



CHAPTER-I: GENERAL

1.1 Trend of Revenue

1.1.1 The tax and non-tax revenue raised by the Government of Assam during the year 2012-13, the State's share of net proceeds of divisible Union taxes and duties assigned to State and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned in Table 1.

Table 1
Trend of Revenue

		(₹ in crore)				
Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1.	Revenue raised by the State Government					
	• Tax revenue	4,150.21	4,986.72	5,929.84	7,638.23	8,250.21
	• Non-tax revenue	2,271.90	2,752.95	2,373.33	2,866.76	2,473.59
	Total	6,422.11	7,739.67	8,303.17	10,504.99	10,723.80
	Percentage of increase over previous year	--	20.52	7.28	26.52	2.08
2.	Receipts from Government of India					
	• Share of net proceeds of divisible Union taxes and duties	5,189.90	5,339.53	7,968.62	9,283.53	10,601.26 ¹
	• Grants-in-aid	6,465.03	6,805.30	6,733.15	7,666.87	9,365.92
	Total	11,654.93	12,144.83	14,701.77	16,950.40	19,967.18
3.	Total receipts of the State Government (1 and 2)	18,077.04	19,884.50	23,004.94	27,455.39	30,690.98
4.	Percentage of 1 to 3	36	39	36	38	35

Source: Finance Accounts.

¹ 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 the year 2012-13. 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.

Thus, growth of revenue during 2012-13 over previous year was at 2.08 per cent against 26.52 per cent in the year 2011-12. Further, during the year 2012-13, revenue raised by the State Government (₹ 10,723.80 crore) was 35 per cent of total receipts against 38 per cent in the preceding year. The balance 65 per cent of receipts during 2012-13 was from the Government of India.

The decrease in percentage of revenue raised by the State Government vis-a-vis the total receipts in 2012-13 over 2011-12 needs to be looked into by the Government.

1.1.2 Details of tax revenue raised during the period 2008-09 to 2012-13 are mentioned in Table 2.

Table 2
Tax revenue

							(₹ in crore)
Sl. No.	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase (+)/ decrease (-) in 2012-13 over 2011-12
1.	Taxes on sales, trade etc.	3,110.58	3,535.26	4,318.60	5,693.96	6,223.13	9
2.	State excise	198.68	239.19	323.12	503.35	568.11	13
3.	Stamp duty and registration fees						
	Stamps - judicial	13.38	9.72	7.66	8.29	9.15	10
	Stamps - non-judicial	55.39	55.56	64.61	90.10	124.12	38
	Registration fees	42.40	43.18	50.57	76.76	119.02	55
4.	Taxes and duties on electricity	22.36	27.07	41.58	36.67	41.83	14
5.	Taxes on vehicles	145.21	177.26	231.99	293.70	328.09	12
6.	Taxes on goods and passengers	284.67	545.41	478.10	536.39	369.10	(-) 31
7.	Other taxes on income and expenditure – Tax on professions, trades, callings and employments	137.73	150.15	160.60	164.27	168.31	2
8.	Other taxes and duties on commodities and services	8.27	8.67	9.93	11.76	71.11	505
9.	Land revenue	113.36	116.91	141.88	139.71	145.91	4
10.	Taxes on agricultural income	18.18	78.34	101.20	83.27	82.33	(-) 1
	Total	4,150.21	4,986.72	5,929.84	7,638.23	8,250.21	8

Source: Finance Accounts.

Following reasons for variation were reported by the concerned departments.

Taxes and duties on electricity: The increase was mainly due to more receipts of grants-in-aid by the Assam State Electricity Board from the Government of Assam.

Taxes on goods and passengers: The head includes entry tax collected by the Taxation Department which has decreased substantially due to less payment of entry tax on crude oil by Numaligarh Refineries Limited (NRL) and Indian Oil Corporation Limited (IOCL) (Bongaigaon) in 2012-13 in comparison to 2011-12. The above decrease was due to the fact that the NRL received discount on purchase of crude oil from Government of India while the IOCL (Bongaigaon) imported most of the crude oil from outside India on which there is no entry tax.

Other taxes and duties on commodities and services: The increase was mainly due to payment of outstanding dues by the Direct to Home service operators in 2012-13 as per High Court order.

The other Departments did not inform (September 2013) the reasons for variation, despite requests.

1.1.3 Details of non-tax revenue raised during the period 2008-09 to 2012-13 are mentioned in Table 3.

Table 3
Non-tax revenue

(₹ in crore)							
Sl. No.	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase (+) / decrease (-) in 2012-13 over 2011-12
1.	Petroleum	1,430.12	1,574.18	1,625.93	1,970.63	1,589.55	(-) 19
2.	Interest receipts	433.16	493.63	415.88	475.93	510.21	7
3.	Dairy development	0.04	0.18	0.20	0.22	0.49	121
4.	Forestry and wild life	115.64	160.56	131.01	152.85	110.56	(-) 28
5.	Non-ferrous mining and metallurgical industries	0.54	1.24	0.83	0.85	1.10	29
6.	Miscellaneous general services	104.98	210.88	0.01	0.24	0.01	(-) 96
7.	Major and medium irrigation projects	0.56	0.59	0.38	0.21	0.38	81
8.	Medical and public health	7.91	7.10	8.42	10.42	12.13	16
9.	Co-operation	0.96	0.28	0.74	0.44	0.58	32

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10.	Public works	3.84	3.95	3.15	3.12	3.32	6
11.	Police	12.69	30.91	25.13	29.51	36.22	23
12.	Other administrative services	12.77	102.06	58.89	49.31	56.75	15
13.	Coal and lignite	19.20	37.54	29.35	26.34	43.95	67
14.	Roads and bridges	66.90	79.86	22.62	79.19	52.62	(-) 34
15.	Others ²	62.59	49.99	50.79	67.50	55.72	(-) 17
	Total	2,271.90	2,752.95	2,373.33	2,866.76	2,473.59	(-) 14

Source: Finance Accounts.

The departments did not inform (September 2013) the reasons for variation, despite requests.

1.2 Response of the Departments/Government to audit

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

1.2.1 Failure of senior officials to ensure timely replies and accountability and protect the interest of the State Government

The Accountant General (AG) (Audit), Assam 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 such inspection not settled on the spot. The IRs are issued to the heads of offices with copies forwarded 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 AG (Audit) within one month from the date of issue of the IRs. Serious financial irregularities are separately reported to the heads of the departments and the Government.

Review of IRs issued upto December 2012 disclosed that 3,211 paragraphs involving money value of ₹ 1,299.15 crore relating to 882 IRs remained outstanding at the end of June 2013 as mentioned in Table 4.

Table 4

	June 2011	June 2012	June 2013
Number of outstanding IRs	871	805	882
Number of outstanding audit observations	2,735	2,721	3,211

² Others include 29 major head of accounts.

Amount involved (₹ in crore)	907.46	935.88	1,299.15
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Department-wise details of IRs, audit observations pending settlement as on 30 June 2013 and the amounts involved are mentioned in Table 5.

Table 5
Outstanding IRs and paragraphs

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 on sales, trade, etc.	149	1,037	455.78
		(b) Taxes on agricultural income	11	52	17.23
		(c) Entry tax, Electricity duty, Entertainment tax, luxury tax, etc.	97	176	13.46
2.	Excise	State excise	80	305	88.14
3.	Revenue	Land revenue	125	345	68.34
4.	Transport	Taxes on motor vehicles	74	260	183.68
5.	Stamps and registration	Stamp duty and registration fees	74	139	3.81
6.	Mines and Minerals	Non-ferrous mining and metallurgical industries	11	55	267.30
7.	Environment and Forests	Forestry and wild life	261	842	201.41
Total			882	3,211	1,299.15

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 in respect of 174 IRs issued upto December 2012. Large pendency of IRs due to non-receipt of the replies is indicative of the fact that the Heads of offices and Heads of the departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the audit in the IRs.

Recommendation No. 1:

The Government may take suitable steps to install an effective system to ensure prompt and appropriate remedial action on audit observations as well as take appropriate action against officials/officers who do not send replies to the IRs/paragraphs as per the prescribed time schedules and also do not take action to recover amount realisable/outstanding demand in a time bound manner.

1.2.2 Departmental Audit Committee Meetings

The Government has set up Audit Committees to Monitor and expedite the progress of settlement of IRs and paragraphs contained in the IRs. Details of Audit Committee Meetings held during 2012-13 and paragraphs settled are mentioned in Table 6.

Table 6
Position of Audit Committee Meetings

Name of the Department	Number of meetings held	Number of paragraphs settled
State Excise (Revenue accounts)	01	81
State Excise (Expenditure accounts)	01	27
Environment and Forests (Expenditure accounts)	01	85
Transport (Expenditure accounts)	01	16
Taxation (Expenditure accounts)	01	14
Total	05	223

Thus, in comparison to previous year (during which only two Meetings were held) the position of Audit Committee Meeting had substantially improved as a result of which 223 old paragraphs could be settled in five meetings. However, the position when compared to the total outstanding paragraphs as depicted in table 5 of this Chapter reveals that despite holding five Audit Committee Meetings, only 6.94 *per cent* of the total outstanding paragraphs could be settled. Further, an analysis of the outstanding paragraphs indicated that major outstanding objections related to Taxation Department. The Taxation Department and also the other Departments, thus, need to gear up to arrange Audit Committee Meetings at regular intervals so that the position could be pulled up.

Recommendation No. 2:

The Government may make it mandatory for the Departments to hold at least one Audit Committee Meeting every year.

1.2.3 Response of the departments to the draft audit paragraphs

The Finance Department issued instructions (March 1986) to all the departments to furnish replies to draft audit paragraphs within two months. The AG's office forwards draft paragraphs containing major irregularities prepared on the basis of audit observations 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.

Draft paragraphs and other materials included in this Report for the year ended 31 March 2013 were forwarded to the Secretaries of the departments between March

and August 2013 through demi-official letters with the request to furnish their replies/comments within six weeks. Out of 35 draft paragraphs, one performance audit³ and an audit on the topic - Evasion on Stamp Duty And Registration Fee on immovable properties with special emphasis on Development Agreement, replies either part or full, of the departmental officers in respect of 31 draft paragraphs *i.e.* 89 *per cent* had been received (September 2013). Replies of the Government/Department in respect of the performance audit and the audit on the topic – Evasion of Stamp Duty and Registration Fees had also been received. The replies received have been appropriately incorporated at respective places in the Report. The fact of non-receipt of replies from the Government/concerned Departments is indicated at the end of the relevant paragraph included in this Audit Report.

Thus, unlike the position of response of the Departmental officers in respect of the IRs which needed improvement, the status of replies to draft paragraphs and other materials incorporated was satisfactory, especially the Taxation Department wherein replies to all the draft paragraphs except only one had been received. The Department had also reported recovery of about ₹ 5.50 crore within a short time. Also, the State Excise Department had been prompt in implementing some of the recommendations offered by Audit through the performance audit and had assured Audit of implementing the others at the earliest.

1.2.4 Follow up on Audit Reports – summarised position

The Finance Department issued (May 1994) instructions according to which 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 AG's office, in respect of paragraphs and performance audits included in the Audit Reports within three months of presentation to the Legislature.

The Audit Report (Revenue Sector) for the year ended 31 March 2012 and Stand Alone report on Performance Audit on Forest Receipts were tabled in the State Legislative Assembly on 04 April 2013. Though the time limit for furnishing ATNs had elapsed, **no ATN in respect of any Department had been received within the prescribed timeline.**

1.2.5 Compliance with earlier Audit Reports

During the years from 2002-03 to 2011-12, the departments/Government accepted audit observations involving revenue implication of ₹ 519.50 crore (out of the

³ Receipts under State Excise.

total money value of ₹ 5,196.09 crore) of which only ₹ 23.33 crore had been recovered till March 2013 as mentioned in Table 7.

Table 7
Compliance with earlier Audit Reports

(₹ in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2002-03	97.69	51.54	0.34
2003-04	413.82	3.35	0.22
2004-05	71.89	4.93	1.24
2005-06	920.60	1.63	0.04
2006-07	186.03	2.17	0.17
2007-08	241.77	16.25	12.35
2008-09	1,155.59	0.54	0.00
2009-10	385.66	299.39	1.41
2010-11	236.60	11.27	0.36
2011-12	1486.44	128.43	7.20
Total	5,196.09	519.50	23.33

The amount recovered was thus only 4.49 *per cent* of the accepted amount while the Government/departments have accepted only 10 *per cent* of the cases included in the Audit Reports. An analysis of above table indicates that the percentage of recovery increased from 4.02 *per cent* during 2011-12 to 4.49 *per cent* in 2012-13.

Recommendation No. 3:

The Government/departments may take earnest efforts to ensure recovery of the balance amount.

1.3 Effectiveness of the mechanism for dealing with the issues raised by Audit

In order to analyse the effectiveness of system for addressing the issues highlighted in the IRs/Audit Reports by the departments/Government, the action taken on the paragraphs and performance audits included in the Audit Reports of the last five years by one department has been evaluated and results included in this Audit Report.

The succeeding paragraphs 1.3.1 to 1.3.2.2 discuss the performance of the **State Excise Department** in dealing with cases detected in the course of local audit conducted during the last five years and also the cases included in the Audit Reports for the years 2007-08 to 2011-12.

1.3.1 Position of Inspection Reports

The summarised position of IRs issued during the last five years, paragraphs included in these reports and their status as on September 2013 are shown in Table 8.

Table 8
Position of Inspection Reports

(₹ 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
2008-09	34	86	9.58	16	43	1.42	06	37	3.37	44	92	7.63
2009-10	44	92	7.63	15	76	5.33	02	12	1.23	57	156	11.73
2010-11	57	156	11.73	15	77	5.09	20	67	8.97	52	166	7.85
2011-12	52	166	7.85	11	71	55.90	0	05	0.03	63	232	63.72
2012-13	63	232	63.72	10	60	20.10	08	62	1.59	65	230	82.23

Thus, during the last five years, the closing balance of IRs and paragraphs registered an increasing trend which the Department needs to look into.

1.3.2 Assurance 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 Excise Department included in the Audit Reports of the last five years, those accepted by the Department and the amount recovered are mentioned in Table 9.

Table 9
Status of recovery of accepted cases

(₹ 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 (2012-13)	Cumulative position of recovery of accepted cases
2007-08	04	0.14	03	0.05	-	--
2008-09	01	0.09	01	0.03	-	--
2009-10	05	0.77	04	0.34	0.30	0.30
2010-11	05	5.41	03	3.49	0.23	0.23
2011-12	09	0.45	--	--	--	--
Total	24	6.86	11	3.91	0.53	0.53

It is noticed that the Department could recover ₹0.53 crore which is 13.55 per cent of accepted amount of ₹ 3.91 crore.

1.3.2.2 Action taken on the recommendations of Audit

The performance audits conducted by the AG (Audit) are forwarded to the concerned departments/Government with a request to furnish their replies. These performance audits are also discussed in the Exit Conference and the department's/Government's views received during the Exit Conferences and at other points are included while finalising the performance audits for the Audit Reports.

The following paragraph discusses the issues highlighted in the performance audit(s) on the State Excise Department that featured⁴ in the Audit Report 2005-06 including the recommendations and action taken by the Department/Government.

Year of Audit Report	Name of the performance audit	Recommendations	Action taken by the Department/ Government
2005-06	Receipts in the State Excise Department	Classification of brand of India made foreign liquor may be streamlined and enforced.	The Department was requested (August 2013) to provide the details of action taken on the recommendations. Replies are awaited (September 2013).
		Develop strong internal control mechanism including internal audit for effective monitoring of tax laws administration at different levels of the Commissionerate.	
		Rules/notifications as amended from time to time by the Government need to be circulated and implemented immediately so as to avoid loss of revenue to Government.	

However, from the audit observations included in the present performance audit on 'Receipts under State Excise' included in Chapter V of this Report, it is seen that the Department is yet to take action on the first two recommendations stated in the table above.

Recommendation No. 4:

The Government needs to devise suitable mechanism to monitor and ensure that the concerned Departments examine the recommendations offered by Audit through the reviews/performance audits etc to assure good governance, plug scope for leakage and optimise revenue potential.

⁴ During the last ten years 2002-03 to 2011-12, only one performance audit was conducted.

1.4 Audit Planning

While preparing the annual Audit Plan before the commencement of the year, the unit offices under various departments are categorised as high, medium and low risk units according to their revenue position, risks involved, past trends of audit observations, media reports and other parameters. The 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 'tax administration', audit coverage and its impact during past five years, etc.

During the year 2012-13, the audit universe comprised of 473 auditable units, of which, 113 units were audited which is 24 *per cent* of the total auditable units. Details are shown in **Annexure-I**. Besides the compliance audit mentioned above, one performance audit and an audit on the topic – Evasion of Stamp Duty and Registration Fees with special emphasis on Development Agreements as mentioned in paragraph 1.2.3 of this Chapter were also taken up.

1.5 Results of Audit

1.5.1 Position of local audit conducted during the year

Test check of records of 113 units of taxes on sales, trade etc., state excise, motor vehicles, forest and other departmental offices during 2012-13 revealed underassessment/short levy/non-realisation/loss of revenue aggregating ₹ 325.11 crore in 523 paragraphs. Besides, one performance audit and audit on the topic titled "Evasion of Stamp Duty and Registration Fees on immovable properties with special emphasis on Development Agreements" was also conducted during the year involving revenue impact of ₹ 1,125.84 crore. During the course of the year, the departments concerned accepted underassessment and other deficiencies of ₹ 34.09 crore involved in 135 paragraphs pointed out during 2012-13 and earlier years. The departments collected ₹ 2.31 crore during 2012-13.

1.5.2 This Report

This report contains 35 paragraphs (selected from the audit observations detected during the local audit referred to above and during earlier years which could not be included in earlier reports), one performance audit titled 'Receipts under State

Excise' and the results of an audit on the topic titled 'Evasion of stamp duty and Registration Fee on immovable properties with special emphasis on Development Agreement'. The paragraphs, performance audit etc. incorporated in this Report contain audit observations on multiple issues including irregular fixation of rates, deprival of revenue, short/non-levy/realisation of tax, duty and interest/penalty etc., involving financial effect of ₹ 1,161.79 crore. The departments/ Government have accepted audit observations involving ₹ 29.32 crore, of which ₹ 5.45 crore has been recovered. These are discussed in the succeeding Chapters II to V.