



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 2010-11, 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	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Revenue raised by the State Government					
	• Tax revenue	3,483.32	3,359.50	4,150.21	4,986.72	5,929.84
	• Non-tax revenue	1,859.27	2,134.59	2,271.90	2,752.95	2,373.33
	Total	5,342.59	5,494.09	6,422.11	7,739.67	8,303.17
2.	Receipts from Government of India					
	• Share of net proceeds of divisible Union taxes and duties	3,898.99	4,918.21	5,189.90	5,339.53	7,968.62 ¹
	• Grants-in-aid	4,425.37	4,912.62	6,465.03	6,805.30	6,733.15
	Total	8,324.36	9,830.83	11,654.93	12,144.83	14,701.77
3.	Total receipts of the State Government (1 and 2)	13,666.95	15,324.92	18,077.04	19,884.50	23,004.94
4.	Percentage of 1 to 3	39	36	36	39	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 2010-11. 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 2010-11, revenue raised by the State Government (₹ 8,303.17 crore) was 36 per cent of total receipts against 39 per cent in the preceding year. The balance 64 per cent of receipts during 2010-11 was from the Government of India.

1.1.2 Details of tax revenue raised during the period 2006-07 to 2010-11 are mentioned in Table 2.

Table 2
Tax revenues

Sl. No.	Head of revenue	(₹ in crore)					Percentage of increase (+)/ decrease (-) in 2010-11 over 2009-10
		2006-07	2007-08	2008-09	2009-10	2010-11	
1.	Taxes on sales, trade etc.,	2,783.24	2691.43	3,110.58	3,535.26	4,318.60	22
2.	State excise	174.88	188.71	198.68	239.19	323.12	35
3.	Stamp duty and registration fees						
	Stamps - judicial	11.40	15.08	13.38	9.72	7.66	(-) 21
	Stamps - non-judicial	61.08	64.61	55.39	55.56	64.61	16
	Registration fees	24.84	30.22	42.40	43.18	50.57	17
4.	Taxes and duties on electricity	15.89	4.62	22.36	27.07	41.58	54
5.	Taxes on vehicles	151.15	138.62	145.21	177.26	231.99	31
6.	Taxes on goods and passengers	70.15	12.39	284.67	545.41	478.10	(-) 12
7.	Other taxes on income and expenditure – Tax on professions, trades, callings and employments	108.36	124.68	137.73	150.15	160.60	7
8.	Other taxes and duties on commodities and services	5.66	6.24	8.27	8.67	9.93	15
9.	Land revenue	74.15	79.76	113.36	116.91	141.88	21
10.	Taxes on agricultural income	2.52	3.14	18.18	78.34	101.20	29
	Total	3,483.32	3359.50	4,150.21	4,986.72	5,929.84	19

Source: Finance Accounts.

Following reasons for variation were reported by the concerned departments:

Taxes on sales/trade: The increase was attributable to increased collection of taxes on tea due to increase in rate of tax.

State excise: The increase was due to issue of more licences for India made foreign liquor and re-structuring of excise levies thereon.

Taxes on vehicles: The increase was due to increase in number of vehicles, increase in number of certificate of fitness and introduction of new national permit system with effect from June 2010.

The other departments did not inform (August 2011) the reasons for variation, despite requests (May and July 2011).

We have analysed the reasons for major variations in other heads which are discussed below.

Taxes and duties on electricity: The increase is mainly due to book adjustment of ₹ 31.79 crore against minor head 101-taxes on consumption and sale of electricity for settlement of cross liabilities between Assam State electricity Board and Government of Assam.

Land revenue: The increase is mainly due to more collection of land revenue/tax and receipt from sale of Government estates.

Taxes on agricultural income: The increase is mainly due to increased tax collection and other miscellaneous receipts.

1.1.3 Details of non-tax revenue raised during the period 2006-07 to 2010-11 are mentioned in Table 3.

Table 3
Non-tax revenues

							(₹ in crore)
Sl. No.	Head of revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of increase (+) / decrease (-) in 2010-11 over 2009-10
1.	Petroleum	1,385.82	1,547.88	1,430.12	1,574.18	1,625.93	3
2.	Interest receipts	167.49	240.72	433.16	493.63	415.88	(-) 16
3.	Dairy development	0.07	0.09	0.04	0.18	0.20	11
4.	Forestry and wild life	42.99	75.03	115.64	160.56	131.01	(-) 18
5.	Non-ferrous mining and metallurgical industries	0.42	0.66	0.54	1.24	0.83	(-) 33
6.	Miscellaneous general services	(-) 0.01	105.03	104.98	210.88	0.01	(-) 100
7.	Major and medium irrigation projects	0.38	0.36	0.56	0.59	0.38	(-) 35
8.	Medical and public health	5.50	7.15	7.91	7.10	8.42	19
9.	Co-operation	0.22	0.29	0.96	0.28	0.74	164
10.	Public works	3.09	2.89	3.84	3.95	3.15	(-) 20
11.	Police	14.91	13.16	12.69	30.91	25.13	(-) 19
12.	Other administrative services	9.61	13.57	12.77	102.06	58.89	(-) 42

13.	Coal and lignite	19.71	17.88	19.20	37.54	29.35	(-) 22
14.	Roads and bridges	32.04	44.08	66.90	79.86	22.62	(-) 72
15.	Others ²	177.03	65.80	62.59	49.99	50.79	2
	Total	1,859.27	2,134.59	2,271.90	2,752.95	2,373.33	(-) 14

Source: Finance Accounts.

Following reasons for variation were reported by the concerned departments:

Forestry and Wildlife: The decrease was due to non-settlement of *mahal*/quarry of minor minerals.

Major and Medium Irrigation projects: The decrease was due to short realisation as the cultivators were stated to be reluctant to pay irrigation service charges/arrear service charges.

Coal and lignite: The decrease was due to decrease in production and non-payment of royalty at revised rate by the Assam Mineral Development Corporation Limited.

Other departments did not inform (August 2011) the reasons for variation, despite requests (May and July 2011).

We have analysed the reasons for major variations in other heads which are discussed below.

Miscellaneous general services: The decrease is mainly due to non-receipt of Debt waiver incentive from Government of India during 2010-11.

Public works: The decrease was mainly due to less receipt of hire charges of machinery and equipment and other receipts.

Other administrative services and roads and bridges: The decrease was mainly due to less realisation of other receipts.

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 enforce 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 and not settled on the spot, which are issued to the heads of offices so inspected 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

² Others included 29 major head of accounts.

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 separately reported to the heads of the departments and the Government.

Our review of IRs issued upto December 2010 disclosed that 2,735 paragraphs involving a money value of ₹ 907.46 crore relating to 871 IRs remained outstanding at the end of June 2011 as mentioned in Table 4.

Table 4

	June 2009	June 2010	June 2011
Number of outstanding IRs	1,364	1,518	871
Number of outstanding audit observations	3,685	4,033	2,735
Amount involved (₹ in crore)	711.53	767.23	907.46

Department-wise details of IRs, audit observations pending settlement as on 30 June 2011 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.	109	626	292.14
		(b) Taxes on agricultural income	9	40	3.59
		(c) Entry tax, Electricity duty, Entertainments tax, and luxury tax, etc.	77	99	307.74
2.	Excise	State excise	51	163	9.21
3.	Revenue	Land revenue	103	290	50.17
4.	Transport	Taxes on motor vehicles	183	512	23.25
5.	Stamps and registration	Stamp duty and registration fees	46	92	0.55
6.	Mines and geology	Non-ferrous mining and metallurgical industries	9	37	79.71
7.	Environment and forest	Forestry and wild life	284	876	141.10
Total			871	2,735	907.46

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 237 IRs issued upto December 2010. 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 PAG (Audit) in the IRs.

We recommend that the Government take suitable steps to install an effective system that ensure prompt and appropriate remedial action on 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 did not 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. Details of audit committee meetings held during 2010-11 and the 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	(₹ in crore)
			Amount
Transport	1	213	3.31
Total	1	213	3.31

Audit Committees of the respective departments do not appear concerned about the huge accumulation of audit observations contained in the IRs. Though we took up the matter of holding the meetings on a regular basis with the concerned departments/Government, we did not get positive response except from the Transport Department.

We recommend that the Government may make it mandatory for the Departments to hold at least one meeting of the Audit Committee 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 Receipts) for the year ended 31 March 2011 were forwarded to the Secretaries of the departments between March and June 2011 through demi-official letters with the request to furnish their replies/comments within six weeks. Out of 28 draft paragraphs including three performance audits incorporated in this report, replies either part or full, of the departmental officers in respect of 26 draft paragraphs had been received (August 2011). We did not receive response of Environment and Forests Department to any of the draft paragraphs included in this Report, despite reminders and requests at the level of the Department/Government. The fact of non-receipt of replies from the Government is indicated at the end of the relevant paragraph included in this Audit Report.

Also, we did not receive para-wise replies of the Department/Government on the performance audit on “Working of sales tax check posts in Assam” despite our specific requests to the Department/Government including the Principal Secretary of the Finance Department. Hence, the performance audit has been incorporated with the preliminary replies of the Department/Government furnished during the exit conference.

Thus, similar to the inaction of the Departments in furnishing timely replies to the IRs, the highest officers of the Environment and Forests and Taxation Department did not send their responses on the draft paragraphs and performance audit in time due to which these had to be incorporated without their response or with preliminary replies furnished during the exit conferences. This underlines the need for the Departments and Government to be more responsive to audit observations in the interest of State revenues.

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, in respect of paragraphs and performance audits 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 2010 was tabled in the Legislative Assembly on 8 June 2011. 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 (August 2011).

1.2.5 Compliance with the earlier Audit Reports

During the years from 1999-2000 to 2009-10, the departments/Government accepted audit observations involving revenue implication of ₹ 393.73 crore (out of the total money value of ₹ 3,621.03 crore) of which only ₹ 16.28 crore had been recovered till March 2011 as mentioned in Table 7.

Table 7
Compliance with earlier Audit Reports

Year of Audit Report	Total money value	Accepted money value	Recovery made
2000-01	104.66	2.16	0.45
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
Total	3,621.03	393.73	16.28

The amount recovered was thus only 4.13 *per cent* of the accepted amount while the Government/departments have accepted only 10.87 *per cent* of the cases included in the Audit Reports. An analysis of accepted cases and recovery made in respect of Audit Reports for the years 2000-01 to 2009-10 reveals that while the position of acceptance has increased, those where recovery was made decreased drastically from 15.67 *per cent* during last year to 4.13 *per cent* in 2010-11.

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 IRs/Audit Reports by the departments/Government, the action taken on the paragraphs and reviews included in the Audit Reports of the last five years in respect of 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 **Transport 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 2005-06 to 2009-10.

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 2011 are shown in Table 8.

Table 8
Position of Inspection Reports

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
2006-07	166	485	37.62	13	59	7.49	1	4	5.98	178	540	39.13
2007-08	178	540	39.13	22	82	2.97	10	10	0.03	190	612	42.07
2008-09	190	612	42.07	16	42	1.98	0	25	6.29	206	629	37.76
2009-10	206	629	37.76	16	64	3.29	32	200	20.92	190	493	20.13
2010-11	190	493	20.13	16	54	3.76	162	425	15.30	43	122	8.59

During 2010-11, one Audit Committee meeting in respect of Transport Department could be held wherein 213 paragraphs involving revenue of ₹ 3.31 crore were settled. Apart from this, 212 paragraphs involving money value of ₹ 11.99 crore were settled/disposed of by us on the basis of replies received from the departmental officers as well as by conducting reviews of the old IRs.

An analysis of the response of the Department to the IRs indicated that during the last three years 2008-09 to 2010-11, forty eight IRs were issued against which the Department did not send even first replies to 37 IRs (77 per cent) reasons for which need to be looked into by the Department and Government. The position of receipt of replies to the outstanding IRs has not improved though regular reminders were issued to the heads of offices/Department.

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

1.3.2.1 Recovery of accepted cases

The position of paragraphs pertaining to the Transport 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

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 (2010-11)	Cumulative position of recovery of accepted cases
2005-06	03	0.55	03	0.55	Nil	0.01
2006-07	03	0.94	02	0.59	Nil	0.06
2007-08	01 ³	174.73	01 ⁴	1.25	Nil	0.61
2008-09	02	0.22	0	0	Nil	0.00
2009-10	01	0.59	01	0.59	Nil	0.00
Total	10	177.03	07	2.98	Nil	0.68

It is noticed that the Department could recover ₹ 68 lakh which is 23 per cent of accepted amount of ₹ 2.98 crore.

We observed that though the Department has nominated its internal audit officer as the nodal officer for monitoring all pending audit objections pertaining to the Department as a whole, they are yet to prepare a database of pending audit objections, due to which the Department could not ensure effective and efficient monitoring of outstanding paragraphs pending settlement/disposal/recovery. This is indicative of weak management information system which the Department needs to look into.

1.3.2.2 Action taken on the recommendations accepted by the Department/Government

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

³ Performance audit on "Assessment, levy and collection of motor vehicles tax".

⁴ Partially accepted.

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 Transport Department that featured⁵ in the Audit Report 2007-08 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 performance audit	Recommendations	Action taken by the Department/ Government
2007-08	Assessment, levy and collection of motor vehicles tax	The Government may consider making periodical review of combined registers and issuing demand notice to defaulters mandatory. Immediate steps may be taken for recovery of dues as arrears of land revenue in case of non-payment of dues despite notices. The DTOs may be made accountable for failure to recover the dues in time.	The Department stated (August 2011) that they are examining the recommendations of the review for further action.
		The Government may consider taking steps to strengthening the system of maintenance of records/registers relating to realisation of the composite tax. Also, co-ordination between the STA, Assam and the STAs of other States may be strengthened to ensure timely action in case of non/late receipt of bank drafts/information regarding numbers of vehicles allowed by respective STAs to ply in the State of Assam.	
		The Government may consider prescribing specific timeline for sending the cases to 'bakijai' officer. Report/returns to be furnished by the DTOs mentioning amount due, amount realised and amount outstanding during the period of the report may be introduced for better monitoring of the recovery of the arrears.	
		The Government may consider making the internal audit wing operational so as to safeguard the interest of the revenue and avoid recurrence of the mistakes pointed out.	
		The Government may make it mandatory for the Transport Department to cross verify the records of other departments periodically to detect trucks carrying load in excess of the permissible weight and levy penalty on the offenders.	

Thus it is seen that the Department is yet to formulate concrete proposals addressing the recommendations of our performance audit, though more than three years have elapsed after the placement of the Audit Report 2007-08 to the State Legislature. Consequently, the Department could not contain the persistent irregularities such as non-realisation of revenue due to non-review of combined registers, non-detection of overloaded vehicles etc., pointed out by us in the above performance audit and in successive Audit Reports including the current one.

⁵ During the last five years 2005-06 to 2009-10, only one performance audit was conducted.

1.4 Audit planning

The unit offices under various departments are categorised as high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. An 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 'tax administration', audit coverage and its impact during past five years etc.

As per the present arrangement, we conduct test check of the records of the departments. During the year 2010-11, the audit universe comprised of 631 auditable units, of which 205 units were audited which is 32 *per cent* of the total auditable units. Details are shown in **Annexure-I**.

Besides the compliance audit mentioned above, three performance audits were also taken up to examine the efficacy of tax administration of sales tax check posts, utilisation of declaration forms in inter-state trade and commerce and computerisation in Transport Department.

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 2010-11 and found underassessment/short levy/loss of revenue aggregating ₹ 1,107.73 crore in 587 cases. During the course of the year, the departments concerned accepted underassessment and other deficiencies of ₹ 25.07 crore involved in 250 cases pointed out during 2010-11 and earlier years. The departments collected ₹ 16.39 crore in 108 cases during 2010-11.

1.5.2 This Report

This report contains 28 paragraphs (selected from the audit observations during the local audit referred to above and during earlier years which could not be included in earlier reports) including three performance audits titled **“Working of Sales Tax Check Posts in Assam”, “Utilisation of declaration forms in interstate trade and commerce”** and **“Computerisation in the Transport Department”** relating to short/non-levy of tax, duty and interest penalty etc., involving financial effect of ₹ 236.60 crore. The Departments/ Government have accepted audit observations involving ₹11.27 crore out of which ₹ 36.10 lakh has been recovered. The replies in the remaining cases have not been received (August 2011). These are discussed in the succeeding Chapters II to VI.