2)</b>	<b>12,045.39</b>	<b>13,666.95</b>	<b>15,324.92</b>	<b>18,077.04</b>	<b>19,884.50</b>
<b>4.</b>	<b>Percentage of 1 to 3</b>	<b>39</b>	<b>39</b>	<b>36</b>	<b>36</b>	<b>39</b>

The above table indicates that during the year 2009-10, the revenue raised by the State Government (₹ 7,739.67 crore) was 39 per cent of the total revenue receipts against 36 per cent in the preceding year. The balance 61 per cent of receipts during 2009-10 was from the Government of India.

<sup>1</sup> Note: For details, please see statement No. 11 : Detailed accounts of revenue by minor heads in the Finance Accounts (Volume-2) of Government of Assam for 2009-10. Figures under the "share of net proceeds assigned to States" under the major heads – 0020 - corporation tax, 0021 - taxes on income and expenditure, 0032-taxes on wealth, 0037 - customs, 0038 - union excise duties, 0044 - service taxes and 0045-other taxes and duties on commodities and services booked in the Finance Accounts under 'A - tax revenue' have been excluded from revenue raised by the State Government and included in 'States' share of divisible Union taxes' in the above table.

1.1.2 The following table presents the details of tax revenue raised during the period from 2005-06 to 2009-10:

							(₹ in crore)
Sl. No.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+)/ decrease (-) in 2009-10 over 2008-09
1.	Sales tax	2,568.41	2,783.24	2691.43	3,110.58	3,535.26	14
2.	State excise	160.40	174.88	188.71	198.68	239.19	20
3.	Stamp duty and registration fees						
	Stamps - judicial	8.53	11.40	15.08	13.38	9.72	(-) 27
	Stamps - non-judicial	57.89	61.08	64.61	55.39	55.56	0.31
	Registration fees	19.46	24.84	30.22	42.40	43.18	2
4.	Taxes and duties on electricity	13.29	15.89	4.62	22.36	27.07	21
5.	Taxes on vehicles	155.91	151.15	138.62	145.21	177.26	22
6.	Taxes on goods and passengers	61.52	70.15	12.39	284.67	545.41	92
7.	Other taxes on income and expenditure – Tax on professions, trades, callings and employments	99.80	108.36	124.68	137.73	150.15	9
8.	Other taxes and duties on commodities and services	5.10	5.66	6.24	8.27	8.67	5
9.	Land revenue	74.65	74.15	79.76	113.36	116.91	3
10.	Taxes on agricultural income	7.02	2.52	3.14	18.18	78.34	331
11.	Taxes on immovable properties other than agricultural land	0.23	Nil	Nil	Nil	Nil	--
	<b>Total</b>	<b>3,232.21</b>	<b>3,483.32</b>	<b>3359.50</b>	<b>4,150.21</b>	<b>4,986.72</b>	<b>20</b>

The following reasons for variation were reported by the concerned departments:

**State Excise:** The increase was due to issue of more IMFL “ON” licence<sup>2</sup> and newly imposed availability fees.

**Taxes on Vehicles:** The increase was due to increase in movement of motor vehicles and special drive for collection of fees in respect of registration mark.

**Taxes on Goods & Passengers:** The increase was due to collection of arrears of entry tax during the year.

**Taxes on Agricultural income:** The increase was due to increase in profitability of tea business.

<sup>2</sup> Sale of foreign liquor to the public for consumption ‘on’ the premises except in hotels, restaurants, theatres, cinemas or other permanent places of amusement.

**Stamp Duty:** The decrease was due to slashing of stamp duty on conveyance documents and imposition of restrictions on transfer of land.

The other departments did not inform (November 2010) the reasons for variation, despite being requested (June 2010).

**1.1.3** The following table presents the details of non-tax revenue raised during the period from 2005-06 to 2009-10:

							(₹ in crore)
Sl. No.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+) / decrease (-) in 2009-10 over 2008-09
1.	Petroleum	1,216.16	1,385.82	1,547.88	1,430.12	1,574.18	10
2.	Interest receipts	36.41	167.49	240.72	433.16	493.63	14
3.	Dairy development	0.04	0.07	0.09	0.04	0.18	350
4.	Forestry and wild life	38.42	42.99	75.03	115.64	160.56	39
5.	Non-ferrous mining and metallurgical industries	0.43	0.42	0.66	0.54	1.24	130
6.	Miscellaneous general services	(-) 0.16	(-) 0.01	105.03	104.98	210.88	101
7.	Major and medium irrigation projects	0.21	0.38	0.36	0.56	0.59	5
8.	Medical and public health	3.50	5.50	7.15	7.91	7.10	(-) 10
9.	Co-operation	0.38	0.22	0.29	0.96	0.28	(-) 71
10.	Public works	4.17	3.09	2.89	3.84	3.95	3
11.	Police	14.90	14.91	13.16	12.69	30.91	144
12.	Other administrative services	11.11	9.61	13.57	12.77	102.06	699
13.	Coal and lignite	15.03	19.71	17.88	19.20	37.54	96
14.	Roads and bridges	42.00	32.04	44.08	66.90	79.86	19
15.	Others <sup>3</sup>	76.68	177.03	65.80	62.59	49.99	(-) 20
	<b>Total</b>	<b>1,459.28</b>	<b>1,859.27</b>	<b>2,134.59</b>	<b>2,271.90</b>	<b>2,752.95</b>	<b>21</b>

The following reasons for variation were reported by the concerned department:

**Petroleum:** The increase was due to increase in production and revision of price of crude and gas.

**Coal and lignite:** The increase was due to increase in despatch and revision of rate of royalty.

**Major and Medium Irrigation projects:** The increase was due to collection of arrears of water charges.

<sup>3</sup> Others included 29 major head of accounts.

**Forestry and Wildlife:** The increase was due to increased sale of *mahal* materials.

The other departments did not inform (November 2010) the reasons for variation, despite being requested (June 2010).

## 1.2 Response of the departments/Government towards audit

The succeeding paragraphs 1.2.1 to 1.2.5 discuss the response of the departments/Government towards audit.

### 1.2.1 Failure of senior officials to enforce accountability and protect the interest of the State Government

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

Our review of inspection reports issued upto December 2009 disclosed that 4,033 paragraphs involving ₹ 767.23 crore relating to 1,518 IRs remained outstanding at the end of June 2010 as mentioned below along with the corresponding figures for the preceding two years.

	June 2008	June 2009	June 2010
Number of outstanding IRs	1362	1364	1518
Number of outstanding audit observations	3710	3685	4033
Amount involved (₹ in crore)	683.71	711.53	767.23

The department-wise details of the IRs and audit observations outstanding as on 30 June 2010 and the amounts involved are mentioned below:

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1.	Finance (Taxation)	(a) Taxes/VAT on sales, trade, etc.	152	697	299.94
		(b) Agriculture income tax	8	30	2.02
		(c) Entry tax, Electricity duty, Entertainments tax, and luxury tax, etc.	68	76	2.62
2.	Excise	State excise	61	167	11.42
3.	Revenue	Land revenue	605	1442	208.97

4.	Transport	Taxes on motor vehicles	192	493	20.01
5.	Stamps and registration	Stamps and registration fees	154	308	16.13
6.	Mines and geology	Non-ferrous mining and metallurgical industries	9	37	79.71
7.	Forest and environment	Forestry and wild life	269	783	126.41
<b>Total</b>			<b>1,518</b>	<b>4,033</b>	<b>767.23</b>

Even the first replies required to be received from the heads of offices within one month from the date of issue of the IRs were not received for 654 IRs issued upto December 2009. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and heads of the departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by the PAG (Audit) in the IRs.

**We recommend that the Government takes suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as take action against officials/officers who do not send replies to the IRs/paragraphs as per the prescribed time schedules and also fail to take action to recover loss/outstanding demand in a time bound manner.**

### 1.2.2 Departmental audit committee meetings

The Government set up audit committees to monitor and expedite the progress of settlement of IRs and paragraphs contained in the IRs. The details of the audit objection committee (AOC) meetings held during the year 2009-10 and the paragraphs settled are mentioned below:

Head of revenue	Number of meetings held	Number of paragraphs settled	(₹ in crore)
			Amount
Sales tax	1	287	69.90
Others (Agricultural income tax, Stamp duty and registration fees, State excise, Taxes on vehicles, Land revenue & Forest Receipts)	Nil	Nil	Nil
<b>Total</b>	<b>1</b>	<b>287</b>	<b>69.90</b>

The table above is indicative of the fact that the Audit Committees of the respective departments are not concerned about the huge accumulation of audit objections contained in the IRs. Though we took up the matter of holding AOCs on a regular basis with the concerned department/Government, we did not get a positive response (except for Taxation Department).

Though the Finance Department had issued an instruction (May 1994) to all the departments for expeditious disposal of the audit objections through AOCs, it had neither reviewed the position nor taken follow up action.

**We recommend that the Government may consider holding AOC meetings periodically in respect of each department every year.**

### 1.2.3 Response of the departments to the draft audit paragraphs

As per the instruction issued (March 1986) by the Finance Department, all the departments are required to furnish replies to the audit objections within two months. The PAG's office forwards draft paragraphs prepared on the basis of audit objections to the Secretaries of the concerned departments through demi-official letters drawing their attention to audit findings with the request to send their response within six weeks. The fact of non-receipt of replies from the Government is indicated at the end of each paragraph included in this Audit Report.

Draft paragraphs/reviews included in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2010 were forwarded to the Secretaries of the departments between March and June 2010 through demi-official letters with the request to furnish their replies/comments within six weeks. Out of 35 draft paragraphs including two reviews incorporated in this report, replies either part or full, of the departmental officers in respect of 26 draft paragraph had been received (November 2010). Replies to the reviews were furnished by the departments/Government in the exit conferences held in July 2010.

### 1.2.4 Follow up on Audit Reports – summarised position

As per the instruction issued (May 1994) by the Finance Department, the departments are required to furnish explanatory notes indicating action taken or proposed to be taken and submit action taken note (ATN) to the Assembly Secretariat with a copy to the PAG, in respect of paragraphs and reviews included in the Audit Reports within 20 days from the date of receipt of the Audit Report.

The Audit Report (Revenue Receipts) for the year ended 31 March 2009 was tabled in the Legislative Assembly on 2 March 2010. Though the time limit for furnishing ATNs had elapsed, no ATNs in respect of any Department had been furnished. We took up the matter regarding non-furnishing of ATNs by the departments through a demi-official letter with the Principal Secretary to the Government of Assam, Finance Department, and await his reply (November 2010).

### 1.2.5 Compliance with the earlier Audit Reports

During the years from 1999-2000 to 2008-09, the departments/Government accepted audit observations involving ₹ 95.71 crore (out of the total money value of ₹ 3,335.56 crore) of which only ₹ 15 crore had been recovered till March 2010 as mentioned below:

Year of Audit Report	Total money value	Accepted money value	Recovery made
1999-2000	100.19	1.37	0.13
2000-2001	104.66	2.16	0.45
2001-2002	43.32	11.77	0.06
2002-2003	97.69	51.54	0.34
2003-2004	413.82	3.35	0.22
2004-2005	71.89	4.93	1.24

2005-2006	920.60	1.63	0.04
2006-2007	186.03	2.17	0.17
2007-2008	241.77	16.25	12.35
2008-2009	1,155.59	0.54	0.00
<b>Total</b>	<b>3,335.56</b>	<b>95.71</b>	<b>15.00</b>

The above table indicates that the amount recovered was only 15.67 per cent of the accepted amount while the Government/departments have accepted only 2.87 per cent of the cases included in the Audit Reports. However, an analysis of accepted cases and recovery made in respect of Audit Reports for the years 1999-2000 to 2008-09 reveals that both the position remains almost static as compared to those included in the Audit Report of the preceding year (2008-09).

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

In order to analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the departments/Government, the action taken on the paragraphs and reviews included in the Audit Reports of the last 10 years in respect of one department is evaluated and included in this Audit Report.

The succeeding paragraphs 1.3.1 to 1.3.2.2 discuss the performance of the **Finance (Taxation) Department** to deal with the cases detected in the course of local audit conducted during the last 10 years and also the cases included in the Audit Reports for the years 1999-2000 to 2008-09.

#### 1.3.1 Position of Inspection Reports

The summarised position of inspection reports issued during the last 10 years, paragraphs included in these reports and their status as on March 2010 are tabulated below:

(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
2000-01	214	800	6,448.21	55	249	2,625.61	19	108	1,169.33	250	941	7,904.49
2001-02	250	941	7,904.49	39	115	1,704.89	18	58	477.85	271	998	9,131.53
2002-03	271	998	9,131.53	57	162	1,958.23	11	102	437.99	317	1,058	10,651.77
2003-04	317	1,058	10,651.77	70	237	5,607.70	93	350	1,503.31	294	945	14,756.16
2004-05	294	945	14,756.16	37	216	4,099.05	49	140	1,442.43	282	1,021	17,412.78
2005-06	282	1,021	17,412.78	67	224	9,252.86	67	134	355.22	282	1,111	26,310.42
2006-07	282	1,111	26,310.42	42	189	6,251.86	41	317	4,740.79	283	983	27,821.49
2007-08	283	983	27,821.49	65	300	11,135.80	47	100	8,659.96	301	1,183	30,297.33
2008-09	301	1,183	30,297.33	45	335	3,336.28	103	469	4,246.29	243	1,049	29,387.32
2009-10	243	1,049	29,387.32	46	254	8,799.31	13	75	2,113.75	276	1,228	36,072.88

During 2009-10, only one Audit Committee meeting in respect of Finance (Taxation) Department was held wherein 287 paragraphs involving ₹ 69.90

crore were settled<sup>4</sup>. Apart from this, 75 paragraphs involving money value of ₹2,113.75 crore were settled/disposed of by the PAG (Audit) on the basis of replies received from the DDOs/departments as well as by conducting reviews of the old IRs. The position of receipt of replies to the outstanding IRs has not improved though regular reminders were issued to the the DDOs/departments.

### 1.3.2 Assurances given by the Department/Government on the issues highlighted in the Audit Reports

#### 1.3.2.1 Recovery of accepted cases

The position of paragraphs pertaining to the Finance (Taxation) Department included in the Audit Reports of the last 10 years, those accepted by the Department and the amount recovered are mentioned below:

(₹ in crore)						
Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year (2009-10)	Cumulative position of recovery of accepted cases
1999-2000	8	4.67	5	0.63	-	0.03
2000-2001	22	16.30	9	2.05	-	0.01
2001-2002	16	11.74	13	7.46	-	0.83
2002-2003	14	11.04	13	4.35	-	0.34
2003-2004	12	13.85	9	5.87	-	0.22
2004-2005	22	17.97	6	2.30	-	0.52
2005-2006	16	39.40	9	1.58	-	0.03
2006-2007	18	20.72	5	1.51	-	Nil
2007-2008	20	81.59	9	8.77	-	Nil
2008-2009	15	28.00	3	0.64	-	Nil

(The paragraphs mentioned above relate to VAT/Sales tax, Agricultural Income tax, Professional tax, Specified Land tax, Entry tax and Hotel & Luxury tax etc.)

The Assessing Officers raise demands on completion of the assessments of dealers. If the demands are not paid during the year of assessment, they become arrears and are forwarded to the respective Superintendent of Taxes (Recovery) for realisation as arrears of land revenue. The Superintendent of Taxes (Recovery) are vested with the powers for recovery under the Bengal Public Demand Recovery Act, 1913. Though this system is in place, the Department/Government had not monitored the progress of recovery of dues effectively and as a result recovery pertaining to the cases pointed out in the earlier Audit Reports was nil during the year 2009-10.

**The Government of Assam, Finance (Taxation) Department may consider adoption of the following measures to strengthen the system for compliance leading to streamlining the process of speedy recovery of the dues:**

- **Issuing suitable instructions to the assessing officers for prompt identification of arrear cases and issue of requisitions for certificate cases;**

<sup>4</sup> Due to late receipt of minutes of the AOC, adjustment of the paragraphs was made in May 2010.



- **Making the process of admittance of certificate cases time bound to lessen the scope of undue delay at various stages thereby causing blocking/non-realisation/loss of revenue; and**
- **Prescribing specific targets for disposal of certificate cases and installing a mechanism to effectively monitor the overall position of pendency of certificate cases at various stages.**

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

The performance reviews conducted by the PAG are forwarded to the concerned departments/Government for their information with a request to furnish their replies. These reviews are also discussed in the exit conference and the department's/Government's views are included while finalising the reviews for the Audit Reports.

The following paragraphs discuss the issues highlighted in the reviews on the Finance (Taxation) Department featured in the last 10 Audit Reports including the recommendations and action taken by the Department on the recommendations accepted by it as well as the Government.

Year of Audit Report	Name of the review	Number of recommendations	Details of the recommendations accepted	Status
2000-01	Collection of Sales Tax	8	Details of recommendations accepted by the department have not been received.	PAC meeting was held in July 2007. Action Taken Notes (ATN) is yet to be received.
2002-03	Exemption and concession of tax against declaration forms	2		PAC meeting was held in March 2010. ATN is yet to be received.
2003-04	Working of Sales Tax Check posts	2		PAC meetings are yet to be held.
2004-05	Working of the Recovery Offices of the Sales Tax Department	5		
2006-07	Exemptions and concessions under the Central Sales Tax Act, 1956	3		
2008-09	(i) Transition from Sales Tax to Value Added Tax	11		
	(ii) Pendency of appeals at various stages and its impact on revenue collection	4		
	(iii) Information Technology of Taxation Information Management System	6		

We remain unaware of the position regarding acceptance of the recommendations included in the reviews till we receive the ATN from the concerned Department. Though the Finance (Taxation) Department made it mandatory for all the departments to furnish ATN replies to the PAG within 20 days from the date of receipt of the Audit Report, it was not adhered by the department. As a result no ATN against the recommendations included in the eight reviews conducted during the last 10 years was received.

## **1.4 Audit planning**

The unit offices under various departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which inter-alia include critical issues in Government revenues and tax administration i.e., budget speech, White Paper on State finances, reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee; statistical analysis of the revenue earning during the past five years, features of the tax administration, audit coverage and its impact during past five years etc.

During the year 2009-10, the audit universe comprised of 613 auditable units, of which 205 units were audited during the year 2009-10 which is 33 *per cent* of the total auditable units. The details are shown in Annexure-I.

Besides the compliance audit mentioned above, two performance reviews were also taken up to examine the efficacy of the tax administration of these receipts.

## **1.5 Results of audit**

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

We test checked the records of 205 units of VAT/sales tax, state excise, motor vehicles, forest and other departmental offices during the year 2009-10 and found underassessment/short levy/loss of revenue aggregating ₹ 466.58 crore in 573 cases. During the course of the year, the departments concerned accepted underassessments and other deficiencies of ₹ 301.82 crore involved in 129 cases of which 15 cases involving ₹ 291.94 crore were pointed out by us during 2009-10 and the rest in earlier years. The departments collected ₹ 60.16 crore in 116 cases during 2009-10.

### **1.5.2 This Report**

This report contains 33 paragraphs (selected from the audit detections made during the local audit referred to above and during earlier years which could not be included in earlier reports) and two performance reviews on (i) Mining Receipts - assessment, levy and collection of royalty, fees and rent and (ii) Recovery of dues treated as arrears of land revenue relating to short/non-levy of tax, duty and interest, penalty etc., involving financial effect of ₹ 385.66 crore. The Departments/Government have accepted audit observations involving ₹ 299.39 crore out of which ₹ 1.41 crore has been recovered. The replies in the remaining cases have not been received (November 2010). These cases are discussed in the succeeding Chapters II to VI.