

CHAPTER – I : GENERAL

1.1 Trend of Revenue Receipts

The tax and non-tax revenue raised by the Government of Assam during the year 2007-08, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(Rupees in crore)

Sl. No.	Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
I.	Revenue raised by the State Government					
	• Tax revenue	2,070.32	2,713.32	3,232.21	3,483.32	3,359.50
	• Non tax revenue	945.80	1,070.03	1,459.28	1,859.27	2,134.59
	Total	3,016.12	3,783.35	4,691.49	5,342.59	5,494.09
II.	Receipts from Government of India					
	• State's share of divisible Union taxes	2,162.07	2,584.33	3,056.78	3,898.99	4,918.21 ¹
	• Grants in aid	2,586.91	3,569.59	4,297.12	4,425.37	4,912.62
	Total	4,748.98	6,153.92	7,353.90	8,324.36	9,830.83
III.	Total receipts of the State (I+II)	7,765.10	9,937.27	12,045.39	13,666.95	15,324.92
IV.	Percentage of I to III	39	38	39	39	36

The above table indicates that during the year 2007-08, the total revenue raised by the State Government was 36 *per cent* of the total receipts (Rs. 15,324.92 crore) against 39 *per cent* in the preceding year. The balance 64 *per cent* of receipts during 2007-08 was from the Government of India.

¹ Note : For details, please see statement No.11 : Detailed accounts of revenue by minor heads in the Finance Accounts of Government of Assam for 2007-08. Figures under the "share of net proceeds assigned to States" under the major heads – 0020-corporation tax, 0021-taxes on income and expenditure, 0028-other 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.

1.1.1 The following table presents the details of tax revenue raised during the period from 2003-04 to 2007-08:

(Rupees in crore)

Sl. No.	Heads of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+) or decrease (-) in 2007-08 over 2006-07
1.	Sales tax	1,551.06	2,098.58	2,568.41	2,783.24	2691.43	(-) 3
2.	State excise	129.29	144.06	160.40	174.88	188.71	(+) 8
3.	Stamp duty and registration fees	62.02	72.31	85.88	97.32	109.91	(+) 13
4.	Taxes and duties on electricity	2.73	61.84	13.29	15.89	4.62	(-) 71
5.	Taxes on vehicles	124.00	134.72	155.91	151.15	138.62	(-) 8
6.	Taxes on goods and passengers	16.99	15.88	61.52	70.15	12.39	(-) 82
7.	Other taxes on income and expenditure – Tax on professions, trades, callings and employments	86.75	94.74	99.80	108.36	124.68	(+) 15
8.	Other taxes and duties on commodities and services	32.18	27.66	5.10	5.66	6.24	(+) 10
9.	Land revenue	62.12	58.30	74.65	74.15	79.76	(+) 8
10.	Taxes on agricultural income	3.18	5.22	7.02	2.52	3.14	(+) 25
11.	Taxes on immovable properties other than agricultural land	Nil	0.01	0.23	Nil	Nil	Nil
	Total:	2,070.32	2,713.32	3,232.21	3,483.32	3359.50	(-) 4

The reason for variation in receipt for 2007-2008 from those of 2006-2007 in respect of principal head of revenue was as follows:

State excise : The increase (eight *per cent*) was mainly due to revision of rates of licence fee and introduction of availability fee.

The other departments did not intimate (October 2008) the reasons for variation in receipts from those of the previous year despite being requested.

1.1.2 The following table presents the details of non-tax revenue raised during the period from 2003-04 to 2007-08:

(Rupees in crore)

Sl. No.	Heads of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+) or decrease (-) in 2007-08 over 2006-07
1.	Petroleum	721.03	885.87	1,216.16	1,385.82	1547.88	(+) 12
2.	Interest receipts	5.89	10.06	36.41	167.49	240.72	(+) 44
3.	Dairy development	0.11	0.11	0.04	0.07	0.09	(+) 29
4.	Forestry and wild life	36.76	25.68	38.42	42.99	75.03	(+) 75
5.	Non ferrous mining and metallurgical industries	0.28	0.76	0.43	0.42	0.66	(+) 57
6.	Miscellaneous general services	0.02	Nil	(-)0.16	(-)0.01 ²	105.03	(+) 10,502
7.	Major and medium irrigation projects	0.25	0.26	0.21	0.38	0.36	(-) 5
8.	Medical and public health	4.16	4.77	3.50	5.50	7.15	(+) 30
9.	Co-operation	0.29	0.25	0.38	0.22	0.29	(+) 32
10.	Public works	5.86	4.62	4.17	3.09	2.89	(-) 6
11.	Police	11.95	11.65	14.90	14.91	13.16	(-) 12
12.	Other administrative services	9.90	45.05	11.11	9.61	13.57	(+) 41
13.	Coal and lignite	47.65	12.79	15.03	19.71	17.88	(-) 9
14.	Roads and bridges	28.53	20.10	42.00	32.04	44.08	(+) 38
15.	Others ³	73.12	48.06	76.68	177.03	65.80	(-) 63
	Total:	945.80	1,070.03	1,459.28	1,859.27	2134.59	(+) 15

The reasons for variation in receipt for 2007-08 from those of 2006-07 in respect of principal head of revenue was as follows:

Petroleum: Increase was due to revision of rates of royalty of crude oil and increase in production of natural gas.

The other departments did not intimate (October 2008) the reasons for variation in receipts from those of the previous year despite being requested.

² Minus is due to refund in excess of receipts during the year. There is no lottery receipt in Assam.

³ Others included 28 major head of accounts.

1.2 Variations between budget estimates and actuals

The variation between the budget estimates and actuals of revenue receipts for the year 2007-08 in respect of the principal heads of tax and non-tax revenue are mentioned below:

(Rupees in crore)					
Sl. No.	Heads of revenue	Budget Estimates	Actuals	Variations increase (+) decrease (-)	Percentage of variation
Tax revenue					
1.	Sales tax	3129.51	2691.43	(-)438.08	(-) 14
2.	Land revenue	91.55	79.76	(-) 11.79	(-) 13
3.	Taxes on agricultural income	16.50	3.14	(-) 13.36	(-) 81
4.	Taxes on vehicles	191.62	138.62	(-) 53.00	(-) 28
5.	State excise	204.92	188.71	(-) 16.21	(-) 8
6.	Other taxes on income & expenditure	121.07	124.68	(+) 3.61	(+) 3
7.	Stamps duty and registration fees	102.84	109.91	(+) 7.07	(+) 7
8.	Taxes on goods & passengers	156.25	12.39	(-)143.86	(-) 92
9.	Other taxes and duties on commodities and services	8.71	6.24	(-) 2.47	(-) 28
10.	Taxes and duties on electricity	18.88	4.62	(-) 14.26	(-) 76
Non-tax revenue					
1.	Petroleum	1391.00	1547.88	(+)156.88	(+) 11
2.	Forestry & wildlife	37.50	75.03	(+) 37.53	(+) 100
3.	Police	14.54	13.16	(-) 1.38	(-) 9
4.	Other administrative services	13.33	13.57	(+) 0.24	(+) 2
5.	Coal and lignite	15.09	17.88	(+) 2.79	(+) 18
6.	Roads & bridges	27.47	44.08	(+) 16.61	(+) 60
7.	Interest receipts	128.10	240.72	(+)112.62	(+) 88
8.	Dairy development	0.14	0.09	(-) 0.05	(-) 36
9.	Non-ferrous mining & metallurgical industries	0.94	0.66	(-) 0.28	(-) 30
10.	Major and medium irrigation	0.32	0.36	(+) 0.04	(+) 12
11.	Medical & public health	5.95	7.15	(+) 1.20	(+) 20
12.	Co-operation	0.29	0.29	Nil	Nil
13.	Public works	5.76	2.89	(-) 2.87	(-) 50

The reasons for variation in the budget estimates and actuals as furnished by the departments concerned are as follows:

Petroleum: The increase was due to revision of royalty rates of crude oil and increase in production of natural gas.

State excise: The shortfall was due to low consumption of India made foreign liquor (IMFL), beer etc.

The other departments did not intimate (October 2008) the reasons for variation despite being requested.

1.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during 2005-06, 2006-07 and 2007-08 along with the relevant all India average percentage of expenditure as available were as follows:

(Rupees in crore)

Sl. No.	Heads of revenue	Year	Gross collection	Expenditure on collection ⁴	Percentage of expenditure to gross collection	All India average cost of collection for the year 2006-07
1.	Sales tax	2005-06	2,568.41	29.87	1.16	0.82
		2006-07	2,783.24	34.93	1.26	
		2007-08	2,691.43	23.39	0.87	
2.	State excise	2005-06	160.40	7.76	4.84	3.30
		2006-07	174.88	9.70	5.55	
		2007-08	188.71	10.37	5.50	
3.	Taxes on vehicles	2005-06	155.91	7.41	4.75	2.47
		2006-07	151.15	8.08	5.35	
		2007-08	138.62	8.56	6.18	
4.	Stamp duty and registration fees	2005-06	85.88	4.77	5.55	2.33
		2006-07	97.32	5.91	6.07	
		2007-08	109.91	6.28	5.71	

⁴ The figures of expenditure on collection have been worked out in accordance with the revised norms. Hence, the figures relating to the years 2005-06 and 2006-07 varies from those reported in the corresponding column of the Audit Reports for the years 2005-06 and 2006-07.

1.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2008 in respect of some principal heads of revenue as furnished by the departments amounts to Rs. 756.47 crore of which Rs. 350.45 crore was outstanding for more than five years as mentioned below:

(Rupees in crore)

Sl. No.	Heads of revenue	Amount outstanding as on 31 March 2008	Amount outstanding for more than five years as on 31 March 2008	Remarks
1	Sales tax, cess on specified land, other taxes on income & expenditure, professions etc, taxes on agricultural income, other taxes and duties on commodities & services	638.12	265.93	Arrears were due to non-payment of taxes by the dealers/Government department/undertakings/Boards etc and also due to pending cases under litigation.
2	Forestry and wildlife	11.19	2.76	Not furnished.
3	Royalty on coal, lignite and limestone	3.69	1.50	The arrears relate to non-payment of royalty on coal and limestone by the Assam Mineral Development Corporation Limited and M/s Vinay Cements Limited.
4	Land revenue	62.97	53.77	The reasons for arrears were : (i) non-partition of revenue tea gardens estates, (ii) landowners affected by flood, erosion and unable to pay land revenue timely.
5	Village and small industries	1.79	1.53	The arrears relate to non-receipt of rent from industrial units.
6	Irrigation	38.71	24.96	The arrears relate to non-payment of service charges by the cultivators as their crops were damaged by flood.
Total:		756.47	350.45	

1.5 Arrears in assessments

The details of pending assessment cases at the beginning of the year, cases becoming due for assessment during the year, cases finalised during the year and number of cases pending at the end of each year during 2005-06 to 2007-08 as furnished by the departments are mentioned below:

Year	Opening balance	Cases due for assessment during the year	Total assessment due	Cases finalised during the year	Balance at the end of the year	Arrears in percentage (against total cases)
Sales tax and other taxes						
2005-06	37,388	48,567	85,955	50,196	35,759	58
2006-07	35,759	31,241	67,000	36,610	30,390	55
2007-08	30,390	10,853	41,243	30,135	11,108	73
Profession and employment tax						
2005-06	41,620	37,525	79,145	37,573	41,572	47
2006-07	41,572	40,734	82,306	35,630	46,676	43
2007-08	46,676	33,428	80,104	38,585	41,519	48
Agricultural income tax						
2005-06	1,307	1,051	2,358	926	1,432	39
2006-07	1,432	895	2,327	606	1,721	26
2007-08	1,721	895	2,616	1,109	1,507	42

1.6 Results of Audit

Test check of records of the sales tax, agricultural income tax, taxes on vehicles, state excise, forest receipts, other tax and non-tax receipts conducted during the year 2007-08 revealed under assessment/short levy/short demand/loss of revenue amounting to Rs. 337.75 crore in 634 cases. During the course of the year, the concerned departments accepted under assessment, short levy etc., of Rs. 19.71 lakh pointed out in 2007-08 and earlier years. Rs. 12.16 lakh was recovered at the instance of audit. No replies have been received in respect of the remaining cases.

This report contains 35 paragraphs including one review relating to non/short levy of taxes, duties, interest and penalty etc. involving Rs. 241.77 crore. The department accepted audit observation involving Rs. 16.25 crore. The departments have contested paragraphs involving Rs. 8.23 crore and no reply has been furnished in other cases (October 2008).

In respect of the observations not accepted by the departments, gist of the reasons for department's non-acceptance has been included in the related paragraph itself along with further comments of audit. Replies from the Government have not been received (October 2008)

1.7 Failure to enforce accountability and protect interest of the Government

Principal Accountant General (Audit) [PAG (Audit)], Assam arranges to conduct periodical inspection of the State Government departments to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up by inspection reports (IRs). When important irregularities, etc., detected during inspection are not settled on the spot, IRs are issued to the heads of offices inspected with a copy to the next higher authorities. The orders of the State Government (March 1986) provide for prompt corrective action. The heads of offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the PAG (Audit). A half yearly report of pending IRs is sent to the Secretaries of the departments to facilitate monitoring of audit observations.

Inspection reports issued upto December 2007 disclosed that 3,710 paragraphs relating to 1,362 IRs remained outstanding at the end of June 2008 as mentioned in Annexure-I. The initial replies, which were required to be received from the head of offices within six weeks from the date of issue, were not received for 665 IRs issued between April 1994 and December 2007. As a result, irregularities commented upon in 1,922 paragraphs involving Rs. 255.42 crore had not been settled as of June 2008.

A review of the IRs which were pending due to non-receipt of replies revealed that the heads of offices/departments failed to discharge due responsibility as they did not send any reply to a large number of IRs/paragraphs, indicating their failure to initiate action in regard to the defects, omissions and

irregularities pointed out. The Commissioners and Secretaries of the concerned departments, who were informed of the position through half yearly reports, also failed to ensure that concerned officers of the departments took prompt and timely action.

It is recommended that the Government may look into this matter to ensure that the replies to the IRs are sent as per the prescribed time schedule, recovery of tax/underassessment is effected in a time bound manner and the system of response to the audit observations in the departments revamped.

1.8 Departmental audit committee meetings

As per instructions (May 1994) of the Finance Department, all the departments are required to constitute Audit Objection Committee (AOC) for expeditious disposal of audit observations contained in the IRs. These committees are chaired by designated officer of the concerned Administrative Department and attended among others by the concerned officers of the State Government and the office of the PAG (Audit), Assam.

In order to expedite clearance of outstanding audit observations, it is necessary that the audit committees meet regularly and ensure that final action is taken on all audit observations outstanding for more than a year, leading to their settlement. During the year 2007-08 three (sales tax, other taxes and state excise) out of the eight departments convened meetings of the audit committee in which 754 paragraphs were settled. This indicates that other departments did not make effective use of the machinery created for expeditious settlement of outstanding audit observations.

1.9 Response of the departments to draft audit paragraphs

As per the instruction issued (March 1986) by the Finance Department, all the departments are required to furnish replies to the audit objections within two months. The audit office forwards draft paragraphs prepared on the basis of audit objections 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. The fact of non-receipt of replies from the Government is indicated at the end of each paragraph included in the Audit Report.

Draft paragraphs included in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2008 were forwarded to the Secretaries of the departments between April and May 2008 through demi official letters with the request to furnish their replies/comments within six weeks. Out of 35 draft paragraphs/reviews incorporated in this report, replies either part or full, of the departmental officers in respect of 24 draft paragraphs had been received (October 2008).

1.10 Follow up on Audit Reports – summarised position

As per the instruction issued (May 1994) by the Finance Department, all 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 (Audit), Assam, in respect of paragraphs and reviews included in the Audit Reports within 20 days from the date of receipt of the Audit Report.

Audit Report (Revenue Receipts) for the year ended 2007 was tabled in the Legislative Assembly on 3 March 2008. Though the time limit for furnishing ATNs had elapsed, no ATNs in respect of any department had been furnished. Non-furnishing of ATNs by the departments was taken up through demi official letters with the Commissioner and Secretary to the Government of Assam, Finance Department. This indicated that there was laxity in ensuring accountability on the part of the executive.

1.11 Compliance with the earlier Audit Reports

During the years from 2001-02 to 2006-07 the departments/Government accepted audit observations involving Rs. 75.39 crore of which only Rs. 2.85 crore had been recovered till March 2008 as mentioned below:

(Rupees in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2001-02	43.32	11.77	0.84
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
Total	1733.35	75.39	2.85

The above table indicates that amount recovered was only four *per cent* of the accepted amount. Recovery of such meagre amount reflects apathy on the part of the departments/Government in prompt recovery of Government dues.