



CHAPTER - I
GENERAL



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 2014-15, the State's share of net proceeds of divisible Union taxes and duties assigned to State, 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 1.1.1**.

Table 1.1.1
Trend of Revenue Receipts

(₹ in crore)						
Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1.	Revenue raised by the State Government					
	• Tax revenue	5,929.84	7,638.23	8,250.21	8,994.92	9,449.81
	• Non-tax revenue	2,373.33	2,866.76	2,473.59	2,705.03	2,412.89
	Total	8,303.17	10,504.99	10,723.80	11,699.95	11,862.70
	Percentage of increase over previous year	--	26.52	2.08	9.10	1.39
2.	Receipts from Government of India					
	• Share of net proceeds of divisible Union taxes and duties	7,968.62	9,283.53	10,601.26	11,574.52	12,283.71 ¹
	• Grants-in-aid	6,733.15	7,666.87	9,365.92	8,938.32	14,035.08
	Total	14,701.77	16,950.40	19,967.18	20,512.84	26,318.79
3.	Total receipts of the State Government (1 and 2)	23,004.94	27,455.39	30,690.98	32,212.79	38,181.49
4.	Percentage of 1 to 3	36	38	35	36	31

Source: Finance Accounts.

¹ Note: For details, please see statement No.14: Detailed accounts of revenue by minor heads in the Finance Accounts (Volume-2) of Government of Assam for the year 2014-15. 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 2014-15, the revenue raised by the State Government (₹ 11,862.70 crore) was 31 per cent of the total revenue receipts as against 36 per cent during the previous year. The balance 69 per cent of the receipts during 2014-15 was from the Government of India.

1.1.2 Details of tax revenue raised during the period 2010-11 to 2014-15 are given in **Table 1.1.2**.

Table 1.1.2
Tax revenue

(₹ in crore)							
Sl. No.	Head of revenue	2010-11	2011-12	2012-13	2013-14	2014-15	Percentage of increase (+)/ decrease (-) in 2014-15 over 2013-14
1.	Taxes on sales, trade etc.	4,318.60	5,693.96	6,223.13	6,848.01	7,351.25	07
2.	State excise	323.12	503.35	568.11	610.26	664.99	09
3.	Stamp duty and registration fees						
	Stamps - judicial	7.66	8.29	9.15	10.63	8.81	(-) 17
	Stamps - non-judicial	64.61	90.10	124.12	106.08	125.85	19
	Registration fees	50.57	76.76	119.02	134.80	53.85	(-) 60
4.	Taxes and duties on electricity	41.58	36.67	41.83	40.54	44.00	09
5.	Taxes on vehicles	231.99	293.70	328.09	351.11	364.53	04
6.	Taxes on goods and passengers	478.10	536.39	369.10	413.89	396.94	(-) 04
7.	Other taxes on income and expenditure – Tax on professions, trades, callings and employments	160.60	164.27	168.31	186.36	191.28	03
8.	Other taxes and duties on commodities and services	9.93	11.76	71.11	47.60	54.92	15
9.	Land revenue	141.88	139.71	145.91	155.65	142.32	(-) 09
10.	Taxes on agricultural income	101.20	83.27	82.33	89.99	51.07	(-) 43
	Total	5,929.84	7,638.23	8,250.21	8,994.92	9,449.81	06

Source: Finance Accounts.

The reasons for major variations in respect of tax revenue during 2014-15 over those of 2013-14 as reported by the concerned department(s) were as follows:

Stamp Duty and Registration Fees: The fluctuation in revenues in respect of the Stamp Duty depends upon the transactions which vary from year to year. As regards the Registration fees, the decrease was due to decrease in the rate of registration fees from two/three² per cent in 2013-14 to one/two per cent during 2014-15.

Taxes on agricultural income: The decrease was mainly due to fall in production of green tea leaves affecting profitability of the assesseees.

1.1.3 Details of non-tax revenue raised during the period 2010-11 to 2014-15 are indicated in **Table 1.1.3**.

Table 1.1.3
Details of non-tax revenue raised

(` in crore)							
Sl. No.	Head of revenue	2010-11	2011-12	2012-13	2013-14	2014-15	Percentage of increase (+) / decrease (-) in 2014-15 over 2013-14
1.	Petroleum	1,625.93	1,970.63	1,589.55	1,791.31	1,421.15	(-) 21
2.	Interest receipts	415.88	475.93	510.21	418.61	313.99	(-) 25
3.	Dairy development	0.20	0.22	0.49	0.48	0.43	(-) 10
4.	Forestry and wild life	131.01	152.85	110.56	100.92	115.99	15
5.	Non-ferrous mining and metallurgical industries	0.83	0.85	1.10	0.48	0.96	100
6.	Miscellaneous general services	0.01	0.24	0.01	60.02	268.50	347
7.	Major and medium irrigation projects	0.38	0.21	0.38	0.43	0.62	44
8.	Medical and public health	8.42	10.42	12.13	11.29	11.38	01
9.	Co-operation	0.74	0.44	0.58	0.63	0.47	(-) 25
10.	Public works	3.15	3.12	3.32	2.01	1.14	(-) 43
11.	Police	25.13	29.51	36.22	59.40	43.54	(-) 27
12.	Other administrative services	58.89	49.31	56.75	62.48	69.25	11

² Women/Men.

Audit Report (Revenue Sector) for the year ended 31 March 2015

13.	Coal and lignite	29.35	26.34	43.95	38.76	51.22	32
14.	Roads and bridges	22.62	79.19	52.62	50.40	42.18	(-) 16
15.	Others ³	50.79	67.50	55.72	107.81	72.07	(-) 33
	Total	2,373.33	2,866.76	2,473.59	2,705.03	2,412.89	(-) 11

Source: Finance Accounts.

The reasons for major variations in respect of non-tax revenue during 2014-15 over those of 2013-14 as reported by the concerned department(s) were as follows:

Department of Geology and Mining: The decrease in receipts under the head 'Petroleum' was due to adjustment of payments made by the concerned petroleum companies. As regards the other heads namely Non-ferrous mining and coal lignite the Department stated that the revenues generated are driven by demand of coal and other mining products.

The other Departments did not intimate (November 2015) the reasons for increase/decrease despite requests.

1.1.4 A comparison of the revenues in respect 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 and that reported by the concerned administrative departments was carried out. The results are shown in the following **Table 1.1.4**.

Table 1.1.4

(₹ in crore)				
Sl. No.	Head of revenue	Revenue as per Finance Accounts	Revenue as reported by the concerned Department	Variation
1.	Taxes on Sales Trade etc.	7,351.25	7351.25	--
2.	State Excise	664.99	665.82	0.83
3.	Registration	53.85	55.18	1.33
4.	Geology and Mining	1,473.33	1,471.71	(-) 1.62

Thus, there were variations between the figures depicted in the Finance Accounts with those furnished by the departments which point towards the need for reconciliation between both these figures.

³ Others include 29 major head of accounts.

1.2 Analysis of arrears of revenue

The position of arrears of revenue in respect of the Taxation Department is mentioned in the **Table – 1.2**.

Table 1.2
Arrears of revenue

				(₹ in crore)
Sl. No.	Heads of Revenue	Total Amount outstanding as on 31 st March 2015	Amount outstanding for more than five years as on 31 st March 2015	Replies of the Department
1.	Agricultural Income Tax (0022)	55.22	0.79	The arrears of ₹ 4,120.83 crore was attributable to: i. Pendency of cases involving arrear of revenue in High Court/Supreme Court/ Board of Revenue and with Appellate/ Revisional Authority. ii. Untraceability of dealers.
2.	Professional Tax (0028)	2.33	0.75	
3.	Land Revenue (0029)	1,088.22	463.05	
4.	Sales Tax (0040)	2,760.38	505.34	
5.	Entry Tax (0042)	210.86	26.27	
6.	Other Taxes on Commodity and Services (0045)	3.82	3.11	
Total		4,120.83	999.31	

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 contract were as below in **Table 1.3**.

Table 1.3
Arrears in assessments

Head of revenue	Opening Balance as on 01.04.2014	New cases due for assessments during 2014-15	Total assessment due	Cases disposed of during 2014-15	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Sales Tax (AGST/VAT/ CST)	16,239	13,939	30,178	12,801	17,377	42.42
APTC & E Tax Act, 1947	31,026	43,158	74,184	42,926	31,258	57.86
Entry Tax	3,047	2,085	5,132	1,773	3,359	34.55
LUX (H & L)	499	442	941	483	458	51.33
Electricity Duty Act	1,777	589	2,366	351	2,015	14.84
SP. Land	1,103	903	2,006	1,168	838	58.23
Agricultural Income Tax	984	762	1,746	768	978	43.99
Total	54,675	61,878	1,16,553	60,270	56,283	51.71

Thus, the assessments pending at the end of the year increased over the opening balance in respect of all the Acts except Luxury Tax, Tax on Specified Land and Agricultural Income Tax. The percentage disposal against Electricity was particularly very poor. Further, the overall percentage of completion of assessment remained at the level of about 52 *per cent*. This was despite the fact that after introduction of VAT in the State only a percentage of the cases were 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 2014	Cases detected during 2014-15	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 2015
				Number of cases	Amount of demand (₹ in crore)	
Sales Tax/ VAT	222	2,422	2,644	2,389	23.21	255

Thus, the Department detected 2,422 cases of evasion of taxes and raised additional demand of ₹ 23.21 crore during the year. However, the cases pending at the end of the year stood at 255 against the opening balance of 222.

1.5 Pendency of Refund Cases

The number of refund cases pending at the beginning of the year 2014-15, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2014-15, 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	10.38
2.	Claims received during the year	88	15.88
3.	Refunds made during the year	88	15.09
4.	Balance outstanding at the end of the year	56	11.17

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 (AG) 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 2014 disclosed that 3,281 paragraphs involving ` 6,943.11 crore relating to 867 IRs remained outstanding at the end of June 2015 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 2013	June 2014	June 2015
Number of IRs pending for settlement	882	811	867
Number of outstanding audit observations	3,211	3,216	3,281
Amount of revenue involved (` <i>in crore</i>)	1,299.15	6,991.70	6,943.11

1.6.1 The Department wise details of the IRs and audit observations outstanding as on 30 June 2015 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	Numbers of outstanding IRs	Numbers of outstanding audit observations	Money value involved (<i>` in crore</i>)
1.	Finance	Taxes on Sales, Trade etc.	201	1,276	508
		Agricultural Income Tax	14	54	19.37

Audit Report (Revenue Sector) for the year ended 31 March 2015

		(AGIT)			
		Other Taxes	95	255	59.63
2.	Excise	State Excise	85	330	85.11
3.	Transport	Taxes on Motor Vehicles	106	330	47.81
4.	Stamp and Registration	Stamp and Registration fees	73	130	7.54
5.	Mines and Minerals	Non-ferrous mining and metallurgical industries	12	63	6,042.88
6.	Forest and Environment	Forestry and Wild Life	281	843	172.77
Total			867	3,281	6,943.11

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 101 IRs issued during 2014-15. 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 2014-15 and the paragraphs settled are mentioned in **Table 1.6.2**.

Table 1.6.2
Details of Departmental audit committee meetings

Sl. No.	Head of revenue	Number of meetings held	Number of paras settled	Amount
1.	E & F Department (Revenue & Exp)	01	242	14.79
2.	State Excise Department (Exp)	01	12	--
3.	Taxation Department (Exp)	01	06	--
Total		03	260	14.79

Thus, 260 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.

Besides 46 draft paragraphs, two Performance Audits on (i) 'Admissibility of Input Tax Credit' and (ii) 'Environmental degradation in Greater Guwahati area - with emphasis on the State Pollution Control Board' and results of audit of the themes (i) 'Collection of Revenue from out-sourced activities in Transport Department' and (ii) 'Planning and financial management of Major wildlife areas in Assam – Impact on Conservation efforts' were sent to the Principal Secretaries/Secretaries of the respective Departments by name between April and October 2015. The performance audit on Environmental degradation in Greater Guwahati area - with emphasis on the State Pollution Control Board had been featured as a standalone Report. The replies furnished by the Departments/Directorates had been appropriately incorporated in the respective paragraphs. The departments/Directorates did not provide replies to 32 draft paragraphs despite requests and the same have been incorporated in this Report without the response of the Department.

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. 177 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 2010, 2011, 2012, 2013 and 2014 were placed before the State Legislature Assembly between June 2011 and March 2015. In none of the cases, *suo-motu* reply of the Departments was received within the stipulated date.

During 2014-15, the PAC discussed seven paragraphs including a performance audit "Taxes on Motor Vehicles and factors leading to Shortfall in Revenue Receipts- Motor Vehicles" pertaining to the Audit Reports for the years from 1996-97 to 2001-02. No recommendation of the PAC had been received in this year.

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 in detail and included in this Audit Report.

The succeeding paragraphs 1.7.1 and 1.7.2 discuss the performance of **Transport 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 2009-10 to 2013-14.

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 2014 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
2009-10	220	629	37.76	92	256	7.32	122	392	24.95	190	493	20.13
2010-11	190	493	20.13	16	58	4.10	160	415	14.87	46	136	9.36
2011-12	46	136	9.36	09	48	154.67	02	10	0.3	53	174	163.73
2012-13	53	174	163.73	17	72	22.70	01	06	1.65	69	240	184.78
2013-14	69	240	184.78	17	52	4.71	07	19	151.60	79	273	37.89

The Government arranges Audit Committee meetings between the Department and AG's office to settle the old paragraphs. As would be evident from the above table, against 220 outstanding IRs with 629 paragraphs as on start of 2009-10, the number of outstanding IRs declined to 79 with 273 paragraphs at the end of 2013-14. This is indicative of the fact that positive steps were taken by the Department in this regard resulting 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

(` in crore)

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 31.03.2015
2009-10	--	--	--	--	--	--
2010-11	02 ⁴	0.47	--	--	--	--
2011-12	04	520.29	03	520.24	0.04	--
2012-13	03	0.33	--	--	--	--
2013-14	--	--	--	--	--	--

⁴ Including a Performance Audit - "Computerisation in the Transport Department".

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

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

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. Besides, recommendations are also suggested through compliance audit paragraphs wherever appropriate.

During the last five years, one performance audit was carried out on 'Computerisation in the Transport Department'⁵ in which 11 recommendations were suggested to the Transport Department. The Transport Department has reported the action taken against the recommendations and also against other paragraphs which are mentioned in **Appendix - I**. Positive steps were observed towards streamlining the systems as well as other deficiencies while some are in the implementing process. The Department needs to follow up these so that the deficiencies mentioned in the performance audit as well as other audit paragraphs can be rectified and their recurrence prevented.

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* includes 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 2014-15, there were 334 auditable units, of which 92 units were planned and 113 units had been audited, which is 34 *per cent* of the total auditable units. The details are shown in the **Appendix – II**.

Besides, the compliance audit mentioned above, two performance audits and two theme audits as mentioned in paragraph 1.6.3, were also taken up.

⁵ Incorporated in the Audit Report of 2010-11.

1.9 Results of Audit

1.9.1 Position of local audit conducted during the year

Test check of the records of 113 units of Sales Tax/Value Added Tax, State Excise, Motor Vehicles, Forest and other Departmental offices conducted during the year 2014-15 showed under assessment/short levy/loss of revenue aggregating ₹ 1,772.37 crore in 500 cases. Besides, two Performance Audits on (i) 'Admissibility of Input Tax Credit' and (ii) 'Environmental degradation in Greater Guwahati area - with emphasis on the State Pollution Control Board' and audit of the themes (i) 'Collection of Revenue from out-sourced activities in Transport Department' and (ii) 'Planning and financial management of Major wildlife areas in Assam – Impact on Conservation efforts' were also conducted during the year. During the course of the year, the Departments concerned accepted under assessment and other deficiencies of ₹ 306.60 crore involved in 22 cases which were pointed out in audit during 2014-15. The Departments collected ₹ 1.84 crore in 32 cases during 2014-15, pertaining to the audit findings of previous year.

1.9.2 Coverage of this Report

This Report contains 46 paragraphs suitably clubbed appropriate captions (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 'Admissibility of Input Tax Credit' and results of audit on the themes (i) 'Collection of Revenue from out-sourced activities in Transport Department' and (ii) 'Planning and Financial management of Major wildlife areas in Assam – Impact on Conservation efforts', involving financial effect of ₹ 414.64 crore of which the Departments accepted cases involving revenue of ₹ 10.71 crore and recovered ₹ 1.09 crore. These are discussed in succeeding Chapters II to V.