



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 2011-12, 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	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Revenue raised by the State Government					
	• Tax revenue	3,359.50	4,150.21	4,986.72	5,929.84	7,638.23
	• Non-tax revenue	2,134.59	2,271.90	2,752.95	2,373.33	2,866.76
	Total	5,494.09	6,422.11	7,739.67	8,303.17	10,504.99
2.	Receipts from Government of India					
	• Share of net proceeds of divisible Union taxes and duties	4,918.21	5,189.90	5,339.53	7,968.62	9,283.53 ¹
	• Grants-in-aid	4,912.62	6,465.03	6,805.30	6,733.15	7,666.87
	Total	9,830.83	11,654.93	12,144.83	14,701.77	16,950.40
3.	Total receipts of the State Government (1 and 2)	15,324.92	18,077.04	19,884.50	23,004.94	27,455.39
4.	Percentage of 1 to 3	36	36	39	36	38

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 2011-12. 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 tax 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 2011-12, revenue raised by the State Government (₹ 10,504.99 crore) was 38 per cent of total receipts against 36 per cent in the preceding year. The balance 62 per cent of receipts during 2011-12 was from the Government of India.

1.1.2 Details of tax revenue raised during the period 2007-08 to 2011-12 are mentioned in Table 2.

Table 2
Tax revenue

(₹ in crore)

Sl. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+)/ decrease (-) in 2011-12 over 2010-11
1.	Taxes on sales, trade etc.	2,691.43	3,110.58	3,535.26	4,318.60	5,693.96	32
2.	State excise	188.71	198.68	239.19	323.12	503.35	56
3.	Stamp duty and registration fees						
	Stamps - judicial	15.08	13.38	9.72	7.66	8.29	8
	Stamps - non-judicial	64.61	55.39	55.56	64.61	90.10	39
	Registration fees	30.22	42.40	43.18	50.57	76.76	52
4.	Taxes and duties on electricity	4.62	22.36	27.07	41.58	36.67	(-) 12
5.	Taxes on vehicles	138.62	145.21	177.26	231.99	293.70	27
6.	Taxes on goods and passengers	12.39	284.67	545.41	478.10	536.39	12
7.	Other taxes on income and expenditure – Tax on professions, trades, callings and employments	124.68	137.73	150.15	160.60	164.27	2
8.	Other taxes and duties on commodities and services	6.24	8.27	8.67	9.93	11.76	18
9.	Land revenue	79.76	113.36	116.91	141.88	139.71	(-) 2
10.	Taxes on agricultural income	3.14	18.18	78.34	101.20	83.27	(-) 18
	Total	3,359.50	4,150.21	4,986.72	5,929.84	7,638.23	29

Source: Finance Accounts.

The following are the reasons for increase/decrease in receipts during 2011-12 over those of 2010-11 as stated by the concerned department(s):

Taxes on sales/trade etc. :- The increase was attributable to increased collection of taxes on petroleum products, liquor, tobacco, bitumen, tea and increase in inter-State sale of coal etc.

State excise :- The increase was due to issue of more licences for India Made Foreign Liquor and restructuring of excise levies thereon.

Stamp duty and Registration Fees :- The increase was attributable to increase in cost of value of land/property and relating to transfer of land.

Taxes and duties on electricity :- The decrease was mainly due to less receipt of grant-in-aid by Assam State Electricity Board from Government of Assam.

Taxes on goods and passengers :- The increase was mainly due to more receipt of entry tax from Numaligarh Refinery Limited in 2011-12 compared to 2010-11.

Taxes on Agricultural Income :- The decrease over the previous year was mainly due to payment of outstanding demand tax of ₹ 13.35 crore during 2010-11 by one Kolkata based firm, increase in cost of manufacture and decrease in average auction price of tea per kilogram.

1.1.3 Details of non-tax revenue raised during the period 2007-08 to 2011-12 are mentioned in Table 3.

Table 3
Non-tax revenue

(₹ in crore)

Sl. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+) / decrease (-) in 2011-12 over 2010-11
1.	Petroleum	1,547.88	1,430.12	1,574.18	1,625.93	1,970.63	21
2.	Interest receipts	240.72	433.16	493.63	415.88	475.93	14
3.	Dairy development	0.09	0.04	0.18	0.20	0.22	10
4.	Forestry and wild life	75.03	115.64	160.56	131.01	152.85	17
5.	Non-ferrous mining and metallurgical industries	0.66	0.54	1.24	0.83	0.85	2
6.	Miscellaneous general services	105.03	104.98	210.88	0.01	0.24	2300
7.	Major and medium irrigation projects	0.36	0.56	0.59	0.38	0.21	(-) 45
8.	Medical and public health	7.15	7.91	7.10	8.42	10.42	24
9.	Co-operation	0.29	0.96	0.28	0.74	0.44	(-) 41
10.	Public works	2.89	3.84	3.95	3.15	3.12	(-) 1

11. Police	13.16	12.69	30.91	25.13	29.51	17
12. Other administrative services	13.57	12.77	102.06	58.89	49.31	(-) 16
13. Coal and lignite	17.88	19.20	37.54	29.35	26.34	(-) 10
14. Roads and bridges	44.08	66.90	79.86	22.62	79.19	250
15. Others ²	65.80	62.59	49.99	50.79	67.50	33
Total	2,134.59	2,271.90	2,752.95	2,373.33	2,866.76	21

Source: Finance Accounts.

Following reasons for variation were reported by the concerned department(s):

Petroleum : The increase was mainly due to increase in the rate of royalty on crude oil and production of natural gas.

Non-ferrous mining and metallurgical industries : The increase was due to collection of arrear royalty.

Major and medium Irrigation Projects : The decrease was due to the fact that most of the beneficiaries are not financially sound and their tendency is to get free services. The beneficiaries under Autonomous District Council Authorities were exempted from irrigation service charges.

Coal and lignite : The decrease was mainly due to decrease in extraction of coal.

Other departments did not inform (November 2012) 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 Principal Accountant General (PAG) (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 PAG within one month from the date of

² Others include 29 major head of accounts.

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 2011 disclosed that 2,721 paragraphs involving money value of ₹ 935.88 crore relating to 805 IRs remained outstanding at the end of June 2012 as mentioned in Table 4.

Table 4

	June 2010	June 2011	June 2012
Number of outstanding IRs	1,518	871	805
Number of outstanding audit observations	4,033	2,735	2,721
Amount involved (₹ in crore)	767.23	907.46	935.88

Department-wise details of IRs, audit observations pending settlement as on 30 June 2012 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.	128	784	371.08
		(b) Taxes on agricultural income	10	47	15.58
		(c) Entry tax, Electricity duty, Entertainment tax, luxury tax, etc.	89	130	5.16
2.	Excise	State excise	66	240	17.00
3.	Revenue	Land revenue	115	321	66.94
4.	Transport	Taxes on motor vehicles	63	204	13.74
5.	Stamps and registration	Stamp duty and registration fees	65	124	3.05
6.	Mines and Minerals	Non-ferrous mining and metallurgical industries	11	55	267.30
7.	Environment and Forest	Forestry and wild life	258	816	176.03
Total			805	2,721	935.88

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 145 IRs issued upto December 2011. 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.

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 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 2011-12 and paragraphs settled are mentioned in Table 6.

Table 6
Position of Audit Committee Meetings

(₹ in crore)

Name of the Department	Number of meetings held	Number of paragraphs settled	Amount involved
Environment and Forest (Revenue)	1	188	16.35
Total	1	188	16.35

Besides, one meeting was arranged by Transport Department to discuss and settle audit observations in the IRs on expenditure accounts wherein 14 paragraphs were settled. Audit Committees of the respective departments do not appear concerned about the huge accumulation of audit observations contained in the IRs. Though the matter was taken up for holding the meetings on a regular basis with the concerned departments/Government, no response was received from the other Departments except the above two Departments.

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 PAG'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/performance audits included in the Report of the Comptroller and Auditor General of India (Revenue Sector) for the year ended 31 March 2012 were forwarded to the Secretaries of the departments between June and September 2012 through demi-official letters with the request to furnish their replies/comments within six weeks. Out of 41 draft paragraphs, two performance audits³ and a theme audit⁴, replies either part or full, of the

³ (i) 'Working of Recovery Offices in Sales Tax Department in Assam' featured in this Report and (ii) Forest Receipts presented as a standalone Report.

⁴ Assessment, levy and collection of Water Rates for irrigation/non-irrigation purposes in Assam.

departmental officers in respect of 31 draft paragraphs *i.e.* 76 per cent had been received (November 2012). Replies of the Government/Department have been received in respect of both the performance audits and the theme audit. The response of Excise Department to any of the draft paragraphs included in this Report has not been received, despite reminders and requests at the level of the Department/Government. The replies received have been appropriately incorporated at respective places in the Report. The fact of non-receipt of replies from the Government is indicated at the end of the relevant paragraph included in this Audit Report.

Thus, similar to the inaction of the Departments in furnishing timely replies to the IRs, the highest officers of the Excise Department and the Government did not send their responses on the draft paragraphs in time, due to which the paragraphs had to be incorporated without their response. This underlines the need for the Departments and Government to be more responsive to audit observations in the interest of State revenue.

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 PAG's office, in respect of paragraphs and performance audits included in the Audit Reports within 20 days from the date of receipt of the Audit Report of respective year.

The Audit Report (Revenue Receipts) for the year ended 31 March 2011 was tabled in the State Legislative Assembly on 30 March 2012. Though the time limit for furnishing ATNs had elapsed, no ATN in respect of any Department had been received.

1.2.5 Compliance with earlier Audit Reports

During the years from 2001-02 to 2010-11, the departments/Government accepted audit observations involving revenue implication of ₹ 402.84 crore (out of the total money value of ₹ 3,752.97 crore) of which only ₹ 16.19 crore had been recovered till March 2012 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
2001-02	43.32	11.77	0.06
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
Total	3,752.97	402.84	16.19

The amount recovered was thus only 4.02 *per cent* of the accepted amount while the Government/departments have accepted only 10.73 *per cent* of the cases included in the Audit Reports. An analysis of above table indicates that while the position of acceptance of cases has increased, percentage of recovery decreased from 4.13 *per cent* during 2010-11 (which also indicated a decrease from 15.67 *per cent* achieved in 2009-10) to 4.02 *per cent* in 2011-12. Thus, the recovery of revenue in accepted cases is registering a decreasing trend which the Government needs to look into.

The Government may issue appropriate instructions to the concerned Departments to install a time-bound mechanism for recovery of revenues atleast in accepted cases which may be monitored by a nodal Department as nominated by the Government.

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 **Mines and Minerals 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 2006-07 to 2010-11.

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 March 2012 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
2007-08	8	40	97.08	1	7	18.03	-	3	6.22	9	44	108.89
2008-09	9	44	108.89	1	10	44.83	-	6	47.33	10	48	106.39
2009-10	10	48	106.39	1	3	18.15	1	4	-	10	47	124.54
2010-11	10	47	124.54	-	-	-	-	-	-	10	47	124.54
2011-12	10	47	124.54	1	8	142.76	-	-	-	11	55	267.30

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 Mines and Minerals 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 (2011-12)	Cumulative position of recovery of accepted cases
2006-07	-	-	0	-	Nil	
2007-08	2	9.81	2	9.81	7.59	7.59
2008-09	1	12.50	0	0	Nil	
2009-10	1 ⁵	334.91	1	7.21	Nil	0.04
2010-11	-	-	-	-	Nil	
Total	4	357.22	3	17.02	7.59	7.63

It is noticed that the Department could recover ₹ 7.63 crore which is 44.83 per cent of accepted amount of ₹ 17.02 crore.

1.3.2.2 Action taken on the recommendations of Audit

The performance audits conducted by the PAG 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

⁵ Review on Mining Receipts - assessment, levy and collection of royalty, fees and rent.

other points are included while finalising the performance audits for the Audit Reports.

The following paragraph discusses the issues highlighted in the performance audit on the Mines and Minerals Department that featured⁶ in the Audit Report 2009-10 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
2009-10	Mining Receipts - Assessment, levy and collection of royalty, fees and rent	The Government may consider instituting a system for cross-checking of the returns of the lessees with the primary records of the department as well as other records of the lessees such as annual accounts etc.	The Department stated that they are yet to take steps towards the recommendations.
		The Government may consider compiling all orders detailing functions and responsibilities of departmental staff and making a departmental manual.	
		The Government may consider introducing computerised system covering the entire gamut of activities of the Department and introducing online submission of returns and payment thereof to detect evasion and late payment.	
		The Government may consider ensuring internal audit of the directorate.	
		The Government may consider establishing vigilance enforcement/ protection squads/wings to enforce search and seizure, detection of fraud, illegal mining and evasion.	

Thus, it is seen that the Department is yet to formulate concrete proposals for addressing the recommendations of performance audit, though more than two years have elapsed after the placement of the Audit Report 2009-10 in the State Legislature.

⁶ During the last five years 2005-06 to 2009-10, 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 2011-12, the audit universe comprised of 641 auditable units, of which, 148 units were audited which is 23 *per cent* of the total auditable units. Details are shown in **Annexure-I**. Besides the compliance audit mentioned above, two performance audits and one theme audit 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 148 units of taxes on sales, trade etc., state excise, motor vehicles, forest and other departmental offices during 2011-12 revealed underassessment/short levy/loss of revenue aggregating ₹ 1,864.50 crore in 498 cases. During the course of the year, the departments concerned accepted underassessment and other deficiencies of ₹ 22.81 crore involved in 67 cases pointed out during 2011-12 and earlier years. The departments collected ₹ 8.73 crore during 2011-12.

1.5.2 This Report

This report contains 41 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 'Working of Recovery Offices in Sales Tax Department in Assam' and one theme audit titled 'Assessment, levy and collection of water rates on irrigation/non-irrigation purposes'. The performance audit on 'Forest Receipts' has been prepared as a separate stand alone Report titled 'Report of the Comptroller and Auditor General of India for the year ended 31 March 2012, Performance Audit of Forest Receipts, Government of Assam'. The paragraphs, performance audit and the theme audit incorporated in this Report contain audit observations on multiple issues including irregular fixation of rates, deprivation of revenue, short/non-levy/realisation of tax,

duty and interest/penalty etc., involving financial effect of ₹ 1,486.44 crore. The departments/ Government have accepted audit observations involving ₹ 128.43 crore out of which ₹ 7.20 crore has been recovered. The replies in the remaining cases have not been received (November 2012). These are discussed in the succeeding Chapters II to VI.