

CHAPTER-I: GENERAL

1.1 Trend of Revenue Receipts

The tax and non-tax revenue raised by the Government of Assam during the year 2008-09, 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	2004-05	2005-06	2006-07	2007-08	2008-09
I.	Revenue raised by the State Government					
	• Tax revenue	2,713.32	3,232.21	3,483.32	3,359.50	4,150.21
	• Non tax revenue	1,070.03	1,459.28	1,859.27	2,134.59	2,271.90
	Total	3,783.35	4,691.49	5,342.59	5,494.09	6,422.11
II.	Receipts from Government of India					
	• State's share of divisible Union taxes	2,584.33	3,056.78	3,898.99	4,918.21	5,189.90 ¹
	• Grants in aid	3,569.59	4,297.12	4,425.37	4,912.62	6,465.03
	Total	6,153.92	7,353.90	8,324.36	9,830.83	11,654.93
III.	Total receipts of the State (I+II)	9,937.27	12,045.39	13,666.95	15,324.92	18,077.04
IV.	Percentage of I to III	38	39	39	36	36

The above table indicates that during the year 2008-09, the total revenue raised by the State Government was 36 *per cent* of the total receipts (Rs. 18,077.04 crore) which was static in comparison to preceding year. The balance 64 *per cent* of receipts during 2008-09 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 2008-09. 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 2004-05 to 2008-09:

(Rupees in crore)							
Sl. No.	Heads of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+) or decrease (-) in 2008-09 over 2007-08
1.	Sales tax	2,098.58	2,568.41	2,783.24	2691.43	3,110.58	(+) 16
2.	State excise	144.06	160.40	174.88	188.71	198.68	(+) 5
3.	Stamp duty and registration fees	72.31	85.88	97.32	109.91	111.17	(+) 1
4.	Taxes and duties on electricity	61.84	13.29	15.89	4.62	22.36	(+) 384
5.	Taxes on vehicles	134.72	155.91	151.15	138.62	145.21	(+) 5
6.	Taxes on goods and passengers	15.88	61.52	70.15	12.39	284.67	(+) 2197
7.	Other taxes on income and expenditure – Tax on professions, trades, callings and employments	94.74	99.80	108.36	124.68	137.73	(+) 10
8.	Other taxes and duties on commodities and services	27.66	5.10	5.66	6.24	8.27	(+) 33
9.	Land revenue	58.30	74.65	74.15	79.76	113.36	(+) 42
10.	Taxes on agricultural income	5.22	7.02	2.52	3.14	18.18	(+) 479
11.	Taxes on immovable properties other than agricultural land	0.01	0.23	Nil	Nil	Nil	Nil
	Total	2,713.32	3,232.21	3,483.32	3359.50	4,150.21	(+) 24

The reasons for variation in tax receipts during 2008-09 from those of 2007-08 in respect of principal heads were as follows:

Taxes and duties on electricity: The increase was due to collection of arrear duties from the Assam State Electricity Board.

Taxes on goods and passengers: The increase was due to reintroduction of entry tax from 01 June 2008.

Taxes on agricultural income: The increase was due to higher production of tea during 2008-09.

The other departments did not intimate (September 2009) 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 2004-05 to 2008-09:

(Rupees in crore)							
Sl. No.	Heads of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+) or decrease (-) in 2008-09 over 2007-08
1.	Petroleum	885.87	1,216.16	1,385.82	1547.88	1430.12	(-) 8
2.	Interest receipts	10.06	36.41	167.49	240.72	433.16	(+) 80
3.	Dairy development	0.11	0.04	0.07	0.09	0.04	(-) 56
4.	Forestry and wild life	25.68	38.42	42.99	75.03	115.64	(+) 54
5.	Non ferrous mining and metallurgical industries	0.76	0.43	0.42	0.66	0.54	(-) 18
6.	Miscellaneous general services	Nil	(-) 0.16	(-) 0.01 ²	105.03	104.98	(-) 0.05
7.	Major and medium irrigation projects	0.26	0.21	0.38	0.36	0.56	(+) 56
8.	Medical and public health	4.77	3.50	5.50	7.15	7.91	(+) 11
9.	Co-operation	0.25	0.38	0.22	0.29	0.96	(+) 231
10.	Public works	4.62	4.17	3.09	2.89	3.84	(+) 33
11.	Police	11.65	14.90	14.91	13.16	12.69	(-) 4
12.	Other administrative services	45.05	11.11	9.61	13.57	12.77	(-) 6
13.	Coal and lignite	12.79	15.03	19.71	17.88	19.20	(+) 7
14.	Roads and bridges	20.10	42.00	32.04	44.08	66.90	(+) 52
15.	Others ³	48.06	76.68	177.03	65.80	62.59	(-) 5
Total		1,070.03	1,459.28	1,859.27	2,134.59	2,271.90	(+) 6

The reasons for variation in non-tax receipts during 2008-09 from those of 2007-08 in respect of principal heads were as follows:

Forestry and wildlife: The increase was due to proper disposal of timber and increase in demand for minor forest produces.

Non ferrous mining and metallurgical industries: The decrease was due to realisation of arrears during 2007-08.

The other departments did not intimate (September 2009) 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 29 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 2008-09 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	2,820.69	3,110.58	(+) 289.89	(+) 10
2.	Land revenue	90.49	113.36	(+) 22.87	(+) 25
3.	Taxes on agricultural income	2.94	18.18	(+) 15.24	(+) 518
4.	Taxes on vehicles	193.00	145.21	(-) 47.79	(-) 25
5.	State excise	223.30	198.68	(-) 24.62	(-) 11
6.	Other taxes on income & expenditure	126.38	137.73	(+) 11.35	(+) 9
7.	Stamps duty and registration fees	124.27	111.17	(-) 13.10	(-) 11
8.	Taxes on goods & passengers	414.58	284.67	(-) 129.91	(-) 31
9.	Other taxes and duties on commodities and services	6.61	8.27	(+) 1.66	(+) 25
10.	Taxes and duties on electricity	18.54	22.36	(+) 3.82	(+) 21
Non-tax revenue					
1.	Petroleum	1,727.87	1,430.12	(-) 297.75	(-) 17
2.	Forestry & wildlife	45.83	115.64	(+) 69.81	(+) 152
3.	Police	17.07	12.69	(-) 4.38	(-) 26
4.	Other administrative services	21.00	12.77	(-) 8.23	(-) 39
5.	Coal and lignite	26.74	19.20	(-) 7.54	(-) 28
6.	Roads & bridges	36.68	66.90	(+) 30.22	(+) 82
7.	Interest receipts	184.65	433.16	(+) 248.51	(+) 135
8.	Dairy development	0.15	0.04	(-) 0.11	(-) 73
9.	Non-ferrous mining & metallurgical industries	0.48	0.54	(+) 0.06	(+) 13
10.	Major and medium irrigation	0.47	0.56	(+) 0.09	(+) 19
11.	Medical & public health	6.37	7.91	(+) 1.54	(+) 24
12.	Co-operation	0.31	0.96	(+) 0.65	(+) 210
13.	Public works	3.54	3.84	(+) 0.30	(-) 8

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

Taxes on agricultural income: The increase was due to higher production of tea during 2008-09.

Taxes on goods and passengers: The decrease was due to reintroduction of entry tax from 01 June 2008, whereas the estimate was prepared for whole year.

Forestry and wildlife: The increase was due to proper disposal of timber and increase in demand for minor forest produces.

The other departments did not intimate (September 2009) 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 2006-07, 2007-08 and 2008-09 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	Percentage of expenditure to gross collection	All India average cost of collection for the year 2007-08
1.	Sales tax	2006-07	2,783.24	34.93	1.26	0.83
		2007-08	2,691.43	23.39	0.87	
		2008-09	3,110.58	39.49	1.27	
2.	State excise	2006-07	174.88	9.70	5.55	3.27
		2007-08	188.71	10.37	5.50	
		2008-09	198.68	11.62	5.85	
3.	Taxes on vehicles	2006-07	151.15	8.08	5.35	2.58
		2007-08	138.62	8.56	6.18	
		2008-09	145.21	9.03	6.22	
4.	Stamp duty and registration fees	2006-07	97.32	5.91	6.07	2.09
		2007-08	109.91	6.27	5.71	
		2008-09	111.17	10.28	9.25	

Thus, the percentage of expenditure on gross collection in respect of all the four heads were higher than the all India average cost of collection for the year 2007-08.

1.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2009 in respect of some principal heads of revenue, as furnished by the departments, amount to Rs. 722.12 crore, of which Rs. 342.36 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 2009	Amount outstanding for more than five years as on 31 March 2009	Remarks
1	Sales tax, cess on specified land, other taxes on income & expenditure, professional etc., taxes on agricultural income, other taxes and duties on commodities & services	667.23	326.56	Arrears were due to non-payment of taxes by the dealers and cases pending with the Recovery Officers.
2	Forestry and wildlife	6.09	1.31	Reasons not furnished by the department, though called for.
3	Royalty on coal, lignite and limestone	3.67	2.40	The arrears relate to non-payment of royalty on coal and limestone by the Assam Mineral Development Corporation Limited and NECEM, VCL & AMDC Ltd.
4	Land revenue	45.13	12.09	The reasons for arrears were : (i) non-partition of revenue tea gardens and estates. (ii) Landowners affected by flood and erosion and unable to pay land revenue timely.
Total		722.12	342.36	

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 2006-07 to 2008-09 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						
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
2008-09	11,108	9,004	20,112	9,781	10,331	49
Profession and employment tax						
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
2008-09	41,519	37,805	79,324	40,470	38,854	51
Agricultural income tax						
2006-07	1,432	895	2,327	606	1,721	26
2007-08	1,721	895	2,616	1,109	1,507	42
2008-09	1507	915	2422	881	1541	36

1.6 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 (IR). 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 2008 disclosed that 3,685 paragraphs relating to 1,364 IRs remained outstanding at the end of June 2009 as mentioned in Annexure-I. Even the first replies, which were required to be received from the head of offices within six weeks from the date of issue, were not received for 689 IRs issued between April 1994 and December 2008. As a result, irregularities pointed out in 1,968 paragraphs involving Rs. 241.85 crore had not been settled as of June 2009.

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.

1.7 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 2008-09 one (Motor Vehicles) out of the eight departments convened meetings of the audit committee in which 264 paragraphs were settled. This indicates that other departments did not make effective use of the machinery created for expeditious settlement of outstanding audit observations.

1.8 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 PAG (Audit)'s 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 this Audit Report.

Draft paragraphs/reviews included in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2009 were forwarded to the Secretaries of the departments between April and May 2009 through demi official letters with the request to furnish their replies/comments within six weeks. Out of 29 draft paragraphs/reviews incorporated in this report, replies either part or full, of the departmental officers in respect of four draft paragraphs had been received (September 2009).

1.9 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 2008 was tabled in the Legislative Assembly on 7 March 2009. 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. Their reply is awaited (September 2009).

1.10 Compliance with the earlier Audit Reports

During the years from 2002-03 to 2007-08 the departments/Government accepted audit observations involving Rs. 79.87 crore of which only Rs. 14.36 crore had been recovered till March 2009 as mentioned below:

(Rupees in crore)			
Year of Audit Report	Total money value	Accepted money value	Recovery made
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
Total	1931.80	79.87	14.36

The above table indicates that amount recovered was only 17.98 *per cent* of the accepted amount while the Government/departments have accepted only four *per cent* of the cases included in the Audit Reports. However, an analysis of accepted cases and recovery made in respect of Audit Reports for the years 2002-03 to 2006-07 reveals that both the position remains static as compared to those included in the Audit Report of the preceding year (2007-08).

1.11 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 2008-09 revealed under assessment/short levy/short demand/ loss of revenue amounting to Rs. 1,255.24 crore in 470 cases. During the course of the year, the concerned departments accepted under assessment, short levy etc., of Rs. 79 lakh pointed out during 2008-09 and earlier years of which Rs. 2.26 lakh was recovered at the instance of audit. No replies have been received in respect of the remaining cases.

This report contains 29 paragraphs including four reviews relating to non/short levy of taxes, duties, interest and penalty etc., involving Rs. 1,155.59 crore. The department accepted audit observation involving Rs. 53.96 lakh. No reply has been furnished in other cases (September 2009). These are discussed in succeeding chapters II to IV.