



CHAPTER-I: GENERAL

1.1 Trends of Revenue Receipts

1.1.1 The tax and non-tax revenue raised by the Government of Assam during the year 2013-14, the State's share of net proceeds of divisible Union taxes and duties assigned to State and Grant-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned in **Table 1.1.1**.

Table 1.1.1
Trend of Revenue Receipts

(₹ in crore)

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1.	Revenue raised by the State Government					
	• Tax revenue	4,986.72	5,929.84	7,638.23	8,250.21	8,994.92
	• Non-tax revenue	2,752.95	2,373.33	2,866.76	2,473.59	2,705.03
	Total	7,739.67	8,303.17	10,504.99	10,723.80	11,699.95
	Percentage of increase over previous year	--	7.28	26.52	2.08	9.10
2.	Receipts from Government of India					
	• Share of net proceeds of divisible Union taxes and duties	5,339.53	7,968.62	9,283.53	10,601.26	11,574.52 ¹
	• Grants-in-aid	6,805.30	6,733.15	7,666.87	9,365.92	8,938.32
	Total	12,144.83	14,701.77	16,950.40	19,967.18	20,512.84
3.	Total receipts of the State Government (1 and 2)	19,884.50	23,004.94	27,455.39	30,690.98	32,212.79
4.	Percentage of 1 to 3	39	36	38	35	36

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 2013-14. 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.

The above table indicates that during the year 2013-14, the revenue raised by the State Government (₹ 11,699.95 crore) was 36 per cent of the total revenue receipts as against 35 per cent during the previous year. The balance 64 per cent of the receipts during 2013-14 was from the Government of India.

1.1.2 Details of tax revenue raised during the period 2009-10 to 2013-14 are given in table 1.1.2.

Table 1.1.2
Tax revenue

(₹ in crore)

Sl. No.	Head of revenue	2009-10	2010-11	2011-12	2012-13	2013-14	Percentage of increase (+)/ decrease (-) in 2013-14 over 2012-13
1.	Taxes on sales, trade etc.	3,535.26	4,318.60	5,693.96	6,223.13	6,848.01	10
2.	State excise	239.19	323.12	503.35	568.11	610.26	7
3.	Stamp duty and registration fees						
	Stamps - judicial	9.72	7.66	8.29	9.15	10.63	16
	Stamps - non-judicial	55.56	64.61	90.10	124.12	106.08	(-) 15
	Registration fees	43.18	50.57	76.76	119.02	134.80	13
4.	Taxes and duties on electricity	27.07	41.58	36.67	41.83	40.54	(-) 3
5.	Taxes on vehicles	177.26	231.99	293.70	328.09	351.11	7
6.	Taxes on goods and passengers	545.41	478.10	536.39	369.10	413.89	12
7.	Other taxes on income and expenditure – Tax on professions, trades, callings and employments	150.15	160.60	164.27	168.31	186.36	11
8.	Other taxes and duties on commodities and services	8.67	9.93	11.76	71.11	47.60	(-) 33
9.	Land revenue	116.91	141.88	139.71	145.91	155.65	7
10.	Taxes on agricultural income	78.34	101.20	83.27	82.33	89.99	9
	Total	4,986.72	5,929.84	7,638.23	8,250.21	8,994.92	9

Source: Finance Accounts.

The reasons for variation in tax revenue during 2013-14 over those of 2012-13 in respect of principal heads were as follows:

Other Taxes and Duties on Commodities and service: The decrease is mainly due to decline in collection of entertainment tax and luxury tax.

Taxes on Goods and Passengers: The increase is due to increase in rate of entry tax from existing four per cent to six percent on marble, granite and other decorative slabs made therefrom, furniture and fixtures sanitary wares and bathroom fitting of all types.

Other Taxes on Income and Expenditure: The increase is mainly due to increase in collection of taxes on Professional Traders, Callings and Employment.

1.1.3 Details of non-tax revenue raised during the period 2009-10 to 2013-14 are indicated in table 1.1.3.

Table 1.1.3
Non-tax revenue

							(₹ in crore)
Sl. No.	Head of revenue	2009-10	2010-11	2011-12	2012-13	2013-14	Percentage of increase (+) / decrease (-) in 2013-14 over 2012-13
1.	Petroleum	1,574.18	1,625.93	1,970.63	1,589.55	1,791.31	13
2.	Interest receipts	493.63	415.88	475.93	510.21	418.61	(-) 18
3.	Dairy development	0.18	0.20	0.22	0.49	0.48	(-) 02
4.	Forestry and wild life	160.56	131.01	152.85	110.56	100.92	(-) 09
5.	Non-ferrous mining and metallurgical industries	1.24	0.83	0.85	1.10	0.48	(-) 56
6.	Miscellaneous general services	210.88	0.01	0.24	0.01	60.02	6,00,100
7.	Major and medium irrigation projects	0.59	0.38	0.21	0.38	0.43	13
8.	Medical and public health	7.10	8.42	10.42	12.13	11.29	(-) 07
9.	Co-operation	0.28	0.74	0.44	0.58	0.63	09
10.	Public works	3.95	3.15	3.12	3.32	2.01	(-) 39
11.	Police	30.91	25.13	29.51	36.22	59.40	64
12.	Other administrative services	102.06	58.89	49.31	56.75	62.48	10
13.	Coal and lignite	37.54	29.35	26.34	43.95	38.76	(-) 12
14.	Roads and bridges	79.86	22.62	79.19	52.62	50.40	(-) 04
15.	Others ²	49.99	50.79	67.50	55.72	107.81	94
Total		2,752.95	2,373.33	2,866.76	2,473.59	2,705.03	9

Source: Finance Accounts.

² Others include 29 major head of accounts.

The reasons for variation in non-tax revenue during 2013-14 over those of 2012-13 in respect of principal heads were as follows:

Interest Receipts: The decrease is mainly due to decline in interest receipt from cash balance investment account caused by net decrease in investment in GoI treasury bills over previous year.

Petroleum: The increase is due to more collection on account of Petroleum concession fees and royalties.

Miscellaneous General Services: The increase is mainly due to write off of Central loan of ₹ 33.22 crore credited to the head sanctioned by GoI on the recommendation of 13th Finance Commission.

Police: The increase is due to more collection of service charges from police forces supplied to other parties and fees, fine and forfeitures and also receipts under Arms Act.

1.1.4 Analysis of the revenues in respect of some of the major tax and non-tax receipts reported through the Finance Accounts as mentioned in the table 1.1.2 and 1.1.3 above with that reported by the concerned administrative Departments indicated differences in the figures. Details are in the Appendix I. This point towards the need for reconciliation between both these figures.

1.2 Analysis of arrears of revenue

The position of arrears of revenue during the last five years in respect of the Taxation Department is mentioned in the **table – 1.2**.

Table 1.2
Arrears of revenue

Head of revenue	Year	(₹ in crore)			
		Opening balance of arrears	Amount collected during the year	Percentage of collection	Closing balance of arrears
Taxation	2009-10	1,175.02	111.25	9.47	1,777.89
	2010-11	1,777.89	110.55	6.22	2,470.82
	2011-12	2,470.82	81.56	3.30	2,027.08
	2012-13	2,027.08	122.88	6.06	2,062.54
	2013-14	2,062.54	86.22	4.18	2,230.22

Thus, the percentage of collection of arrears ranged between 3.30 and 9.47 *per cent* during the last five years and as a result of which the arrears of revenue increased from ₹ 1,175.02 crore as on 1 April 2009 to ₹ 2,230.22 crore at the end of the five year period. The Department needs to make concerted efforts to contain the increasing trend of arrears of revenue as evidenced during the last five year period.

The Department attributed (August 2014) the arrears of revenue to the following reasons:

- The arrears increased drastically in 2009-10 and 2010-11 because assessments were made under Assam Taxation (Specified Land) Act, 1990 and Assam Entry Tax Act, 2008 but taxes could not be realised due to stay orders from Gauhati High Court and the Supreme Court.
- Under the Central Sales Tax Act, an outstanding amount of ₹ 580.78 crore relinquished by the Deputy Commissioner of Taxes (Appeals), Guwahati in 2010-11 is reported to have been reduced in appeal by ST, Digboi during 2011-12. Including this amount, the total amount reduced in Appeal in 2011-12 amounted to ₹ 781.05 crore.
- Untraceability of dealers at the time of arrears of revenue.

1.3 Arrears in Assessments

The details of cases pending at the beginning of the year, cases becoming due for assessments, cases disposed of during the year and number of cases pending for finalisation at the end of the year as furnished by the Sales Tax Department in respect of Sales Tax, Motor sprit Tax, Luxury Tax and Tax on works contracts was as below in Table 1.3.

Table 1.3
Arrears in assessments

Head of revenue	Opening Balance as on 01.04.2013	New cases due for assessments during 2013-14	Total assessment due	Cases disposed of during 2013-14	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
Sales Tax (AGST/VAT/ CST)	13,924	12,247	26,171	9,932	16,239	37.95
Profession Tax	29,000	44,457	73,457	42,431	31,026	57.76
Entry Tax	2,634	2,454	5,088	2,041	3,047	40.11
Luxury Tax (hotels and lodging)	495	437	932	433	499	46.46
Electricity Duty	1,728	572	2,300	523	1,777	22.74
Specified Land	975	705	1,680	577	1,103	34.35
Agricultural Income Tax	1,084	760	1,844	860	984	46.64
Others	06	-	06	06	-	100.00
Total	49,846	61,632	1,11,478	56,803	54,675	50.95

Thus, the assessments pending at the end of the year increased over the opening balance in respect of all the Acts except Agricultural Income Tax Act. Further, the

overall percentage of completion of assessment remained at the level of about 51 *per cent*. This was despite the fact that after introduction of VAT in the State only a percentage of the cases are to be assessed by the Departmental officers. This needs to be looked into by the Taxation Department.

1.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected by the Taxation Department, cases finalised and the demands for additional tax raised as reported by the Department are given in **Table 1.4**.

Table 1.4
Evasion of tax

Head of revenue	Cases pending as on 31 st March 2013	Cases detected during 2013-14	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty etc. raised.		Number of cases pending for finalisation as on 31 st March 2014
				Number of cases	Amount of demand (₹ in crore)	
Sales Tax/ VAT	64	2,393	2,457	2,235	22.67	222

Thus, the Department detected 2,393 cases of evasion of taxes and raised additional demand of ₹ 22.67 crore during the year. However, the cases pending at the end of the year stood at 222 against the opening balance of 64.

1.5 Pendency of Refund Cases

The number of refund cases pending at the beginning of the year 2013-14, claims received during the year, refunds allowed during the year and the cases pending at the closed of the year 2013-14, as reported by the Department is given in **Table 1.5**.

Table 1.5
Details of pendency of refund cases

Sl. No.	Particulars	Sales Tax/Vat	
		No. of cases	Amount
1.	Claims outstanding at the beginning of the year	56	5.20
2.	Claims received during the year	118	25.28
3.	Refunds made during the year	118	20.11
4.	Balance outstanding at the end of the year	56	10.38

Assam VAT Act provides for payment of interest, at the rate of one *per cent* per month, if the excess amount is not refunded to the dealer within 90 days from the date of the order and thereafter at the rate of 1.5 *per cent per* month till the refund is made.

Thus, the Department needs to put in place a mechanism for monitoring the pendency of refund cases to ensure that there is no delay in refund of dues.

1.6 Response of Government/departments towards Audit

The Accountant General (Audit), Assam conducts periodical inspection of the Government departments to test check the transaction 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 the offices inspected with copies to the 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 within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the Department and the Government.

Inspection Reports issued upto December 2013 disclosed that 3,216 paragraphs involving ₹ 6,991.70 crore relating to 811 IRs remained outstanding at the end of June 2014 as mentioned below alongwith the corresponding figures for the preceding two years in **Table 1.6**.

Table 1.6
Details of pending Inspection Reports

	June 2012	June 2013	June 2014
Number of IRs pending for settlement	805	882	811
Number of outstanding audit observations	2,721	3,211	3,216
Amount of revenue involved (<i>₹in crore</i>)	935.88	1,299.15	6,991.70

1.6.1 The Department wise details of the IRs and audit observations outstanding as on 30 June 2014 and the amounts involved are mentioned in the **Table 1.6.1**.

Table 1.6.1
Department wise details of IRs

Sl. No.	Name of the Department	Nature of receipts	<i>(₹in crore)</i>		
			Numbers of outstanding IRs	Numbers of outstanding audit observations	Money value involved
1.	Finance	Taxes on sales, Trade etc.	176	1,260	556.62
		Agricultural Income Tax (AGIT)	13	61	20.20
		Other Taxes	95	225	42.22
2.	Excise	State Excise	64	253	87.15
4.	Transport	Taxes on Motor Vehicles	94	315	36.55
5.	Stamp and Registration	Stamp and Registration fees	82	152	4.84

6.	Mines and Geology	Non-ferrous mining and metallurgical industries	12	63	6,042.88
7.	Forest and Environment	Forestry and Wild Life	275	887	201.24
Total			811	3,216	6,991.70

Audit did not receive even the first replies from the heads of offices within one month from the date of issue of the IRs, for 113 IRs issued during 2013-14. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

1.6.2 Departmental Audit Committee meetings

The Government setup audit committees to monitor and expedite the progress of the settlement of the IRs and paragraphs in the IRs. The details of the audit committee meetings held during the year 2013-14 and the paragraphs settled are mentioned in table 1.6.2 below.

Table 1.6.2
Details of Departmental audit committee meetings

Sl. No.	Head of revenue	Number of meetings held	Number of paras settled	(₹ in crore)
				Amount
1.	E & F Department (Revenue) Department	01	333	13.32
2.	State Excise Department (Exp)	01	05	--
3.	Transport Department (Exp)	01	09	--
Total		03	347	13.32

Thus, 347 paragraphs could be settled in respect of the above three Departments through the Audit Committee meetings held during the year. Further, an analysis of the outstanding paragraphs indicated that major outstanding objections related to the 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.

1.6.3 Response of the Departments to the draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the AG to the Principal Secretaries/Secretaries of the concerned Department, drawing their attention to audit findings and requesting them to send their response within six weeks. The fact of non-receipt of the replies from the Departments/Government is invariably indicated at the end of such paragraphs included in the Audit Report.

43 draft paragraphs (involving 67 cases) and two Performance Audits were sent to the Principal Secretaries/Secretaries of the respective Departments by name between April and September 2014. The Principal Secretaries/Secretaries of the Departments

did not send replies to 17 draft paragraphs despite requests and the same have been included in this Report without the response of the Departments.

1.6.4 Follow up on the Audit Reports summarised position

The internal working system of the Public Accounts Committee, notified in December 2002, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Reports, for consideration of the Committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. 172 paragraphs (including performance audit) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Assam for the years ended 31st March 2008, 2009, 2010, 2011 and 2012 were placed before the State Legislature Assembly between March 2010 and August 2014. In none of the cases, *suo-motu* reply of the Departments was received within the stipulated date.

During 2013-14, the PAC discussed 48 selected paragraphs pertaining to the Audit Reports for the years from 1991-92 to 2011-12 and its recommendations on 15 paragraphs pertaining to the Audit Reports 1991-92, 1992-93 and 2009-10 relating to Transport, State Excise and Geology & Mining Departments were incorporated in their 134th and 137th Report. However, ATNS have not been received in respect of any of these recommendations of the PAC.

1.7 Analysis of the mechanism for dealing with the issues raised by Audit

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 Performance Audits included in the Audit Reports of the last five years for one Department is evaluated and included in this Audit Report.

The succeeding paragraphs 1.7.1 to 1.7.2 discuss the performance of the Environment and Forest Department in respect of the cases detected in the course of local audit during the last five years and also the cases included in the audit reports for years 2008-09 to 2012-13.

1.7.1 Position of Inspection Reports

The summarised position of Inspection Reports issued during the last five years, paragraphs included in these reports and their status as on 31st March 2013 are tabulated in **Table 1.7.1**.

Table 1.7.1
Position of Inspection Reports

(₹ in crore)

Year	Opening Balance			Addition during the year			Clearance during the quarter			Closing Balance during the year		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
2008-09	227	672	106.80	21	70	11.40	02	11	0.55	246	731	117.66
2009-10	246	731	117.66	23	104	12.94	02	38	2.84	267	797	127.75
2010-11	267	797	127.75	24	140	24.89	01	08	0.37	290	929	152.27
2011-12	290	929	152.27	20	107	72.45	61	246	49.64	249	790	175.08
2012-13	249	790	175.08	18	87	31.24	--	05	--	267	872	206.32

The Government arranges *ad-hoc* Committee meetings between the Department and AG's office to settle the old paragraphs. As would be evident from the above table, against 227 outstanding IRs with 672 paragraphs as on start of 2008-09, the number of outstanding IRs increased to 267 with 872 paragraphs at the end of 2012-13. In the Audit Committee Meeting held during 2013-14, 333 paragraphs had been settled which resulted in reduction of the outstanding IRs and paragraphs.

1.7.2 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last five years, those accepted by the Department and the amount recovered are mentioned in **table 1.7.2**.

Table 1.7.2

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted including money value	Money value of accepted paragraphs	Amount recovered during the year	Cumulative position of recovery of accepted cases as of 31.03.2014
2008-09	03	0.45	02 ³	Nil	NA	Nil
2009-10	--	--	--	Nil	NA	
2010-11	04	2.48	02	1.12	Nil	
2011-12	01 ⁴	1,154.43	--	Nil	NA	
2012-13	--	--	--	Nil	NA	

It is evident from the above table that recovery even in accepted cases was low during the last five years. The Department may take immediate action to pursue and monitor recovery of the dues involved atleast in the accepted cases.

1.7.3 Action taken on the recommendations accepted by the Departments/ Government

The draft performance reviews conducted by the AG are forwarded to the concerned Department/Government for their information with a request to furnish their replies.

³ These paragraphs involve loss of revenue.

⁴ "Perfromance Audit on Forest Receipts" – a stand alone report.

These reviews are also discussed in an exit conference and the Department's/Government's views are included while finalising the performance reviews for the Audit Reports.

During the last ten year period, one performance audit on 'Forest Receipts' was conducted during 2011-12. The performance review suggested 19 recommendations on various issues ranging from lifting the ban on felling of timber in the State, methodologies for fixing the rates of royalties of various forest produces, timely preparation and approval of working plans, improve the control mechanisms including setting up an internal audit wing for monitoring the revenue generating activities of the Department, setting up revenue optimisation committees etc. The Public Accounts Committee of the Assam Legislative Assembly has taken up the performance review for discussion and has partly discussed the same. Recommendations of the PAC on the issues already discussed are awaited. As per the reply furnished to the PAC, the Department had initiated a number of steps to streamline the system deficiencies pointed out in the performance review. They have also reported action being taken to revise the rates of royalty on some of the forest produces as per the observations of Audit. The matter is under consideration of the PAC.

1.8 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 the 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 Revenue 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 earnings during the past five years, factors of the tax administration, audit coverage and its impact during past five years etc.

During the year 2013-14, there were 489 auditable units, of which 112 units were planned and 113 units had been audited, which is 23 *per cent* of the total auditable units. The details are shown in the **Appendix – II**.

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

1.9 Results of Audit

1.9.1 Position of local audit conducted during the year

Test check of records of 113 units of sales tax/Value Added Tax, State Excise, Motor Vehicles, Goods and Passengers, Forest Receipts and other Departmental offices conducted during the year 2013-14 showed under assessment/short levy/loss of revenue etc aggregating ₹ 5,903.87 crore in 590 cases. Besides a performance audit on “Efficiency and effectiveness of Scrutiny and Assessment under AVAT and CST Acts” was also conducted during the year involving revenue impact of ₹ 389.30 crore. During the course of the year, the Departments concerned accepted under assessment and other deficiencies of ₹ 18.46 crore involved in 282 cases which were pointed out in audit during 2013-14. The Departments collected ₹ 1.12 crore in 58 cases during 2013-14, pertaining to the audit findings of previous year.

1.9.2 Coverage of this Report

This Report contains 67 cases compiled into 31 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) including one performance audit on “Efficiency and effectiveness of Scrutiny and Assessment under AVAT and CST Acts”, involving financial effect of ₹ 466.20 crore.

The Departments/Government has accepted audit observations involving ₹ 29.90 crore out of which ₹ 81.07 lakh had been recovered. The replies in the remaining cases have not been received (November 2014). These are discussed in succeeding Chapters II to V.