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**REPORT OF THE  
COMPTROLLER AND AUDITOR  
GENERAL OF INDIA**

**FOR THE YEAR ENDED 31 MARCH 2006**

**(REVENUE RECEIPTS)**

**GOVERNMENT OF ASSAM**

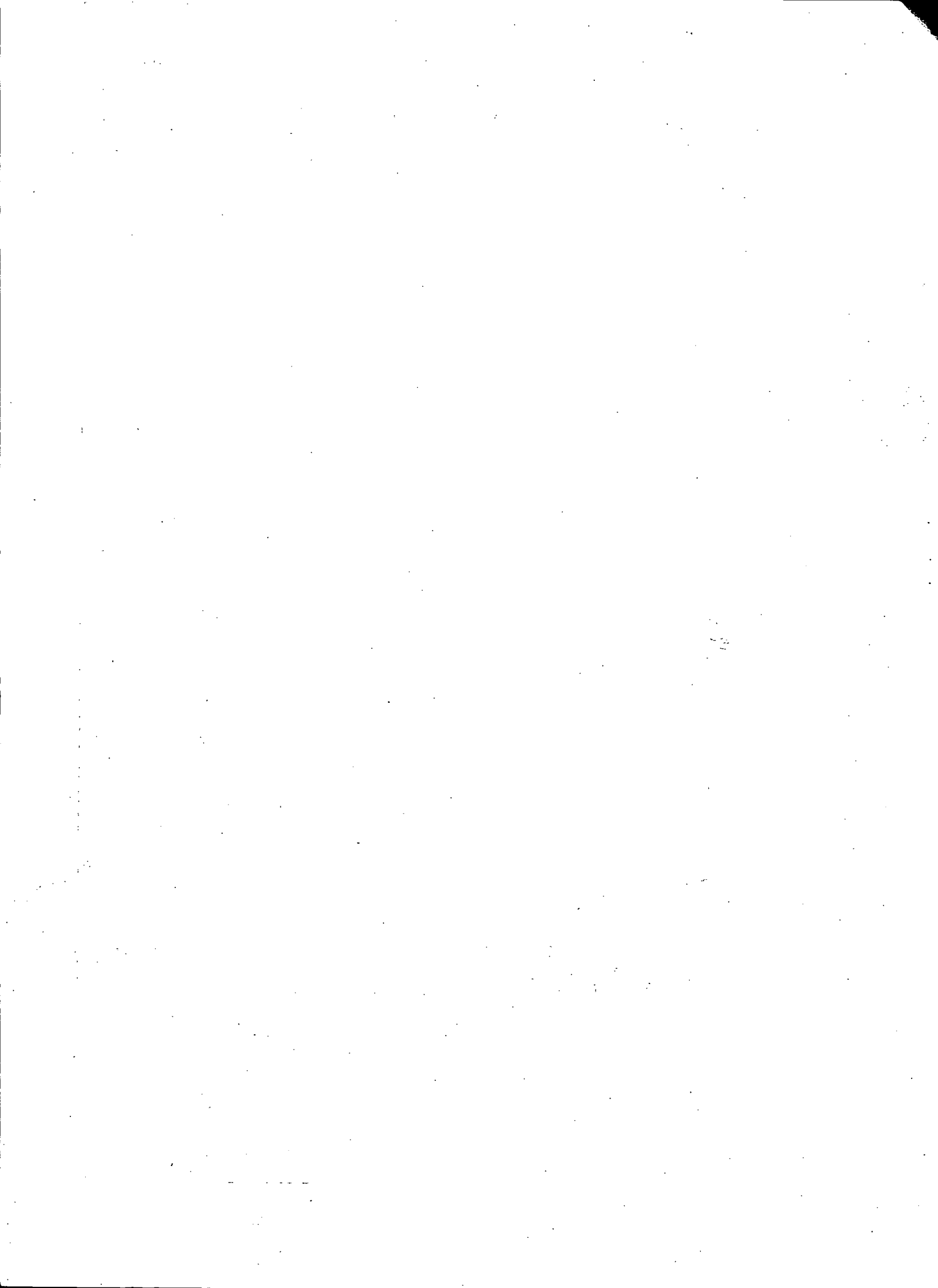
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2006

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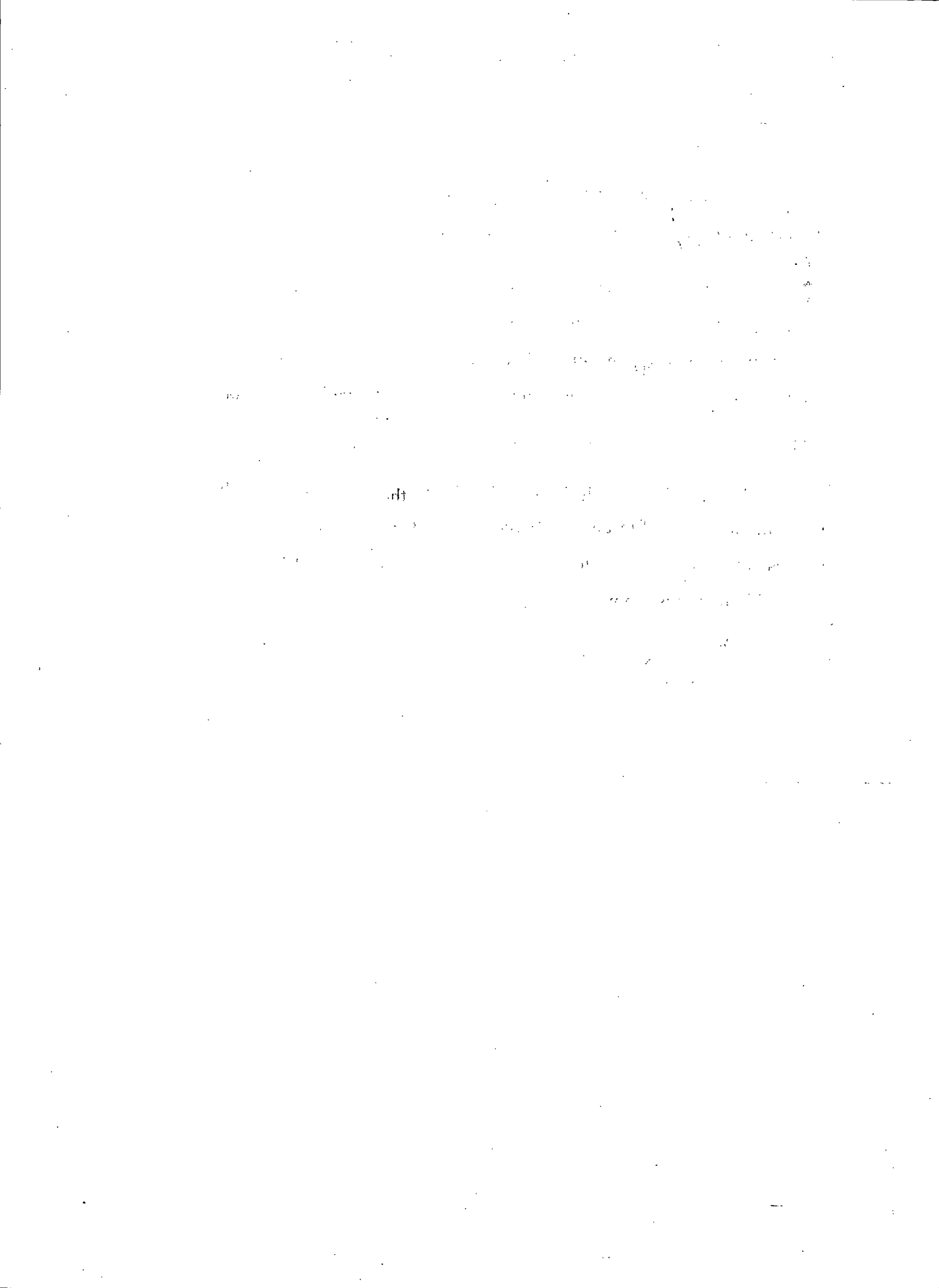
## PREFACE

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This report for the year ended 31 March 2006 has been prepared for submission to the Governor under Article 151(2) of the Constitution.

The audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This report presents the results of audit of receipts comprising sales tax, state excise, other tax and non tax receipts of the State.

The cases mentioned in this report are among those, which came to notice in the course of test audit of records during the year 2005-2006 as well as those which came to notice in earlier years but could not be included in previous reports.





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## OVERVIEW

This Report contains 26 paragraphs including two reviews, relating to non/short levy of taxes, fees, interest and penalty etc. involving Rs. 920.60 crore. Some of the major findings are mentioned below:

### I. GENERAL

Total receipts of the State during 2005-2006 amounted to Rs. 12045.39 crore of which revenue raised by the State Government was Rs. 4691.49 crore. The revenue raised by the State Government constituted 39 *per cent* of the total receipts of the State and showed 1 *per cent* increase over 2004-2005.

(Paragraph 1.1)

The arrears of revenue as on 31 March 2006 in respect of some principal heads of revenue amounted to Rs. 767.51 crore of which Rs. 164.30 crore were outstanding for more than five years.

(Paragraph 1.5)

In respect of taxes administered by the Finance Department, such as sales tax and other taxes, 88,695 assessments were completed during 2005-2006 leaving balance of 78,763 cases pending for assessments as on 31 March 2006.

(Paragraph 1.6)

Test check of records of sales tax, taxes on vehicles, state excise, forest receipts, other tax and non tax receipts conducted during the year 2005-2006 revealed under assessment/short levy/short demand and loss of revenue amounting to Rs. 992.74 crore in 2,518 cases. The concerned departments accepted under assessment, short levy etc. of Rs. 0.81 crore pointed out in 2005-2006 and earlier years and recovered Rs. 0.18 crore.

(Paragraph 1.7)

## II. SALES TAX

Failure of the assessing officer to assess the entire turnover of a dealer resulted in short levy of tax of Rs. 14.54 crore including interest

(Paragraph 2.2)

Failure of the assessing officers to detect suppression of turnover resulted in short levy of tax of Rs. 14.86 crore including penalty.

(Paragraph 2.3)

Short levy of tax of Rs. 1.59 crore (including interest) due to acceptance of invalid forms by the assessing officer.

(Paragraph 2.4)

Incorrect adjustment of tax by the assessing officer resulted in excess allowance of credit of tax of Rs. 36 lakh.

(Paragraph 2.5)

Misclassification of goods resulted in non/short levy of tax of Rs. 61.05 lakh.

(Paragraph 2.8)

Interest of Rs. 21.93 lakh in 11 cases was either not levied or levied short by the assessing officers.

(Paragraph 2.9)

Failure of the assessing officer to cross verify declaration forms resulted in evasion of tax of Rs. 48.49 lakh including interest.

(Paragraph 2.13)

Incorrect grant of exemption on inter state sale resulted in non/short levy of tax of Rs. 4.81 crore.

(Paragraph 2.14)

Incorrect grant of exemption from payment of tax resulted in short levy of tax of Rs. 1 crore.

(Paragraph 2.15)

### III. STATE EXCISE

A review on 'Receipts in the State Excise department' revealed that:

Non/short lifting of country spirit against permits resulted in loss of revenue of Rs. 8.89 crore.

(Paragraph 3.2.9)

Non transfer of 3998 cases of India made foreign liquor/beer from a non functioning bonded warehouse resulted in blockage of excise duty of Rs. 11.68 lakh.

(Paragraph 3.2.11)

Inadmissible godown loss allowed to bonded warehouses/distilleries resulted in loss of revenue of Rs. 1.65 crore.

(Paragraph 3.2.12)

Allowing transit loss in excess of permissible limit resulted in loss of revenue of Rs. 76.21 lakh.

(Paragraph 3.2.13)

Failure to ensure the minimum stock balance in country spirit warehouses resulted in loss of excise duty of Rs. 33.23 lakh.

(Paragraph 3.2.14)

### IV. TAXES ON MOTOR VEHICLES

Failure of the department to review the combined registers and raise demand for payment of taxes on vehicles resulted in non realisation of Rs. 43.48 lakh.

(Paragraph 4.2)

Non assignment of new registration number to vehicles from other States resulted in non collection of registration fee/tax amounting to Rs. 8.88 lakh.

(Paragraph 4.4)

**V. OTHER TAX RECEIPTS**

Failure to levy and collect stamp duty at revised rates resulted in short realisation of Rs. 6.83 lakh.

(Paragraph 5.2)

**VI. NON TAX RECEIPTS**

Inaccurate quantification of forest produce and non disposal thereof through tender or auction at competitive rates resulted in loss of revenue of Rs. 72.70 lakh.

(Paragraph 6.2)

Failure of the divisional officers to collect royalty at revised rates resulted in short realisation of revenue of Rs. 15.74 lakh.

(Paragraph 6.4)

A review on "Interest Receipts" revealed the following :

Interest and penal interest of Rs. 55.06 crore recoverable were neither worked out nor demanded by Industries and Commerce Department.

(Paragraph 6.6.11)

Interest and penal interest of Rs. 65.67 crore recoverable were neither worked out nor demanded by Urban Development Department.

(Paragraph 6.6.13)

No action was taken by the Co-operation Department for recovery of interest and penal interest of Rs. 25.50 crore.

(Paragraph 6.6.14)

## CHAPTER – I: GENERAL

### 1.1 Trend of Revenue Receipts

The tax and non tax revenue raised by the Government of Assam during the year 2005-06, 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 given below:

(Rupees in crore)						
Sl. No.	Particulars	2001-2002	2002-2003	2003-2004	2004-2005	2005-06
<b>I.</b>	<b>Revenue raised by the State Government</b>					
	Tax revenue	1,556.95	1,934.51	2,070.32	2,713.32	3,232.21
	Non tax revenue	533.20	692.97	945.80	1,070.03	1,459.28
	<b>Total</b>	<b>2,090.15</b>	<b>2,627.48</b>	<b>3,016.12</b>	<b>3,783.35</b>	<b>4,691.49</b>
<b>II.</b>	<b>Receipts from the Government of India</b>					
	State's share of divisible Union taxes	1,705.91	1,814.36	2,162.07	2,584.33	3,056.78 <sup>1</sup>
	Grants in aid	2,168.80	2,351.50	2,586.91	3,569.59	4,297.12
	<b>Total</b>	<b>3,874.71</b>	<b>4,165.86</b>	<b>4,748.98</b>	<b>6,153.92</b>	<b>7,353.90</b>
<b>III.</b>	<b>Total receipts of the State</b>	<b>5,964.86</b>	<b>6,793.34</b>	<b>7,765.10</b>	<b>9,937.27</b>	<b>12,045.39</b>
<b>IV.</b>	<b>Percentage of I to III</b>	<b>35</b>	<b>39</b>	<b>39</b>	<b>38</b>	<b>39</b>

<sup>1</sup> Note : For details, please see statement No.11 Detailed Accounts of Revenue by Minor Heads in the Finance Accounts of Government of Assam for 2005-2006. 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 details of tax revenue raised during the year 2005-2006 along with the figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Head of Revenue	2001-2002	2002-2003	2003-2004	2004-2005	2005-06	Percentage of Increase (+) or decrease (-) in 2005-2006 over 2004-2005
1.	Sales tax	1,072.76	1,440.90	1,551.06	2,098.58	2,568.41	(+) 22
2.	State excise	150.91	121.67	129.29	144.06	160.40	(+) 11
3.	Stamps and registration fees	41.97	50.00	62.02	72.31	85.88	(+) 19
4.	Taxes and duties on electricity	2.89	12.82	2.73	61.84	13.29	(-) 78
5.	Taxes on vehicles	93.59	116.28	124.00	134.72	155.91	(+) 16
6.	Taxes on goods and passengers	9.71	13.30	16.99	15.88	61.52	(+) 287
7.	Other taxes on income and expenditure – Tax on professions, trades, callings and employments	73.25	81.19	86.75	94.74	99.80	(+) 5
8.	Other taxes and duties on commodities and services	32.92	33.58	32.18	27.66	5.10	(-) 82
9.	Land revenue	63.26	62.12	62.12	58.30	74.65	(+) 28
10.	Taxes on agricultural Income	15.26	2.53	3.18	5.22	7.02	(+) 34
11.	Hotel receipt tax	0.02	Nil	Nil	Nil	Nil	
12.	Taxes on immovable properties other than agriculture land	0.41	0.12	Nil	0.01	0.23	(+) 2200
	<b>Total:</b>	<b>1,556.95</b>	<b>1,934.51</b>	<b>2,070.32</b>	<b>2,713.32</b>	<b>3,232.21</b>	<b>(+) 19</b>

Reasons for variation in receipts under the following heads of revenue during 2005-2006 compared to 2004-2005 as intimated by the departments are given below:

**Sales tax :** Increase (22 per cent) was due to introduction of VAT

**State excise :** Increase (11 per cent) was due to revision of rates of licence fee and introduction of availability fee.

**Taxes and duties on electricity :** Decrease (78 per cent) was due to sanction of less amount as grants in aid to ASEB by the Government for payment of arrear dues under AED Act.

**Agricultural income tax :** Increase (34 per cent) was due to improvement of market condition of Indian Tea in the international market.

Reasons for variations relating to other heads of revenue, though called for have not been received (October 2006).

**1.1.2** The details of the non tax revenue raised during the year 2005-2006 along with the figures for the preceding four years are given below:

**(Rupees in crore)**

Sl. No.	Head of Revenue	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Percentage of Increase (+) or decrease (-) in 2005-2006 over 2004-2005
1.	Petroleum	454.58	572.83	721.03	885.87	1,216.16	(+) 37
2.	Interest receipts	3.09	3.07	5.89	10.06	36.41	(+) 262
3.	Dairy development	0.06	0.22	0.11	0.11	0.04	(-) 64
4.	Forestry and wild life	15.25	23.44	36.76	25.68	38.42	(+) 50
5.	Non-ferrous mining and metallurgical industries	0.44	0.98	0.28	0.76	0.43	(-) 43
6.	Miscellaneous general services (including lottery receipts)	(-) 0.07	0.13	0.02	NIL	(-) 0.16	(-) 16
7.	Major and medium irrigation project	0.18	0.28	0.25	0.26	0.21	(-) 19
8.	Medical and public health	7.21	5.82	4.16	4.77	3.50	(+) 27
9.	Co-operation	0.19	0.24	0.29	0.25	0.38	(+) 52
10.	Public works	1.57	3.15	5.86	4.62	4.17	(-) 10
11.	Police	7.30	9.32	11.95	11.65	14.90	(+) 28
12.	Other administrative services	6.88	9.41	9.90	45.05	11.11	(-) 75
13.	Coal and lignite	9.54	8.36	47.65	12.79	15.03	(+) 18
14.	Roads and bridges	3.29	17.63	28.53	20.10	42.00	(+) 109
15.	Others	23.69	38.09	73.12	48.06	76.68	(+) 60
	<b>Total:</b>	<b>533.20</b>	<b>692.97</b>	<b>945.80</b>	<b>1,070.03</b>	<b>1,459.28</b>	<b>(+) 36</b>

Reasons for variations under the following heads of revenue during 2005-2006 compared to 2004-2005 as intimated by the departments are given below:

**Petroleum:** Increase (37 per cent) was due to increase in rates of royalty of crude oil.

**Forestry and wildlife :** Increase (50 per cent) was mainly due to increase in sale of timber and other forest produce.

**Coal and lignite :** Increase (18 per cent) was due to increase in production/despatch of coal.

Reasons for variations relating to other heads of revenue, though called for, have not been received (October 2006).

### 1.2 Variations between budget estimate and actuals

The budget estimates and actuals for 2005-2006 and variation thereagainst under various heads of revenue are detailed below:

(Rupees in crore)

Sl. No.	Head of revenue	Budget Estimate	Actuals	Variations Increase (+) Decrease (-)	Percentage of variation
(1)	(2)	(3)	(4)	(5)	(6)
<b>Tax Revenue</b>					
1.	Sales Tax	2425.86	2568.41	(+) 142.59	(+) 6
2.	Land revenue	129.31	74.65	(-) 54.66	(-) 42
3.	Taxes on agriculture Income	7.70	7.02	(-) 0.68	(-) 9
4.	Taxes on vehicles	158.32	155.91	(-) 2.41	(-) 2
5.	State excise	172.15	160.40	(-) 11.75	(-) 7
6.	Other taxes on income & expenditure	150.71	99.80	(-) 50.91	(-) 34
7.	Stamps & registration Fees	79.19	85.88	(+) 6.69	(+) 8
8.	Taxes on goods & passengers	21.70	61.52	(+) 39.82	(+) 183
9.	Other taxes and duties on commodities and services	49.95	5.10	(-) 44.85	(-) 90
10.	Taxes and duties on electricity	3.48	13.29	(+) 9.81	(+) 282
<b>Non Tax Revenue</b>					
1.	Petroleum	820.00	1216.16	(+) 396.16	(+) 48
2.	Forestry & wildlife	41.31	38.42	(-) 2.89	(-) 7
3.	Police	13.43	14.90	(+) 1.47	(+) 11
4.	Other administrative service	26.09	11.11	(-) 14.98	(-) 57
5.	Coal and lignite	30.00	15.03	(-) 14.97	(-) 50
6.	Village and small industries	1.14	3.13	(+) 1.99	(+) 175
7.	Roads & bridges	32.05	42.00	(+) 9.95	(+) 31
8.	Interest receipts	6.63	36.41	(+) 29.78	(+) 449
9.	Dairy development	0.12	0.04	(-) 0.08	(-) 67
10.	Non ferrous mining & metallurgical industries	0.32	0.43	(+) 0.11	(+) 34
11.	Major and medium irrigation	0.30	0.21	(-) 0.09	(-) 30
12.	Medical & public health	4.67	3.50	(-) 1.17	(-) 25
13.	Co-operation	0.33	0.38	(+) 0.05	(+) 15
14.	Public works	6.58	4.17	(-) 2.41	(-) 37
15.	Education	42.70	27.15	(-) 15.55	(-) 36



Reasons for variations in budget estimates and the actuals under the following heads of revenue as reported by the departments is given below:

**Taxes and duties on electricity :** Increase (282 per cent) due to sanction of grants-in-aid to ASEB for payment of their outstanding arrear dues.

**Petroleum:** Increase (48 per cent) was due to increase in royalty rates of crude oil.

Reasons for substantial variation in respect of remaining heads of revenue, though called for, have not been received (October 2006).

### 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 2003-2004, 2004-2005 and 2005-2006 along with the relevant all India average percentage of expenditure as available are given below:

(Rupees in crore)

Sl. No.	Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage
1.	Sales tax	2003-2004	1,551.06	16.14	1.04	0.95
		2004-2005	2,098.58	14.70	0.70	
		2005-2006	2,568.41	19.00	0.74	
2.	Taxes on vehicles	2003-2004	124.00	5.89	4.75	2.74
		2004-2005	134.72	6.33	4.70	
		2005-2006	155.91	8.15	5.23	

It would be seen from the above that percentage of expenditure on collection to gross collection was higher than the all India average in respect of taxes on vehicles.

### 1.4 Collection of sales tax per assessee

The collection of sales tax per assessee during 2002-2003, 2003-2004 and 2005-2006 increased by 50 per cent compared to collection per assessee during 2001-2002 as shown below:

(Rupees in crore)

Year	No. of assessees	Sales tax revenue	Revenue/assessee
2001-2002	46,971	1,072.76	0.02
2002-2003	49,979	1,440.90	0.03
2003-2004	53,997	1,551.06	0.03
2004-2005	55,257	2,098.58	0.04
2005-2006	83,772	2568.41	0.03

**1.5 Analysis of arrears of revenue**

The arrears of revenue as on 31 March 2006 in respect of some principal heads of revenue amounted to Rs. 767.51 crore of which Rs. 164.30 crore was outstanding for more than five years as detailed in the following table:

(Rupees in crore)

Sl. No.	Head of Revenue	Amount outstanding as on 31 March 2006	Amount outstanding for more than 5 years as on 31 March 2006	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	652.29	130.65	Out of the total arrear Rs. 652.29 crore, Rs. 597.30 crore relates to Sales Tax, Rs. 26.21 crore relates to cess on specified land, Rs. 2.15 crore relates to Income & Expenditure, Rs. 23.09 crore relates to Agricultural Income Tax and Rs. 3.54 crore relates to other Taxes and Duties on Commodities and Services. Arrears were due to non payment of taxes by the Government Department/ Undertakings/assesses etc. and also due to pending cases under litigation.
2	Forestry and wildlife	8.83	5.85	Non payment of forest royalty and non realisation from Bakijai cases.
3	Royalty on coal, lignite and limestone	1.33	0.81	The arrears relate to non payment of royalty on coal and limestone by the Assam Mineral Development Corporation Limited and M/s Vinay Cement Limited.
4	Land revenue	67.05	8.17	The reasons for arrears were indifferent attitude of the <i>pattadars</i> , yearly flood havoc, poor agricultural output etc.
5.	Police	7.83	Not furnished.	The arrears relate to non payment of cost of police guards by the Airport Authority of India.
6.	Irrigation	29.21	17.85	The arrears relate to non payment of service charges by the cultivators as their crops were damaged by flood.
7.	Industry	0.97	0.97	Non payment of rent.
	<b>Total:</b>	<b>767.51</b>	<b>164.30</b>	

### 1.6 Arrear in assessments

The position of arrears in assessment of sales tax and other taxes as at the end of the year 2005-2006 are shown below:

Head of revenue	Opening balance <sup>2</sup>	New cases for assessment	Total assessment due	Cases disposed of	Balance at the end of the year	Percentage of Col. 5 to 4
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Sales Tax & other taxes	37,388	48,567	85,955	50,196	35,759	58
Assam professional & employment tax	41,620	37,525	79,145	37,573	41,572	47
Agricultural income tax	1,307	1,051	2,358	926	1,432	39
<b>Total:</b>	<b>80,315</b>	<b>87,143</b>	<b>1,67,458</b>	<b>88,695</b>	<b>78,763</b>	<b>53</b>

It would be seen from the above that the department was able to complete only 53 per cent of the total cases due for collection.

Reasons for not completing assessment in the remaining cases have not been intimated by the department (October 2006).

### 1.7 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 2005-2006 revealed underassessment/short levy/short demand/loss of revenue amounting to Rs. 992.74 crore in 2,518 cases. The concerned departments accepted under assessment, short levy etc., of Rs. 0.81 crore pointed out in 2005-2006 and earlier years and recovered Rs. 0.18 crore.

This report contains 26 paragraphs including two reviews relating to non/short levy of taxes, duties, interest and penalty etc. involving Rs. 920.60 crore. The department accepted the audit observation involving Rs. 1.63 crore out of which Rs. 0.04 crore has been recovered. No reply has been received in the remaining cases (October 2006).

### 1.8 Outstanding audit inspection reports and audit observations

Principal Accountant General (Audit) [PAG (Audit)] arranges to conduct periodical inspection of the State Government departments to test check 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

<sup>2</sup> The variation between the closing balance of 2004-05 and opening balance of 2005-06 was due to rectification of figure under Assam Amusement and Betting Taxation Act as stated by the department.

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 2005 disclosed that 4,494 paragraphs relating to 1,495 IRs remained outstanding at the end of June 2006 as detailed in Appendix - 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 607 IRs issued between April 1994 and June 2006. As a result, serious irregularities commented upon in 1,746 paragraphs involving Rs. 293.95 crore had not been settled as of June 2006.

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 department take prompt and timely action.

#### **1.9 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 2005-2006 only one (Transport) out of the eight Government departments convened meetings of the audit committee. This indicates that other departments did not make effective use of the machinery created for expeditious settlement of outstanding audit observations.

#### **1.10 Response of the departments to draft audit paragraphs**

As per 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 2006 were forwarded to the secretaries of the departments in April-May 2006 through demi official letters with the request to furnish their replies/comments within six weeks. Out of 38 draft paragraphs/reviews (clubbed into 26 paragraphs/reviews) incorporated in this report, replies of the departmental officers in respect of 10 draft paragraphs had been received (July 2006). Replies from the Government had not been received in any of the cases (October 2006).

**1.11 Follow up on Audit Reports – summarised position**

As per 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 this 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 2004 and 2005 were laid on the table of legislature on 8 August 2005 and 8 February 2006 respectively. The time limit for furnishing the ATNs had lapsed. Non furnishing of ATNs was taken up through demi official letters with the Commissioner and Secretary to Government of Assam, Finance Department. Only one department (Mines and Minerals) furnished in April 2006 ATNs in respect of one review featured in the Audit Report (Revenue Receipts) for the year ended March 2004.

This indicated that there was laxity in ensuring accountability of the executives.

**1.12 Recovery of revenue of accepted cases**

During the years between 2000-01 and 2004-05 the department/Government accepted audit observations involving Rs.73.75 crore of which only an amount of Rs.2.67 crore was recovered till 31 March 2006 as detailed below:

(Rupees in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made	Remarks
2000-01	104.66	2.16	0.30	Out of Rs.2.16 crore, Rs.1.61 crore relates to Finance (Taxation) Department and Rs. 0.55 crore to State Excise Department. Of the accepted amount recovery of Rs. 0.30 crore was made by Finance (Taxation) Department
2001-02	43.32	11.77	0.57	Out of Rs.11.77 crore, Rs.7.36 crore relates to Finance (Taxation) Department, Rs.4.31 crore to Irrigation Department and Rs.0.10 crore to State Excise Department respectively. Out of the accepted amount recovery of Rs.0.01 crore and Rs. 0.56 crore was made by the Irrigation and Finance (Taxation) Department respectively.
2002-03	97.69	51.54	0.34	Out of Rs.51.54 crore, Rs.13.28 crore relates to Finance (Taxation) Department and Rs.38.26 crore to Mines and Minerals Department. Out of accepted amount, Finance (Taxation) Department recovered Rs. 0.34 crore.
2003-04	413.82	3.35	0.22	The accepted cases and recovery relate to Finance (Taxation) Department.
2004-05	71.89	4.93	1.24	Out of Rs.4.93 crore, Rs.2.30 crore relates to Finance (Taxation) Department, Rs.1.13 crore to Transport Department and Rs.1.50 crore to Mines and Minerals Department. Out of the accepted amount, recovery of Rs.0.72 crore and Rs. 0.52 crore was made by the Irrigation and Finance (Taxation) Department respectively.
<b>Total</b>	<b>731.38</b>	<b>73.75</b>	<b>2.67</b>	

Out of five departments, State Excise and Mines and Minerals Department could not furnish the position of recoveries of accepted cases (October 2006). This indicated that there was laxity in ensuring recoveries of accepted cases in respect of these two departments.

Out of amount of Rs. 73.75 crore accepted for recovery; the recovery actually made was Rs. 2.67 crore only during the last five years 2000 — 01 to 2004 – 05 which represents 3.62 *per cent*. This indicates that recovery was not satisfactory.

## CHAPTER – II : SALES TAX

### 2.1 Results of audit

Test check of records of the sales tax offices, conducted during the year 2005-06 revealed turnover escaping assessment, non/short levy of tax due to incorrect grant of exemption, incorrect acceptance of declaration forms, non/short levy of interest, application of incorrect rate of tax etc. amounting to Rs. 91.51 crore in 170 cases, which fall under the following categories.

(Rupees in crore)			
Sl. No.	Category	Number of cases	Amount
1.	Non/Short levy of tax	9	1.53
2.	Incorrect grant of exemption	26	11.31
3.	Turnover escaping assessment	14	23.23
4.	Application of incorrect rate of tax	11	2.89
5.	Non/short levy of interest	17	0.49
6.	Incorrect acceptance of declaration forms	11	3.09
7.	Other irregularities	82	48.97
<b>Total</b>		<b>170</b>	<b>91.51</b>

During the year 2005-06, the department accepted non/short levy of interest, incorrect adjustment of challans amounting to Rs. 0.21 crore in seven cases pointed out during 2005-06 and recovered Rs. 0.11 crore in two cases.

A few illustrative cases involving Rs. 39.49 crore are given in the following paragraphs:

## **2.2 Escapement of turnover**

Under the Assam General Sales Tax Act, 1993 (AGST Act), read with the Central Sales Tax Act, 1956 (CST Act), if any part of the turnover of a dealer in respect of any period has escaped assessment to tax, the assessing officer (AO) may within eight years from the end of the relevant year make a reassessment of the dealer. If a dealer fails to pay the full amount of tax payable by him by the due date, he is liable to pay interest at the rate prescribed on the amount of tax due.

**2.2.1.** Test check of assessment records of Superintendent of Taxes, Hailakandi revealed in September 2005 that the AO finalised assessment of a dealer for the year 1999-2000 in March 2004. While finalising the assessment under AGST Act, AO accepted turnover of Rs. 130.87 crore on account of interstate sale and noted the same in the assessment order sheet. But while finalising the assessment under the CST Act turnover of Rs. 69.02 crore was taken into account instead of Rs. 130.87 crore. This resulted in escapement of turnover of Rs. 61.85 crore under CST Act and short levy of tax of Rs. 6.18 crore besides interest of Rs. 8.04 crore.

The case was reported to the department and Government in March 2006 followed by reminder in June 2006; their replies have not been received (October 2006).

**2.2.2.** Test check of assessment record of Superintendent of Taxes, Nagaon in May - June 2005 revealed that the AO while finalising in March 2004 the assessment of a dealer engaged in manufacture of sugar and molasses for the year 2000-01 determined taxable turnover of Rs. 5.19 lakh. Cross verification by audit of assessment records of the dealer with the records of Central Excise Department (CED)<sup>#</sup> revealed that taxable turnover aggregating Rs. 71.43 lakh had escaped assessment. This resulted in short levy of tax and interest of Rs. 32.37 lakh.

The case was reported to the department and Government in March 2006 followed by reminder in June 2006; their replies have not been received (October 2006).

## **2.3. Evasion of tax due to concealment of turnover**

Under the AGST Act, read with CST Act, if a dealer conceals the particulars of his turnover, he shall pay by way of penalty, in addition to tax, additional tax and interest, a sum not exceeding one and half times the amount of tax sought to be evaded.

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<sup>#</sup> value/quantity of excisable goods clearance



**2.3.1.** Test check of records of Superintendent of Taxes, Guwahati 'D' revealed between April and September 2005 that while finalising the assessment of six dealers between March 2002 and January 2005 for the years from 1999-2000 to 2003-04, the AO assessed their turnover as Rs. 25.62 crore on account of stock transfer of goods. Scrutiny of records, however, revealed that dealers had actually received goods valued at Rs. 34.70 crore as stock transfer. This resulted in escapement of turnover of Rs. 9.08 crore and evasion of tax of Rs. 2.86 crore including interest and penalty.

After this was pointed out, the department stated in July 2006 that demand notice for Rs. 53.64 lakh was issued in one case. Report of realisation and reply in other cases has not been received (October 2006).

**2.3.2** Test check of records of Superintendent of Taxes, Tinsukia revealed in September 2005 that a dealer had shown the opening stock of finished goods of Rs.10.76 lakh during the year 2001-02. Scrutiny of records revealed that there was a closing stock of Rs. 67.09 lakh during 2000-01. Failure of the assessing officer to cross verify the records while finalizing the assessment in March 2005 resulted in escapement of turnover of Rs. 56.33 lakh and evasion of tax of Rs. 16.47 lakh including interest and penalty.

The matter was reported to the department and Government in March 2006, their replies have not been received (October 2006).

The cases were reported to Government in February – March 2006 followed by reminder in June 2006; their replies have not been received (October 2006).

**2.3.3.** As per instructions issued (January 1996/1998) by the Commissioner of Taxes, Assam, every AO while completing assessment of a tea estate should verify records maintained by the CED to prevent leakage of Government revenue.

Test check of assessment records of Superintendent of Taxes, Guwahati Unit-B, Sibsagar and Jorhat revealed between October 2004 and December 2005 that the AOs while finalising assessment between May 2002 and March 2005 of five dealers for the years 2000-01 to 2003-04 determined taxable turnover aggregating Rs. 46.04 crore. However cross verification by audit of assessment records of the dealers vis-à-vis value of excisable goods cleared by the manufacturers as per information obtained from the CED revealed that taxable turnover was Rs. 74.55 crore. As such turnover of Rs.28.50 crore was suppressed by the dealers. Thus, failure of the AO to cross verify the records of CED resulted in evasion of tax of Rs. 11.55 crore including interest and penalty.

The cases were reported to the department, and Government in August, December 2005 and January 2006 followed by reminder in June 2006; their replies have not been received (October 2006).

**2.3.4** Test check of assessment records of Superintendent of Taxes, Nagaon and Sibsagar revealed between May and December 2005 that the AOs while finalising assessments in March 2003 and March 2004 of three dealers for the years 1999-2000 to 2001-02 determined production/clearance of tea aggregating 22.94 lakh kgs. However, cross verification by audit of assessment records of the dealers with the records of CED revealed that 24.22 lakh kgs tea was cleared by the dealer. Thus 1.28 lakh kgs. tea valued at Rs. 95.89 lakh was suppressed by the dealers. This resulted in evasion of tax of Rs. 29.32 lakh.

The cases were reported to the department and Government in August 2005 and January 2006 followed by reminder in June 2006; their replies have not been received (October 2006).

## **2.4 Incorrect acceptance of declaration forms**

**2.4.1** The Commissioner of Taxes, Assam vide circular dated 2 February 2000 declared all the old declaration forms 'A' printed on plain paper, and not used by dealers before 21 February 2000, as obsolete and invalid.

Test check of assessment records of Superintendent of Taxes, Mangaldoi revealed in February - March 2005 that the AO while finalising assessment of a dealer between October 2002 and December 2003 for the years 1999-2000 and 2000-01 exempted turnover of Rs. 2.47 crore from levy of tax supported by six obsolete and invalid declarations in form 'A' used by dealers during the period between March 2000 and April 2001. This resulted in short levy of tax of Rs. 16.33 lakh and interest of Rs. 20.06 lakh.

The case was reported to the department and Government in March 2006 followed by reminder in June 2006; their replies have not been received (October 2006).

**2.4.2.** The Commissioner of Taxes, Nagaland, Dimapur vide letter dated 20 February 2002 intimated the Commissioner of Taxes, Assam, Guwahati that certain series of form 'C' and form 'F' had been declared obsolete and invalid with effect from 11 June 2001. The Commissioner of Taxes, Nagaland further clarified that the said declaration forms shall neither be used nor issued after 11 June 2001.

Test check of assessment records of four superintendents of taxes<sup>1</sup> revealed between April and September 2005 that the AOs while finalising the assessments of 11 dealers for the year 2001-02 and 2002-03 accepted 34 obsolete and invalid declarations in form 'C' and 'F' involving a turnover of Rs. 8.89 crore and allowed concessional rate of tax. The dealers had used these

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<sup>1</sup> Guwahati Unit-A, Unit-C, Unit-D and Jorhat

forms after 11 June 2001. This resulted in short levy of tax of Rs. 1.23 crore including interest of Rs. 0.53 crore.

After this was pointed out, the department stated in July 2006 that demand notice for Rs. 30.63 lakh was issued in one case. However report on realisation is awaited. Reply in other cases has not been received (October 2006).

The cases were reported to Government in November 2005 and January 2006 followed by reminder in June 2006; their replies have not been received (October 2006).

## **2.5 Excess allowance of credit of tax**

Under the AGST Act, and Rules made thereunder, every registered dealer is required to submit a copy of treasury challans as a token of full payment of tax paid on his taxable turnover alongwith the monthly statement/annual return of turnover.

Test check of assessment records of Superintendent of Taxes, Guwahati Unit – A revealed in July - September 2005 that the AO allowed credit of tax of Rs. 1.44 crore in March 2005 against assessed tax of Rs. 0.70 crore to a dealer for the year 2001-02. It was however, observed that the dealer had actually paid tax of only Rs.1.08 crore during the year 2001-02 and Rs. 0.36 crore was either deposited during the year 1999-2000 and 2002-03. This resulted in excess allowance of credit of tax of Rs. 0.36 crore during the year 2001-02.

The case was reported to the department and Government in February 2006 followed by reminder in June 2006; their replies have not been received (October 2006).

## **2.6 Short levy of tax due to incorrect deduction of value of declared goods**

Under the AGST Act, taxable turnover of a work contractor of the nature of civil work is determined after reducing the gross turnover by the turnover relating to declared goods purchased locally in Assam on payment of tax and charges incurred towards labour and other charges. No deduction is allowed in respect of declared goods purchased from outside the State.

Test check of assessment records of three superintendents of taxes<sup>2</sup> revealed between April and December 2005 that the AOs, while finalising assessments of three dealers in September 2003, May and October 2004 for the years 2000-01 and 2002-03 allowed deduction of Rs. 2.24 crore towards declared goods purchased from outside the state. This resulted in short levy of tax of Rs. 29.73 lakh including interest.

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<sup>2</sup> Dibrugarh, Silchar and Unit 'C' of Guwahati unit

The cases were reported to the department and Government in February-March 2006 followed by reminder in June 2006; their replies have not been received (October 2006).

### **2.7 Non levy of tax on tax paid goods**

Under the AGST Act, read with Rules made thereunder, where a person sells a substantial part of the goods manufactured or imported by him to another person for resale as distribution or selling agent and the price charged on resale exceeds 40 *per cent* of the original sale or purchase price, the resale of such goods by such person shall be deemed as first point of sale within the State and the rate of tax shall be levied at the rates specified in Schedule-II of such items. Interest at the rate of two *per cent* for each month on the amount by which tax paid falls short of the tax payable is also payable by the dealer.

Test check of assessment records of Superintendents of Taxes, Guwahati-Unit – A and Unit-D revealed between April and September 2005 that two registered dealers sold goods valued at Rs. 2.60 crore during the years 2001-02 and 2002-03, the purchase price of which was Rs. 1.61 crore. As the resale price exceeded 40 *per cent* of the original purchase price, the resale was, therefore, to be deemed as first point of sale within the State for the purpose of levy of tax. But the AO while finalising assessments in May 2004 and March 2005 did not levy tax on the ground that such sales were made out of tax paid goods. This resulted in non levy of tax of Rs. 20.85 lakh and interest of Rs. 13.13 lakh.

After this was pointed out, the department stated in July 2006 that demand notice for Rs. 7.88 lakh was issued in one case. However report on realisation is awaited. Reply in other cases has not been received (October 2006).

The cases were reported to Government in March 2006 followed by reminder in June 2006; their replies have not been received (October 2006).

### **2.8 Non/short levy of tax due to misclassification of goods**

Under the AGST Act, tax shall be charged on the taxable turnover during such year at such rate or rates as specified in the schedules of the Act.

Test check of assessment records of five offices of the superintendent of taxes, revealed between December 2004 and September 2005 that while finalising the assessments between November 2003 and September 2005, the AOs levied lower rate of tax on turnover of Rs. 6.24 crore of six dealers relating to the period between 2000-01 and 2003-04. This resulted in non/short levy of tax amounting to Rs. 61.05 lakh including interest as detailed below:

(Rupees in lakh)

Sl. No.	Name of unit	Assessment year Month of assessment	Commodity	Taxable turnover	Rate of tax leviable	Rate of tax levied	Short levy of tax and interest
1.	Superintendent of Taxes, Dhekiajuli	2002-03 November 2003	Mustard oil Cake	35.31	4.4	Nil	2.45
2.	Superintendent of Taxes, Unit – A Guwahati.	2002-03 September 2005	Home care products	132.00	8.8	4.4	8.83
3.	Superintendent of Taxes, Unit – B Guwahati.	2000-01 March 2004	Aluminum coil	26.16	8.8	Nil	2.82
			Aluminum corrugated sheets	34.49	4.4	Nil	4.28
4.	Superintendent of Taxes, Unit – C Guwahati.	2002-03 December 2004 2003-04 December 2004	Works contract	169.00	8.8	4.4	6.21
5.	Superintendent of Taxes, Unit – D Guwahati.	2000-01 March 2004	Rectified Spirit	53.91	22.0	Nil	24.43
		2002-03 February 2004	Soap material (tallow)	173.05	8.8	4.4	12.03
<b>Total</b>				<b>623.92</b>			<b>61.05</b>

After this was pointed out, the department stated in July 2006 that demand notice for Rs. 12.91 lakh was issued in one case. However report on realisation is awaited (September 2006) and in another case the department stated that oil cake when used as an ingredient of cattle feed is exempted. The reply is not tenable as there is no such exemption of oil cake mentioned in AGST Act. Reply in other cases has not been received (October 2006).

The cases were reported to Government between January and March 2006 followed by reminder in June 2006; their replies have not been received (October 2006).

## 2.9 Non/short levy of interest

Under the AGST Act, read with CST Act, if a dealer fails to pay the full amount of tax payable by the due date, he is liable to pay simple interest at the prescribed rate.

Test check of assessment records of four superintendent of taxes<sup>3</sup>, revealed between April and September 2005 that in 11 cases of assessments of eight dealers finalised between October 2003 and March 2005 relating to the periods ending 1998-99 to 2002-03, the AOs either failed to levy or levied short interest amounting to Rs. 21.93 lakh on tax of Rs. 1.96 crore. The delay ranged between one and 63 months.

<sup>3</sup> Guwahati Unit 'A', 'D', Kokrajhar and Sibsagar.

After this was pointed out, the department stated in July 2006 that in one case Rs. 1.67 lakh was realised. Reply in other cases has not been received (October 2006).

The cases were reported to Government in February-March 2006 followed by reminder in June 2006; their replies have not been received (October 2006).

### **2.10 Non deposit of tax deducted at source**

Under the AGST Act, and the Rules made thereunder, the amount of tax payable by a supplier/works contractor shall be deducted at source by the drawing and disbursing officer who shall deposit the same into Government account within 10 days from the expiry of each calendar month. In case of failure of a person to deposit the tax deducted at source, the AO may recover the same as arrear of land revenue. The Act was amended with effect from June 1999 which provides that a person if after making deduction at source fails to deposit the same within the stipulated time shall on conviction be punishable in a case where the amount of tax is below Rs. 1 lakh, with imprisonment not exceeding six months, and for any other cases, with imprisonment for a term which may extend to one year.

Test check of assessment records of the superintendent of taxes, Jorhat revealed between July - September 2005 that Rs. 12.16 lakh was deducted at source from the bills of two suppliers by Assam Small Industries Development Corporation Ltd./Executive Engineer, Public Works Department/Assam Industrial Development Corporation/ Central Institute of Plastic Engineering and Technology, Guwahati during the year 2003-04, but was not deposited into Government account till date. No action was initiated to recover tax deducted at source as arrear of revenue and initiate proceedings against the persons at fault.

The case was reported to the department and Government in December 2005 followed by reminder in June 2006; their replies have not been received (October 2006).

### **2.11 Incorrect determination of turnover**

Under the AGST Act, "taxable turnover" in respect of works contract is determined by reducing the gross turnover by the turnover relating to declared goods and thereafter deducting the labour and other charges incurred by the dealer or at the option of the dealer subject to rates applicable in the Act.

Test check of assessment records of the Superintendent of Taxes, Guwahati Unit 'C' revealed in July and August 2005 that the AO while finalising the assessment of a dealer for the years 1999-2000 to 2002-03 allowed deduction of Rs. 1.90 crore at the prescribed percentage of the gross turnover towards labour and other charges. Whereas as per Act, the value of declared goods was

required to be deducted from gross turnover for arriving at labour and other charges which worked out to Rs. 1.40 crore. Thus, excess deduction of labour charge of Rs. 0.50 crore resulted in short levy of tax and interest of Rs. 8.58 lakh.

The case was reported to the department and Government in March 2006 followed by reminder in June 2006; their replies have not been received (October 2006).

## **2.12 Non levy of tax**

Under the AGST Act, and Rules made thereunder, sale price of containers or packing materials used in sale of exempted goods are taxable at prescribed rate. Where no accounts of such sales of containers or packing materials are maintained or where such sales are shown at a price lower than the market price, sale price shall be determined at one *per cent* of the sale value of exempted goods sold.

Test check of records of Superintendent of Taxes, Silchar and Jorhat revealed between May and September 2005 that the assessments of two dealers of IMFL for the year 2000-01 and 2001-02 was finalised in May 2003 and March 2004. The AOs while finalising the assessments exempted turnover of Rs. 15.74 crore from tax. This turnover consisted the sale price of containers or packing material which worked out to Rs. 15.74 lakh on which tax of Rs. 2.67 lakh including interest was leviable.

After this was pointed out, the department stated in July 2006 that in one case Rs. 1.37 lakh was realised in May 2006. Reply in other cases has not been received (October 2006).

The cases were reported to Government in February 2006 followed by reminder in June 2006; their reply has not been received (October 2006).

## **2.13 Loss of revenue due to non conducting cross verification of transactions**

Under CST Act read with Rules made thereunder, interstate sale of goods, other than declared goods, to registered dealers are taxable at the rate of four *per cent* if such sales are supported by prescribed declaration form furnished by purchasing dealers. Otherwise, tax is leviable at the rate of 10 *per cent* or at the rate of tax applicable under State Act whichever is higher. In addition, interest at the prescribed rate is also leviable. The Commissioner of Taxes, Assam vide circular<sup>4</sup> of May 1999 instructed the assessing authority to cross verify transactions made with registered dealers of north eastern states particularly Arunachal Pradesh and Mizoram.

<sup>4</sup> Circular No. CV-4/97/161 (Circular No. 14/99) dated 6 May 1999

**2.13.1.** Test check of records of Superintendent of Tax, Unit 'B' revealed between October and December 2004 that while finalising the assessments of two dealers for the year 1999-2000 and 2000-01 in December 2001, January 2002 and April 2002 concessional rate of tax of four *per cent* was levied on turnover of Rs. 2.20 crore. Cross verification by audit with the records of Commissioner of Taxes, Mizoram revealed that registration certificate of one dealer was cancelled on 2 May 1997 whereas in the case of other dealer there was no such dealer in existence. This resulted in evasion of tax of Rs. 30.86 lakh including interest.

After this was pointed out, the department stated in July 2006 that demand notice for Rs. 22.76 lakh in one case was issued in June 2006. However report on realisation is awaited. Reply in other case has not been received (October 2006).

The cases were reported to Government in January 2006 followed by reminder in June 2006; their reply has not been received (October 2006).

**2.13.2.** Similarly, while finalising the assessments of another two dealers for the year 2000-01 in April 2002, the AOs levied tax at concessional rate on turnover of Rs. 1.82 crore supported by form 'C'. Cross verification of records with Commissioner of Tax, Mizoram, revealed that the purchasing dealers had actually purchased goods valued at Rs. 17.51 lakh against these declaration forms. This resulted in evasion of tax of Rs. 17.63 lakh including interest on turnover of Rs. 1.64 crore. Failure of AOs to cross verify the transactions resulted in loss of revenue of Rs. 17.63 lakh including interest.

The cases were reported to the department and Government in January 2006 followed by reminder in June 2006; their reply has not been received (October 2006).

## **2.14 Non/short levy of tax**

As per CST Act, interstate sales made to registered dealers or to a Government department supported by declaration in form C or D are taxable at the rate of four *per cent*. Otherwise, tax is payable by the dealer at the rate of 10 *per cent* or at the rate applicable under the State Act whichever is higher. Furnishing of form 'C'/'D' has been made mandatory with effect from 11 May 2002.

Test check of assessment records of five<sup>5</sup> sales tax offices revealed in between April 2004 and December 2005 that the AOs finalised the assessment of 13 dealers for the years 2002-03 and 2003-04 between June 2003 and March 2005. The dealers were engaged in sale of goods in course of inter state trade or commerce. While finalising the assessments, the AOs did not levy or levied short tax on interstate sales turnover of Rs. 28.58 crore which were not

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<sup>5</sup> Guwahati Unit-A, Unit-B, Unit-D, Dibrugarh and Tinsukia



supported by declarations in form C or D as the dealers were exempted from payment of tax under Industrial (Sales Tax) Concession Scheme, 1997. The exemption allowed from payment of tax was irregular as the inter state sales were not supported by required forms which were mandatory. This resulted in non/short levy of tax of Rs. 3.34 crore. Besides, interest of Rs. 1.47 crore was also leviable.

After this was pointed out, the department stated in July 2006 that demand notice for Rs. 9.40 lakh in three cases was issued. However report on realisation is awaited. Reply in other cases has not been received (October 2006).

The cases were reported to Government in January-March 2006 followed by reminder in June 2006; their replies have not been received (October 2006).

### **2.15 Incorrect grant of exemption**

Under the CST Act, when any dealer claims exemption of tax in respect of any goods by reason of transfer of such goods to any other place of his business out of the State, he may furnish to the AO, a declaration in form 'F' duly filled in and signed by the transferee, along with the evidence of despatch of such goods failing which tax at the prescribed rate is to be charged. Further, as per amended provision of CST Act, declaration form 'F' is mandatory with effect from 11 May-2002.

Test check of assessment record of four<sup>6</sup> superintendents of taxes revealed in January – December 2005 that the AOs while finalising assessments between September 2003 and April 2005 of five dealers for the years 2002-03 and 2003-04 exempted them from payment of tax on account of goods transferred by dealers to place of their business outside the state. Scrutiny of the assessment records, disclosed that stock transfer were not supported by form 'F'. Incorrect allowance of exemption resulted in short levy of tax of Rs. 1 crore including interest of Rs. 0.36 crore.

After this was pointed out, the department stated in July 2006 that demand notice for Rs. 16.60 lakh was issued in one case. However report on realisation is awaited. Reply in other cases has not been received (October 2006).

The cases were reported to Government in March 2006 followed by reminder in June 2006; their replies have not been received (October 2006).

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<sup>6</sup> Dhubri, Dibrugarh, Doomdoma and Jorhat

**2.16 Non registration of dealers under CST Act**

Under the CST Act, every dealer making interstate sale or transfer of goods is required to get himself registered.

Test check of assessment records of Superintendent of Taxes, Barpeta Road revealed in September 2005 that the AO while finalising assessments under the AGST Act between November 2003 and August 2004 of three dealers for the year 2002-03 levied purchase tax on declared goods of Rs. 2.17 crore which were transferred out of the state. Cross verification by audit revealed that these dealers were not registered under the CST Act and these goods were not covered by form 'F' which is mandatory. Thus, non registration of dealers resulted in non realisation of tax and interest of Rs. 13.13 lakh.

The case was reported to the department and Government in February 2006 followed by reminder in June 2006; their replies have not been received (October 2006).

## CHAPTER – III : STATE EXCISE

### 3.1 Results of audit

Test check of records of 12 State excise offices conducted in audit during the year 2005-06 revealed non/ short realisation of excise duties, excess allowance of godown loss and other irregularities amounting to Rs. 15.51 crore in 200 cases, which broadly fall under the following categories:

(Rupees in crore)			
Sl. No.	Category	Number of cases	Amount
1.	Non/short realisation of licence fee	105	0.44
2.	Non/short realisation of excise duty	4	0.10
3.	Excess allowance of godown loss	1	0.03
4.	Non/short realisation of establishment charges	10	0.19
5.	Other irregularities	79	1.89
6.	Review on "Receipts in State excise department"	1	12.86
Total		200	15.51

During 2005-06, the department accepted short/non realisation of licence fees amounting to Rs. 4.68 lakh pointed out during the year and recovered the same.

A review on "Receipts in the State Excise Department" involving financial effect of Rs. 12.86 crore is given in the following paragraph :-

## **3.2 Receipts in the State Excise Department**

### **Highlights**

- Short realisation of excise duty of Rs.31.11 crore due to wrong classification of India made foreign liquor (IMFL) brands.

**(Paragraph 3.2.8)**

- Non/short lifting of country spirit against permits resulted in loss of revenue Rs. 8.89 crore.

**(Paragraph 3.2.9)**

- Inadmissible godown loss allowed to bonded warehouses/distilleries resulted in loss of revenue Rs. 1.65 crore.

**(Paragraph 3.2.12)**

- Allowing transit loss in excess of permissible limit resulted in loss of revenue of Rs. 76.21 crore.

**(Paragraph 3.2.13)**

### **Recommendations**

**3.2.1** Government may consider taking following measures to augment the revenue:

- classification of brand of IMFL may be streamlined and enforced,
- develop strong internal control mechanism including internal audit for effective monitoring of tax laws administration at different levels of the Commissionerate,
- rules/notifications as amended from time to time by the Government need to be circulated and implemented immediately so as to avoid loss of revenue to Government.

### **3.2.2 Introduction**

In Assam all excisable items such as beer, country spirit, extra neutral alcohol (ENA) and other spirit are imported from outside the State. India made foreign liquor (IMFL) is manufactured and bottled in the state and also imported from outside the state. The import of such goods is regulated according to the provision of the Assam Excise Act, 1910, (AE Act) and the Assam Excise Rules, 1945, (AE Rules) and various administrative orders issued from time to time. The Assam Bonded Warehouse Rules, 1965, (ABW Rules) regulate the establishment and working of bonded warehouses.

**3.2.3 Organisation set up**

The Excise Department is headed by the Commissioner of Excise who is assisted by an Additional Commissioner, one Joint Commissioner, one Deputy Commissioner and one chemical examiner at headquarters. At the district level and in the sub division, there are 24 superintendents of excise (SEs) and 33 deputy superintendents of excise (DSEs), who are assisted by inspectors of excise for enforcement of excise laws and rules.

**3.2.4 Scope of Audit**

Review on the topic covering the period from 2000-01 to 2004-05 was conducted in eight<sup>1</sup> out of 24 SEs offices, and in the office of the Commissioner of Excise during October-December 2005.

**3.2.5 Audit objectives**

Audit was conducted to ascertain

- whether the provision of Acts/Rules were followed scrupulously.
- effectiveness of internal control to plug the leakage of revenue.

**3.2.6 Trend of revenue**

Year wise budget estimates and actual collection of revenue for the period from 2000-01 to 2004-05 were as under:

Year	Budget estimates	Actual collection of revenue	Variation (+) excess (-) shortfall	Percentage of variation
			(Rupees in crore)	
2000-01	164.00	137.56	(-) 26.44	(-) 16
2001-02	142.46	150.91	(+) 08.45	(+) 06
2002-03	163.83	121.67	(-) 42.16	(-) 26
2003-04	137.49	129.29	(-) 08.20	(-) 06
2004-05	150.07	144.06	(-) 06.01	(-) 04

The shortfall of 16 *per cent* during 2000-01 is due to flash floods during July to September 2000 which were not foreseen at the time of preparation of budget estimates. The decrease of 26 percent during 2002-03 was due to reduction in rates excise duty to discourage smuggling and increase the sale of liquor in Assam.

Reasons for increase in collection in 2001-02 in comparison to 2000-01 and in 2004-05 in comparison to 2003-04 though called for were awaited (October 2006).

<sup>1</sup> Cachar, Dibrugarh, Jorhat, Kamrup Nagaon, Sivasagar, Sonitpur and Tinsukia.

### **3.2.7 Internal control mechanism**

**3.2.7.1.** Inspection is an important part of internal control mechanism for ensuring proper and effective functioning of all systems for timely detection of deficiencies and their prevention and optimising the revenue collection. The Commissioner of Excise, Guwahati was required to inspect the offices of SEs once in each year. However, no record was made available to audit to prove that such inspections were ever conducted in the districts covered under review.

As per executive instructions appended to AE Act and Rules, Deputy Commissioner (DC), SE and inspector of excise were required to inspect field offices, bonded and country spirit warehouses etc. with prescribed periodicity as follows:

Sl. No.	Designation of officer meant for inspection	Norms of inspection
1.	Deputy Commissioner	Annually (each warehouse)
2.	Superintendents of Excise	200 days in a year
3.	Inspector	20 days in a month

Scrutiny of the inspection registers maintained in the warehouses revealed that neither the DCs nor the SEs had conducted any inspection of the warehouses during the period of review.

**3.2.7.2.** Internal audit is an important tool for appraisal of deficiencies in the activities viz assessment, realisation, implementation of Acts/Rules and guidelines for improving accounting, quality of assessment, correct implementation of Acts/Rules for better collection of revenue and plugging various loopholes within the organisation. But no internal audit was in existence in the department.

### **3.2.8 Short realisation of excise duty due to wrong classification of IMFL brands**

As per Government notification dated 24 September 1997 as amended from time to time excise duty is to be realised on the basis of cost price of different brands of IMFL. But the term "cost price" has not been defined in the AE Act. According to the AGST Act, purchase price means money or money value consideration paid or payable by a dealer for import of goods, including any sum charged for anything done by the dealer with or in respect of such goods at the time of or before delivery of such goods. Licensee of a bonded warehouse is a dealer in AGST Act. Therefore, import permits (IP) fee/transport pass fee, which are required to be paid by a bonder before importing/transporting the goods (IMFL) from outside/within the State form an element of the cost price (purchase price)

The classification of IMFL brand is determined on the basis of cost price. The rates of excise duty payable by the warehouse bonder for different brands of IMFL are enumerated below :

(In rupees)

Sl. No.	Name of IMFL brands	Basis of classification (Cost price per case)	Rate of excise duty	
			Up to 30.4.2002	From 1.5.2002
1.	General	Up to 549	486	340
2.	Regular	550 to 649	580.50	405
3.	Luxury	650 to 1099	742.50	472

Scrutiny of records in respect of 16<sup>2</sup> bonded warehouses under eight<sup>3</sup> SEs revealed that excise duty was realised on the basis of cost price without taking into consideration the import permit fee/transport pass fee at the rate of Rs.30 per case paid by the wholesalers, before importing/transporting of IMFL, and realised from the retailers. The import fee/transport pass fee should have been merged with the cost price for determining the classification of brand for levy of excise duty. Thus, due to wrong classification of brand of IMFL Government was deprived of excise duty of Rs.31.11crore during the period from 2000-01 to 2004-05 as detailed below:

Range of cost price of IMFL (per case)		Classification of brand		Excise duty (per case)			Difference of excise duty (per case)	No. of cases of IMFL sold	Short levy of Excise duty (Rs. in crore)
Without IP fee	With IP fee	Classified as	Should have been classified	Period	Realised	Realisable			
(In Rupees)				(In Rupees)					
520 to 549	550 to 579	General	Regular	1.4.2000 to 30.4.2002	486	580.50	94.50	4,55,630	4.30
				1.5.2002 to 31.3.2005	340	405	65	3,00,958	1.96
620 to 649	650 to 679	Regular	Luxury	1.4.2000 to 30.4.2002	580.50	742.50	162	11,13,723	18.04
				1.5.2002 to 31.3.2005	405	472	67	10,15,728	6.81
<b>Total</b>								<b>31.11</b>	

After this was pointed out in May 2006 the Commissioner of Excise stated that classification of IMFL brands are made on the basis of cost price excluding excise levies for the purpose of levy of excise duties. As such import permit/transport pass paid was not included in the cost price. The reply of the department is not tenable as the import permit/transport pass fees are also the elements of the cost price on which brand of IMFL should be determined for levy of excise duty.

<sup>2</sup> 1. M/s Centenary Distillery, 2. M/s NSSSS, 3. M/s Abhijet International, (Guwahati). 4. M/s Gaytri Distillery & Bonded W/H. 5. M/s. Hotel Bellerina Bonded W/H. 6. M/s Mohit Enterprises Bonded W/H, (Tinsukia). 7. M/s Bitupan Chaliha Bonded W/H, 8. M/s Juri & Co. Pvt. Ltd., 9. Zarang India Pvt. Ltd (Dibrugarh). 10. M/s DPM Boruah Bonded W/H. 11. M/s RBS Bonded W/H (Sivasagar). 12. M/s Ajoy Dutta Bonded W/H, 13. M/s Borgohain Enterprisi Bonded W/H, 14. M/s McDowell & Co. Ltd. (Jorhat). 15. M/s AD Bonded W/H (Hojai). 16. Borak Bonded W/H (Silchar).

<sup>3</sup> Dibrugarh, Jorhat, Kamrup, Nagaon, Silchar, Sivasagar, Tezpur and Tinsukia

**3.2.9 Failure to enforce effective monitoring at commissionerate level led to short/non lifting of country spirit.**

According to Rule 78 of AE Rules, the licensee or his agent shall on each occasion of import or transport and storage of the country spirit within the time mentioned in the pass, furnish satisfactory proof to the officer granting the pass that specified quantity of country spirit has been delivered in full to the officer incharge of the country spirit warehouse. As per import permit, a licensee is required to execute lifting of the specified quantity of country spirit from the exporting authority within 60 days from the date of issue of import permit. Otherwise he is to furnish non execution certificate (NEC) for non lifting of spirit in the event of default on the part of concerned distillery for non supply of quantity mentioned in the permit. In case of default, the licensee shall be liable to pay a sum equal to the amount of the duty payable on the quantity short/non lifted.

As per Rule, quarterly returns are required to be submitted to SEs by the officer incharge in the warehouse who in turn forwarded the same to the DC and from DC to Commissioner of Excise for taking necessary action in this regard.

Scrutiny of records of four<sup>4</sup> country spirit warehouses revealed that against the authorised permits to lift 36.68 lakh bulk litre (BL) of spirit, the licensees lifted only 9.89 lakh BL of spirit during the period from 2000-01 to 2004-05 resulting in short/non lifting of 26.79 lakh of spirit BL (44.47 lakh LPL<sup>5</sup>). The concerned licensee could not furnish any NEC from the exporting authority for short/non lifting of quantity nor any extension/surrender/cancellation of the permits was accorded by the concerned authority for non lifting of the approved quantity within the specified period as mentioned in the permits.

Thus, failure on the part of the Commissioner to excise effective monitoring through quarterly returns received from DCs led to short/non lifting of 26.79 lakh BL of country spirit involving loss of excise duty amounting to Rs.8.89 crore.

**3.2.10 Non realisation of licence fee**

Under the AE Rules read with ABW Rules (as amended) licensee of wholesale, retail foreign liquor and bonded warehouse shall pay in advance an annual fee at the rates prescribed from time to time for renewal of licences. As per instruction No. 141, if the licensee fails to pay licence fee in time, his shop is to be close with the approval of commissioner till the fee is paid and on failure to pay fees promptly, the licence is to be cancelled.

<sup>4</sup> Jorhat, Nazira, Silchar and Tinsukia

<sup>5</sup> London proof litre



**3.2.10.1.** Test check of records of SEs Jorhat, Kamrup, Nagaon and Tinsukia revealed that five licensees holding licences of wholesale, bonded warehouses, compounding and blending and bottling plants did not pay licence fees for the years falling between 2000-01 to 2004-05 for renewal of their licences. No action was taken by the commissioner to close these units and to cancel their licences. This resulted in non realisation of licence fee of Rs. 45 lakh.

**3.2.10.2.** Scrutiny of records of SE Kamrup revealed that two distilleries viz M/s Himalayan Distillery and M/S Seven Sisters Trade and Distillery Pvt. Ltd. who were granted licences for compounding and blending, bottling and wholesale by Government in March 2001 had neither paid the renewal licence fee nor surrendered their licences during the years 2002-03 and 2003-04; whereas, during the year 2004-05, the department granted fresh licences to them without realising the renewal licence fees for above two years. In case of M/s Seven Sisters Trade and Distillery Pvt. Ltd., Government on 3 May 2003 allowed registration fees paid by the distillery during 2001-2002 to be adjusted as renewal licence fees for the year 2003-04 which was irregular. Thus, Government suffered a loss of revenue of Rs.12 lakh due to irregular issuance of fresh licences.

**3.2.11 Blockage of excise duty due to non disposal of IMFL/beer**

Instructions no. 272, provides that if a licensed vendor, on expiry of his licence is unable to dispose of the intoxicant in his possession under AE Rules, he shall, on the requisition of the collector, surrender the same to such officer as the collector may appoint in this behalf; and the person to whom a new licence has been granted or to any licensed vendor of the intoxicant within the district shall, buy the said intoxicant at such price as the collector may determine to be ordinarily saleable by him in one month.

Test check of records of SE, Kamrup revealed that one distillery and one bonded warehouse were not functioning from February 2004. The inspection/verification report of the concerned authority revealed that 3,998 cases of IMFL/beer were lying in stock. No action was taken by the competent authority to transfer this stock to other licensee. This resulted in blockage of excise duty of Rs 11.68 lakh.

**3.2.12 Loss of revenue as godown loss**

ABW Rules read with Assam Distillery Rules, 1945 do not allow godown loss in respect of IMFL/beer in bonded warehouse and also of spirit in the distilleries. Under instruction 70, the officer in charge of the warehouse is to verify the stock of IMFL and beer quarterly (January, April, July and October) and submit quarterly report to the SE who shall then forward the same to the DC with necessary remarks.

Test check of records of SEs Kamrup, Jorhat and Nagaon revealed that 2.34 lakh LPL of IMFL and 1.11 lakh BL of beer were shown as godown loss/breakage in nine<sup>6</sup> bonded warehouses and two<sup>7</sup> distilleries during the period from May 2000 to March 2005. The SEs incharge had not submitted any return to DC for monitoring the wastages. This resulted in loss of excise duty of Rs.1.65 crore.

**3.2.13 Lack of checks facilitated irregular allowance of transit loss and consequential loss of revenue**

As per ABW Rules, as amended wastage not exceeding one *per cent* shall be permissible for actual loss in transit by leakage or evaporation or breakage of vessels/bottles containing liquor. The transit loss is determined by deducting actual quantity of liquor received in the destination from quantity despatched. Further, if the wastage exceeds the prescribed limits, the licensee shall be liable to pay the duty at its prescribed rate, as if wastage in excess of the prescribed limit had actually been removed from the bonded warehouse.

Test check of records of seven<sup>8</sup> bonded warehouses and one distillery<sup>9</sup> under the control of SEs, Kamrup, Jorhat and Silchar revealed that these bonded warehouses and distillery transported 9.01 lakh LPL of IMFL/ENA and 3.13 lakh BL of beer during the period between May 2000 and November 2004. The department allowed 1.30 lakh LPL of IMFL/ENA and 0.18 lakh BL of beer as transit loss against permissible limit of 0.09 lakh LPL of IMFL and 0.03 lakh BL of beer respectively. Thus incorrect allowance of transit loss of 1.21 lakh LPL of IMFL/ENA and 0.15 lakh BL of beer in excess of prescribed limit resulted in loss of revenue of Rs.76.21 lakh.

**3.2.14. Loss of revenue due to warehouse going dry.**

The AE Rules and clause XV of the standard agreement, provide that a contractor shall maintain such minimum stock of spirit in the warehouse as may be fixed from time to time. The contractor shall be liable to make up the stock from any source or to compensate any loss to Government revenue which may be incurred owing to his failure to maintain adequate/minimum stock of country spirit.

<sup>6</sup> 1. M/s NSSSS B/H 2. M/s KDC B/H 3. M/s Megha Assam B/H 4 M/s .PRS B/H 5. M/s Hill View B/H 6. M/H Abhijit B/H 7. Centenary B/H 8. Borgohain B/H 9. M/S A.B. Bonded Warehouse.

<sup>7</sup> M/s Centenary and M/s North Eastern Distillery.

<sup>8</sup> 1. M/s NSSSS B/H 2. M/s KDC B/H 3. M/s Megha Assam B/H 4 M/s .PRS B/H 5. M/s. Borgohain B/H 6. M/S A. Dutta. Bonded W/H, Jorhat. 7. M/s Union Bonded W/H, Silchar

<sup>9</sup> M/s Kornak distillery Pvt. Ltd.

Scrutiny of records of two country spirit warehouses of Jorhat and Kamrup revealed that these warehouses remained dry for 80 days<sup>10</sup> at different spells (ranging between 5 to 16 days) during the period from 2000-01 to 2003-04. No efforts were made by the contractors to replenish stocks from other warehouses. This resulted in loss of minimum excise duty of Rs. 33.23 lakh.

### 3.2.15 Non realisation of licence fee at revised rates

Government of Assam, vide notification dated 08 February 2002, enhanced the existing licence fee of distillery, compounding & blending, bottling, bonded warehouse, wholesale, IMFL-off/on, beer-off/on and club etc. As per notification these rates shall come into force on date of publication in gazette i.e. 22 February 2002.

Test check of records of eight SEs<sup>11</sup> revealed that revised licence fee was not recovered for the period from 22 February 2002 to 31 March 2002 from one distillery, eight compounding and blending units, eight bottling plants, 31 bonded warehouses, 31 wholesale warehouses, 848 IMFL off/on, 19 beer off/on licensees and 25 clubs. This resulted in non recovery of licence fee of Rs. 21.72 lakh calculated proportionately for the period from 22 February to 31 March 2002.

After this was pointed out, SEs, Dibrugarh, Jorhat, and Tinsukia replied that since the licence fee is to be recovered in advance the licence fee at the rates prescribed for 2001-02 was recovered. The revised rate of licence fee as enhanced on 22 February 2002 was recoverable from licensees for the subsequent years. The replies are not tenable as the SEs were responsible to implement the revised rates from the date of publication of the notification in the gazette.

Sl. No.	Name of the W/H	Period for which stock gone dry to zero	Total days	Excise duty involved
1.	Jorhat Country Spirit W/H	<b>(2000-01)</b>		
		(i) 13.7.00 to 17.7.00	5	0.36
		(ii) 9.9.00 to 13.9.00	5	0.35
		(iii) 22.10.00 to 25.10.00	4	2.61
		(iv) 17.11.00 to 1.12.00	15	8.57
		(v) 7.1.01 to 21.1.01	15	6.86
		<b>(2001-02)</b>		
(i) 18.10.01 to 31.10.01	14	8.23		
(ii) 1.11.01 to 8.11.01	8	4.14		
2	Guwahati (Kamrup Spirit W/H)	<b>(2003-04)</b>		
		19.5.03 to 1.6.03	14	2.11
<b>Total</b>			<b>80</b>	<b>33.23</b>

<sup>11</sup> S.Es, Kamrup, Silchar, Nagaon, Tinsukia, Dibrugarh, Sivasagar, Jorhat and Sonitpur.

**3.2.16 Gallonage fees at revised rates remained unrealised**

Government notification dated 18 March 2005 enhanced the rates of gallonage fee to be realised in advance on the basis of the permitted quantity at the time of issue of permit or pass.

Scrutiny of records of SE Kamrup revealed that 78 licensees of IMFL retail shops did not deposit the gallonage fees amounting to Rs.5.01 lakh from 18 March 2005 to 21 March 2005 at revised rate. No demand notices were issued to the defaulters. This resulted in non realisation of gallonage fee of Rs. 5.01 lakh.

**3.2.17 Non realisation of establishment charges/availability fees**

ABW Rules provide that Commissioner of Excise shall appoint such excise officer and establishment as he thinks fit to the charge of bonded warehouses. The licensee shall pay establishment charges (pay and allowances, leave salary and pension contribution) at prescribed rates at the end of each calendar month. From 18 March 2005, licensee of bonded warehouse shall pay availability<sup>12</sup> fee only at the prescribed rate.

Test check of records of four<sup>13</sup> SEs revealed that 14 bonded warehouses and two bottling plants had neither paid establishment charges/availability fees amounting to Rs.14.71 lakh for the period between April 2002 and March 2005 nor were these demanded by the SEs (except SE Kamrup). This resulted in non realisation of establishment charges/availability fee of Rs. 14.71 lakh.

**3.2.18 Short accountal of IMFL**

Under ABW Rules, on arrival of a consignment at the warehouse, the officer incharge shall open the same immediately and enter in the stock register after verifying the same with the passes covering the consignment. As per executive instructions, the SEs are required to take stock of spirit warehouses within their charge towards end of each quarter.

Scrutiny of 'monthly statements' of IMFL and stock register of two<sup>14</sup> bonded warehouses under the jurisdiction of SE, Nagaon revealed that closing balance of 2.06 lakh LPL of IMFL shown in March 2002 and April 2002 was carried forward as 1.73 lakh LPL of IMFL as opening balance for the months of April 2002 and May 2002 respectively by these warehouses. Thus, there was short accountal of 0.33 lakh LPL of IMFL in both warehouses This resulted in loss of revenue of Rs.23.83 lakh

<sup>12</sup> Availability fee is a fee in lieu of establishment charge to be paid by the bonder at the end of each calendar month with effect from 18 March 2005 on total sold quantity IMFL/beer during a month.

<sup>13</sup> Kamrup, Sibsagar, Silchar and Tinsukia

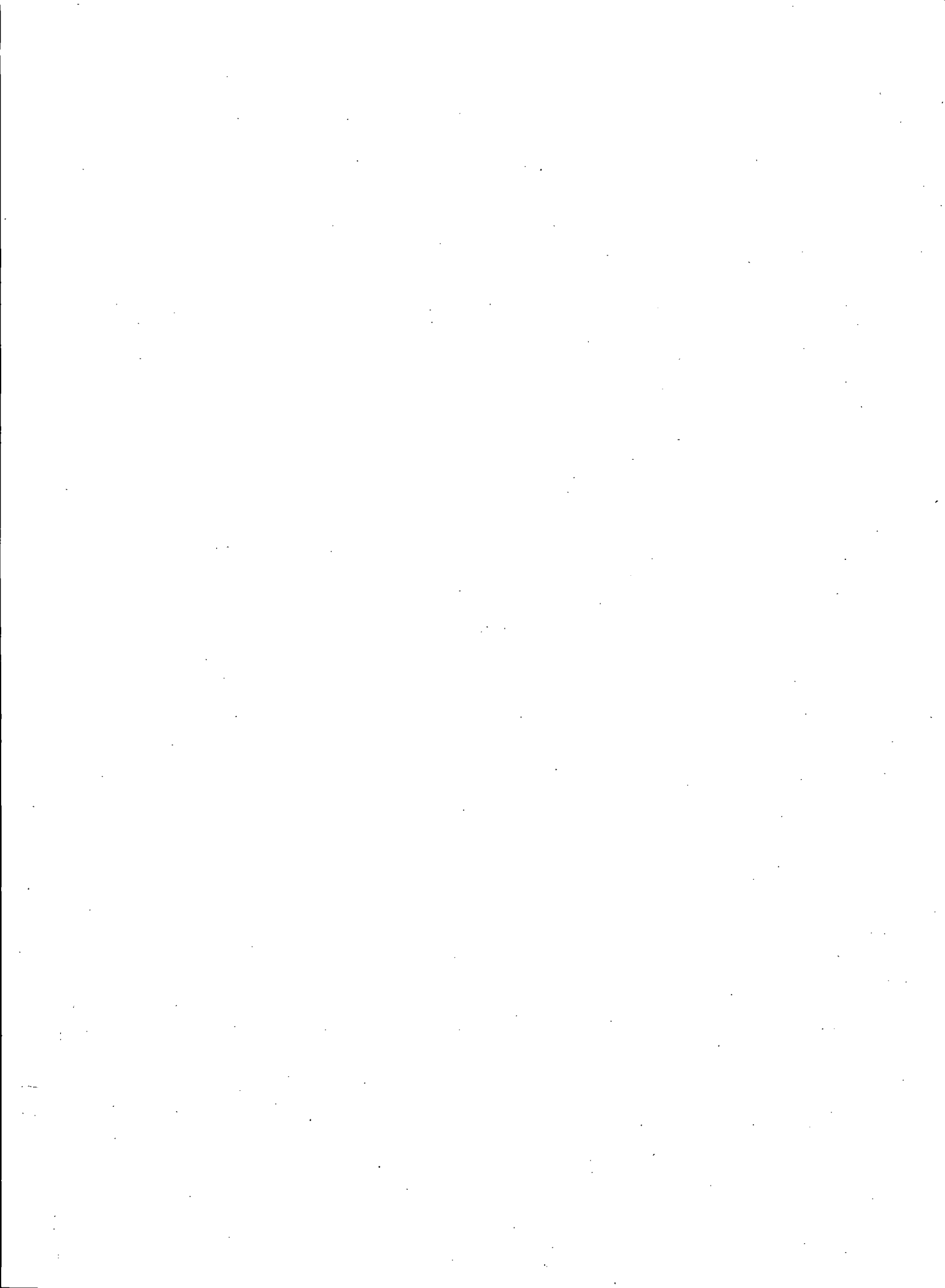
<sup>14</sup> Nogaon A/B bonded warehouses and A/D bonded warehouses

**3.2.19 Conclusion**

There was no adequate machinery to ensure that brands were correctly classified, allowances and exemptions were correctly granted, licence fees were timely realised and stock and issue registers were properly maintained. In the absence of internal audit there was no scope for the departmental authorities to detect and prevent the deficiencies/lacuna as highlighted above.

**3.2.20 Acknowledgement**

Audit findings, as a result of review were reported to the Department/Government on 2 March 2006. They were requested to attend the meeting of Audit Review Committee for comprehensive appraisal (ARCCA) so that view point of Government/department would be taken into account before finalising the review. The meeting of ARCCA was held on 29 June 2006 and attended by the Commissioner and Secretary to the Government of Assam, Excise Department. The minutes of meeting were sent to department/Government on 13 July 2006 the reply of which is awaited (October 2006).



## CHAPTER - IV : TAXES ON MOTOR VEHICLES

### 4.1 Results of audit

Test check of records of 19 district transport offices (DTOs) conducted during the year 2005-06 revealed non/short realisation of tax and other irregularities amounting to Rs. 8.28 crore in 1,858 cases, which broadly fall under the following categories:

(Rupees in crore)			
Sl. No.	Category	Number of cases	Amount
1.	Non/short realisation of road tax	844	7.29
2.	Non collection of registration fee/tax	385	0.49
3.	Non/short realisation of one time tax	285	0.08
4.	Non realisation of inspection fees	329	0.03
5.	Other irregularities	15	0.39
<b>Total</b>		<b>1858</b>	<b>8.28</b>

During the year 2005-06, the department accepted observations in 498 cases involving Rs. 55.13 lakh and recovered Rs. 2.12 lakh in one case, which was pointed out during 2004-05.

A few illustrative cases involving Rs. 55.18 lakh are given in the following paragraphs:

#### **4.2 Non realisation of tax**

Under the Assam Motor Vehicle Taxation Act (AMVT Act), 1936, tax on motor vehicles is required to be paid in lumpsum either on or before 15 April each year or in four equal instalments on or before 15<sup>th</sup> day of April, July, October and January respectively. In case of non payment of tax, the owner of a motor vehicle shall be liable to pay fine at the rate of Rs. 5 per day for each day of such delayed payment. District transport officer (DTO) is required to maintain a combined register to watch the recovery of tax. He is required to review this register and issue demand notices to defaulters.

Test check of combined registers of six DTOs<sup>1</sup>, revealed between January 2005 and February 2006 that combined registers were not reviewed by the DTOs between July 2002 and December 2005. In 343 cases, tax on motor vehicles amounting to Rs. 29.68 lakh was neither paid by owners nor were any demand notices to realise the tax issued. In addition to tax, fine of Rs. 13.80 lakh was also leviable.

After this was pointed out between January 2005 and March 2006, five DTOs stated (April 2005 - March 2006) that demand notices would be issued for realisation of tax. Report on issue of demand notices and realisation of tax is awaited (October 2006). Reply from DTO Jorhat has not been received (October 2006).

The cases were reported to the department and Government in March 2005 and March 2006; followed by reminder in June 2006. Their replies have not been received (October 2006).

#### **4.3 Short realisation of tax**

Under the AMVT Act as amended (May 2005), one time tax at prescribed rate is leviable on three wheelers commercial vehicles (passenger and goods vehicle) for a period of 10 years, along with permission to run for additional five years (optional). After expiry of 10 years annual tax applicable at that time will be leviable. In the case of personalised four wheelers, one time tax for 15 years at prescribed percentage of original cost of vehicle is leviable. These rates came into force with effect from 17 May 2005.

Test check of combined registers of DTOs Morigaon and Jorhat revealed between January and February 2006 that one time tax in respect of 28 four wheeler personalised vehicles and 17 three wheelers had not been realised at revised rates from vehicles newly registered between the period 20 May 2005 and 30 September 2005. This resulted in short realisation of one time tax of Rs. 2.82 lakh.

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<sup>1</sup> Cachar, Dhemaji, Hailakandi, Jorhat, Karimganj and Tezpur.



After this was pointed out in January-February 2006, the DTOs stated in June 2006 that demand notices had been issued in all cases. However, report on realisation of tax is awaited (October 2006).

The cases were reported to the department and Government in March 2006; followed by reminder in June 2006. However, their replies have not been received (October 2006).

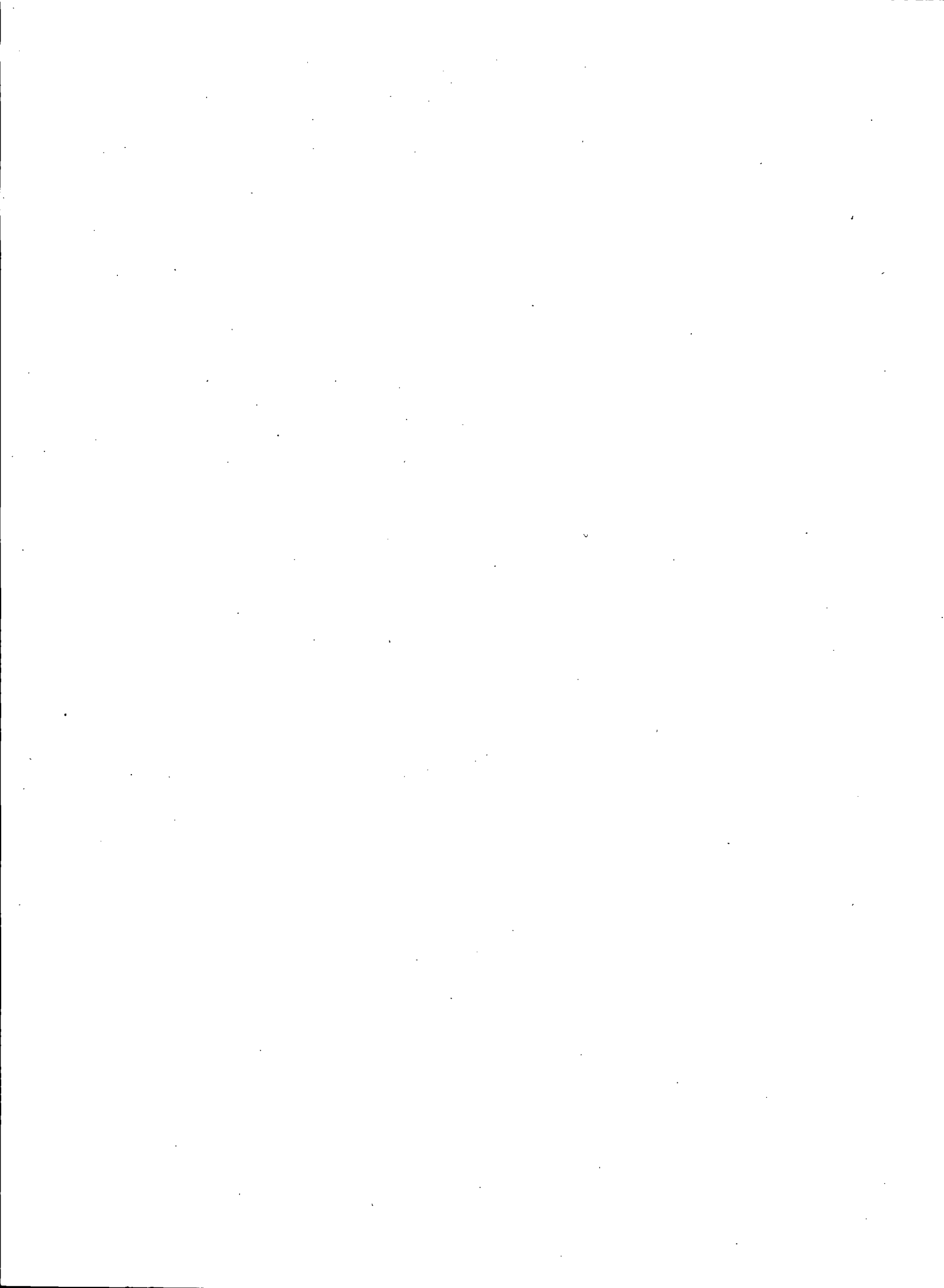
**4.4 Non assignment of new registration number to vehicles from other States**

Under the Motor Vehicles Act, 1988, when a motor vehicle registered in one State has been kept in another State for a period exceeding 12 months, the owner of the vehicle shall apply to the registering authority for the assignment of a new registration number and pay fees at the rates prescribed.

Test check of combined registers for the period between July 2000 and November 2004 of DTOs, Cachar and Karimganj revealed in January-February 2006 that in 147 cases, the owners of the vehicles did not apply for new registration numbers although the vehicles had been plying within the jurisdiction of above DTOs for more than 12 months. This resulted in non collection of registration fee and tax amounting to Rs.8.88 lakh.

After this was pointed out, DTO, Karimganj stated in February 2006 that steps had been taken for assignment of new registration numbers and realisation of tax. DTO Cachar, Silchar stated in June 2006 that demand notices in 92 cases were issued out of which registration fees in the case of 18 vehicles and tax of Rs. 1.17 lakh had been realised in 13 cases. However, report on realisation of tax/fees in other cases is awaited (October 2006).

The cases were reported to the department/Government in March 2006; followed by reminder in June 2006. However, their replies have not been received (October 2006).



## CHAPTER – V : OTHER TAX RECEIPTS

### 5.1 Results of audit

Test check of records in the offices dealing with following revenue receipts during the year 2005-06 revealed loss of revenue due to incorrect grant of exemption from payment of stamp duty and registration fees, short levy of stamp duty, non realisation of professional tax etc. amounting to Rs. 28.94 lakh in 200 cases, which broadly fall under the following categories:

(Rupees in lakh)

Sl. No.	Category	Number of cases	Amount
1.	Stamp duty and registration fees	126	26.13
2.	Professional tax	74	2.81
Total		200	28.94

A few illustrative cases involving Rs.9.64 lakh are given in the following paragraphs:

## **5.2 Short levy of stamp duty**

Government of Assam, Revenue (Registration) Department vide circular dated 29 November 2004 instructed all the district/deputy registrar to levy stamp duty at the rates which have been published in gazette on 18 September 2004 on the present market value of the property with immediate effect.

Test check of records of the Sr. Sub Registrar, Kamrup, Guwahati revealed in July 2005 that 50 Conveyance deeds were registered during the period from 29 November 2004 to 27 June 2005 and stamp duty of Rs. 50.37 lakh was levied at pre revised rates instead of Rs. 57.20 lakh. This resulted in short levy of stamp duty of Rs. 6.83 lakh.

After this was pointed out, the District Registrar, Kamrup, Guwahati, stated in July 2006 that necessary steps had been taken to realise stamp duty at revised rates.

The cases were reported to the department and Government in September 2005; followed by reminder in June 2006, their replies have not been received (October 2006).

## **5.3 Non realisation of professional tax**

Under the Assam Professions, Trade, Callings and Employments Taxation Act, 1947, every person who carries on a trade or a profession or calling or who is in employment within the State is liable to pay for each financial year, tax at the prescribed rates. In case a non government employer or an enrolled person fails to pay tax within due date, he shall be liable to pay simple interest at the rate of two *per cent* of the amount due for each month or part thereof for the period for which the tax remains unpaid, Commissioner of Taxes, Assam, issued instructions (April 1995, July 1997 and July 1998) to conduct intensive surveys so as to bring all potential taxpayers in the tax net.

Cross verification by audit of the records of the two superintendents of taxes Hailakandi and Jorhat with records of the Central Excise Department (CED) and district transport officer (DTO) revealed between July and September 2005 that 73 persons engaged as air travel agents, or working in health care, beauty parlours, courier services, or three/four wheeler vehicles permit holders either paid service tax to the CED or motor vehicle tax to transport department during the year 2002-03. But neither were they enrolled with the taxation authorities nor did they pay professional tax. Owing to non-conducting of proper survey by the department, 73 persons remained outside the tax net, which resulted in non-realisation of revenue of Rs. 2.81 lakh including interest.

The cases were reported to the department and Government in October 2005 and February 2006, followed by reminder in June 2006, their replies have not been received (October 2006).

## CHAPTER-VI: NON TAX RECEIPTS

### 6.1 Results of audit

Test check of records in the offices of the divisional forest officers (DFOs), Assam and various departments which availed loans conducted in audit during 2005-06 revealed losses, locking up of revenue and non realisation of interest etc. amounting to Rs. 877.15 crore in 90 cases, which fall into the following categories:

(Rupees in crore)

Sl. No.	Particulars	No. of cases	Amount
1	Loss of revenue due to non disposal/delay in disposal of timber	14	1.52
2.	Loss of revenue due to non settlement/delay in settlement of mahal	22	1.49
3.	Loss of revenue due to non disposal of offence cases	05	0.66
4.	Locking up of revenue due to delay in disposal or non disposal of timber/non-realisation of royalty	16	2.19
5.	Loss of revenue due to illegal felling and removal of timber	09	2.18
6.	Other lapses	23	2.53
7.	Review on "Interest Receipts"	01	866.58
<b>Total</b>		<b>90</b>	<b>877.15</b>

A review on "Interest Receipts" and a few illustrative cases highlighting important audit findings involving revenue effect of Rs. 867.60 crore are given in the following paragraphs:

**6.2 Loss of revenue due to inaccurate quantification of forest produce**

According to the provision of the Assam Sale of Forest Produce, Coupes and Mahals (ASFP CM) Rules, 1977, forest produce is to be disposed of by tender or auction at competitive rates.

Test check of records of three<sup>1</sup> forest divisions revealed April – December 2005 revealed that four stone mahals were settled through tenders at rates ranging from Rs. 4.66 lakh to Rs. 31.52 lakh with a stipulated quantity of 19,200 cu.m of stone during the working period between January 2003 and April 2006.

It was noticed in audit that 30,654 cu.m of stone was sold from the same mahals during the same working period through permits instead of tenders. The tender rates were higher by 260 to 455 per cent as compared to permit rates. Inaccurate estimation of the department to sell the 30.654 cu.m stone through permits instead of tenders deprived the department of additional revenue of Rs. 72.70 lakh as detailed below :-

Sl. No.	Name of mahal division	Working period Stipulated quantity of stone Rate per cu m	Quantity sold on permit Amount realised Rate per cu. m	Difference in rate per cu.m (In rupees) (percent)	Loss of revenue (Rupees in lakh)
1	Dilli Stone quarry No. JP/2 Dibrugarh	4 June 2003 to 3 June 2005 12,500 cu. m Rs. 31.52 lakh Rs. 252.12	2500 cu. m Rs. 1.75 lakh Rs. 70	182.12 (260)	4.55
2	Stone mahal No. MGW/8 Digboi	6 January 2003 to 5 January 2005 3000 cu. m Rs. 8.86 lakh Rs. 295/-	18,600 cu. m Rs. 13.02 lakh Rs. 70	225.00 (321)	41.85
3	Maina Khurang Stone Mahal-B Kamrup East	8 April 2004 to 27 April 2006 2200 cu. m Rs. 10.01 lakh Rs. 455/-	2500 cu. m Rs. 2.05 lakh Rs. 82	373.00 (455)	9.33
4	Natan Rani Stone Mahal-C Kamrup East	8 April 2003 to 7 April 2005 1500 cu. m Rs. 4.66 lakh Rs. 310.52	7054 cu. m Rs. 4.94 lakh Rs. 70	240.52 (344)	16.97
Total		19,200 cu. m	30,654 cu. m		72.70

After this was pointed out, the DFO, Dibrugarh stated March 2006 that permits were usually issued for removal of some quantity of stone, which was kept reserved in the mahal area. The reply is not tenable as there is no provision in the rules to keep quantity as reserved. Produce is to be disposed of by tender. The replies from other two divisions are awaited (October 2006).

<sup>1</sup> Dibrugarh, Digboi and Kamrup East

The cases were reported to the department and Government in July 2005 and February 2006 respectively; followed by reminder (June 2006) their replies have not been received (October 2006).

### 6.3 Loss of revenue due to non settlement of mahal

Accumulation and depletion of sand/stone in the river bed due to river current is a constant process. If a mahal is not worked during its specified working period, sand/stone is carried away by the river current and would not be available later. The working period so lost, thus, results in loss of revenue. It is, therefore, necessary to ensure timely action to extract sand/stone during the respective working periods by prompt settlement, so as to safeguard Government revenue.

Test check of records of DFOs Cachar and Digboi during the period January to December 2005 revealed that two riverine mahals were not settled during their working periods resulting in a loss of revenue of Rs. 11.29 lakh. The loss was due to non initiation of timely and prompt action by the department in settling the mahals as detailed below :

Sl. No.	Name of the forest division/river mahal	Last settled Working period Quantity to be extracted	Loss of working period	irregularity	Loss of revenue (Rupees in lakh)
1.	Cachar Rukni river sand mahal	23 June 1999 to 28 June 2001 2,500 cu.m of sand	2001 to 2003	Non cancellation of defective tender not supported by financial soundness certificate and non settlement of mahal with the highest valid tenderer resulted in loss of the working period 2001 to 2003.	5.81
2.	Digboi stone quarry No. DIG/19 in Dirok river	19 February 2001 to 20 February 2003 3,000 cu.m of stone	March 2003 to April 2005	Due to non payment of kist money by the existing mahaldar, the mahal was put to sale on 9 August 2002 at the risk of defaulter, fixing the tender date as 9 September 2002. But no tender was received. No action was initiated from March 2003 to April 2005 to retender. However, the mahal was put to sale on 30 April 2005 fixing the date of tender on 16 May 2005. Three tenders were received with the highest bid of Rs. 7.13 lakh and the settlement was made with the highest tenderer for the term 2005-07.	5.48
<b>Total</b>					<b>11.29</b>

The cases were reported to the department and Government between February 2005 and February 2006 respectively followed by reminder (June 2006) their replies have not been received (October 2006).

#### **6.4 Short realisation of royalty on minor minerals**

Government of Assam, Mines and Minerals Department, in their notification dated 7 March 2005 revised the rates of royalty on boulder and gravel at the rate of Rs. 100 per cu.m and sand at the rate of Rs. 70 per cu.m with immediate effect.

Test check of records of DFOs Kamrup East and North division revealed in July– December 2005 that permits for 45,669.25 cu.m of boulder/stone/gravel and 10,260 cu.m of sand valued at Rs.52.65 lakh were issued to 58 contractors of Public Works/Embankment and Drainage Department (PWD and E&D) during period from 19 March to 18 May 2005 on realisation of royalty of Rs.36.91 lakh at pre-revised rates. Failure of the divisional officers to collect royalty at revised rates resulted in short realisation of royalty of Rs.15.74 lakh.

After this was pointed out in July 2005 the DFO, North Kamrup division stated in August 2005 that royalty would be realised at revised rates from 29 March 2005 and the DFO, Kamrup East division stated in December 2005 that the notification was received from the Principal Chief Conservator of Forests, Assam, in June 2005. The reply of DFOs is not tenable as the revised rates were applicable with effect from 7 March 2005 so the recovery should have been made accordingly.

The cases were reported to Government in October 2005 and February 2006; followed by reminder June 2006, their replies have not been received (October 2006).

#### **6.5 Shortage of timber**

According to the provision of the ASFPCM Rules, timber is disposed of by tender or auction at competitive rates. Timber, if not disposed of expeditiously, loses its commercial value due to the vagaries of nature. Thus, it is the primary responsibility of the Forest Department to ensure that timber, whether seized or otherwise, is formed into lots and disposed off promptly.

Test check of records of the DFO, North Kamrup division revealed in July/August 2005 that 27 lots measuring 76.771 cu. m of timber valued at Rs. 3.92 lakh, were formed during the year 2001-02 to 2003-04. These lots were reassessed between November 2003 and April 2005 and only 30.299 cu. m was found which was disposed of between December 2003 and October 2005. This resulted in shortage of timber of 46.472 cu.m valued at Rs. 2.60 lakh.

Thus, non-initiation of prompt and appropriate action and non-fixation of time limit by the department for disposal of timber resulted in loss of Rs. 2.60 lakh.

The case was reported to the department and Government in February 2006; followed by reminder in June 2006 their replies have not been received (October 2006).



## 6.6 Review on 'Interest Receipts'

*Loans and advances for different purposes are granted by the concerned departments of Government to commercial undertakings, public sector undertakings, local bodies, autonomous bodies and Government servants etc. The departments sanctioning loans watch recoveries of such loans and advances along with interest. However due to lax administrative and monitoring mechanism in the loan sanctioning departments, large amount of loans and advances with interest remained to be recovered from the loanee organisations. Further, basic records of loans sanctioned, demands raised and collections thereagainst have not been maintained.*

### Highlights

Out of total loan of Rs. 2,211.45 crore advanced to Assam State Electricity Board (ASEB) by Government, overdue principal amount of Rs. 791.49 crore and interest of Rs. 713.39 crore remained unrecovered.

(Paragraph 6.6.10)

The Department of Industries and Commerce sanctioned Rs. 130.04 crore as loan to different industrial units, the interest of Rs. 55.06 crore remained unrecovered.

(Paragraph 6.6.11)

The Urban Development Department sanctioned Rs. 111.28 crore as loan to the Assam State Housing Board, Urban Water Supply and Sewerage Board and the Directorate of Municipal Administration. Interest of Rs. 65.67 crore was left unrecovered apart from loan, out of which Rs. 52.43 crore was recoverable from the Urban Water Supply and Swerage Board.

(Paragraph 6.6.13)

As on 31 March 2005, out of total loan of Rs. 48.65 crore sanctioned by the Co-operation Department to different co-operative societies, principal amount of Rs. 17.50 crore and interest of Rs. 25.50 crore could not be recovered.

(Paragraph 6.6.14)

### **6.6.1 Recommendation**

Government may consider taking following measures to improve the effectiveness of the system:

- strengthen internal control mechanism by way of timely review of the loan cases to ensure prompt realisation of dues,
- terms and conditions covering both repayment of loan and payment of interest should be clearly spelt out and incorporated in the agreement/sanctions drawn up with the loanee organisations,
- sanctioning authorities/heads of department should ensure timely issue of demand notices for repayment of loan and payment of interest thereon and the same be enforced,
- departmental figures of receipts on account of repayment of loans and payment of interest thereon should be reconciled regularly with the treasury and the records of the Accountant General (A&E), Assam.

### **6.6.2 Introduction**

Interest is non tax revenue to be realised on loans and advances granted by the different departments of Government to commercial undertakings, public sector undertakings, local bodies, autonomous bodies, Government servants etc.

The Finance Department (FD) has prescribed the rates of interest which varied between 5 to 18.5 *per cent* on loans sanctioned for different purposes. The loan is required to be recovered in 10 equal annual instalments. In the event of default in repayment of loan and/or interest by the loanee, penal interest at the rate of 2.75 *per cent* per annum is also leviable over and above the normal rate of interest at which loan is sanctioned.

### **6.6.3 Organisational set up**

The concerned department prepares proposals for loans and advances for and on behalf of the intending loanee organisation and submits it to the administrative department for sanction. The administrative department issues sanction with the concurrence of Finance Department (FD). The department sanctioning such loan is required to monitor recoveries of loans and advances alongwith interest.

Loans were sanctioned to eight<sup>2</sup> out of 22<sup>3</sup> departments by five<sup>4</sup> administrative departments for consumer industries, power generation, Guwahati development, urban development, housing, water supply, cooperative, dairy development and fisheries development.

#### **6.6.4 Scope of audit**

Records maintained by the five administrative departments, eight loan disbursing departments and six<sup>5</sup> loanee organisations, covering the period from 2000-01 to 2004-05 were test checked/reviewed during October to December 2005.

#### **6.6.5 Audit objectives**

The main objectives of the review were to ascertain whether:

- terms and conditions of repayment of loans and rate of interest recoverable were spelt out clearly in the sanctions,
- interest on loans was assessed and demanded within the scheduled dates,
- records relating to loans and advances were maintained properly to facilitate timely action for recovery.

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<sup>2</sup> 1) Power, 2) Industries and Commerce, 3) Guwahati Development (GMDA), 4) Urban Development, 5) Town and Country Planning, 6) Co-operation Department, 7) Fisheries, 8) Dairy Development.

<sup>3</sup> 1) Education, 2) Medical, 3) Urban Development, 4) Rural Development, 5) Schedule Caste (SC)/Schedule Tribe (ST)/Other Backward Class (OBC), 6) Social Welfare, 7) Agriculture, 8) Soil and Water Conservation, 9) Animal Husbandry, 10) Forest, 11) Co-operative, 12) Land Reforms, 13) North East Areas, 14) Minor Irrigation, 15) Power, 16) General Administration, 17) Industries and Commerce, 18) Civil Supply, 19) Guwahati Development Department, 20) Town & Country Planning, 21) Dairy Development, 22) Fisheries.

<sup>4</sup> 1) Industries and Commerce, 2) Power, 3) Guwahati Development, 4) Urban Development 5) Co-operation Department.

<sup>5</sup> Assam State Electricity Board(ASEB), Guwahati Metropolitan Development Authority(GMDA), Assam State Housing Board(ASHB), Assam Urban Water Supply and Sewerage Board(AUWSSB), Assam Apex Co-operative Fish Marketing and Processing Federation Ltd.(FISHFED), and West Assam Milk Producers Co-operative Union Ltd. (WAMUL)

### 6.6.6 Trend of interest receipts

The budget estimates of interest receipts, actual receipts, variations between budget estimates and actual receipts during 2000-01 to 2004-05 were as under:

(Rupees in crore)

Year	Budget estimate	Actual receipts	Variation excess (+) shortfall (-)	Percentage of variation excess (+) shortfall (-)
2000-01	3.18	4.27	(+) 1.09	(+) 34.28
2001-02	4.48	3.09	(-) 1.39	(-) 31.03
2002-03	3.71	3.07	(-) 0.64	(-) 17.25
2003-04	3.25	5.89	(+) 2.64	(+) 81.23
2004-05	2,202.25	10.06	(-) 2,192.19	(-) 99.54

The percentage of variation between budget estimates and actual receipts during the period from 2000-01 to 2003-04 ranged between (-) 31.03 to (+) 81.23 per cent. The FD stated in December 2005 that the interest received was mainly on loans disbursed to Government employees. State public sector units (PSUs) and co-operative units were the defaulters in payment of interest and repayment of loans.

The FD (Budget) prepared the budget estimates of Rs 2,202.25 crore during 2004-05 expecting adjustment of Rs. 2,196.02 crore against cross liabilities under Financial Restructuring Plan of ASEB. It was, however, revealed that book adjustment was not done during 2004-05 leading to shortfall of Rs. 2,192.19 crore.

### 6.6.7 Arrears of loans

As per Finance Accounts 2004-05 the total arrears of loan outstanding under different heads for the whole State stood at Rs. 2,607.17 crore which were as under :

(Rupees in crore)

Year	Outstanding balance of loan	Loan advanced	Total	Repayment of loan	Closing balance
2000-01	2,579.19	216.92	2,796.11	17.92	2,778.19
2001-02	2,778.19	82.20	2,860.39	28.59	2,831.80
2002-03	2,831.80	131.01	2,962.81	27.99	2,934.82
2003-04	2,934.82	127.59	3,062.41	40.29	3,022.12
2004-05	3,022.12	974.19	3,996.31	1,389.14 <sup>6</sup>	2,607.17

<sup>6</sup> Repayment of loan of Rs. 1,389.14 crore during 2004-05 includes conversion of loan of Rs. 1,350 crore into equity share capital of ASEB sanctioned by Government retrospectively in March 2005.

### **6.6.8 Position of arrears of interest**

The detailed accounts regarding loans and interest are maintained by the Accountant General (A&E) in respect of municipalities and local bodies etc. while the State Government maintained the detailed accounts in respect of loans and interest sanctioned by the controlling officers. Statements of outstanding loans and interests are required to be sent by the controlling officers to the Accountant General (A&E) every year by June. Twenty two controlling officers of the State Government did not furnish any statement to the Accountant General (A&E) by the end of June 2005.

The arrears as on 31 March 2005 in respect of recovery of loans and interest on loans granted to municipalities, local bodies, the detailed accounts of which are maintained by the Accountant General (A&E), amounting to Rs. 1,667.59 crore and Rs.287.21 crore respectively were reflected in the Finance Accounts 2004-05.

### **6.6.9 Internal Control**

The basic records i.e. sanction register, loan ledger, register of remittances and demand, collection and balance (DCB) register were required to be maintained by the controlling department and disbursing authorities to monitor timely disbursement of sanctioned loans to the loanee and recovery of interest/loan from them.

It was seen that the above mentioned basic records were not maintained by the departments for the period covered under review. The details are indicated in enclosed Appendix – II.

Though there is an internal audit wing in FD, it was not conducting any audit in respect of loans and advances.

### **6.6.10 Non recovery of interest in respect of loan sanctioned by Power Department**

The Power (Electrical), Mines and Minerals Department had not maintained detailed accounts of loans disbursed and repayment thereof. Based on information furnished by ASEB, it was noticed that loan of Rs. 2,211.45 crore was sanctioned to ASEB by Government during the period from 1992-93 to 2004-05. Out of this, Rs. 1,241.77 crore pertain to the period from 2000-01 to 2004-05. These loans were recoverable in 10 to 15 equal annual instalments alongwith interest at the rates prescribed from time to time. No repayment of loan was made by ASEB. Principal amount of Rs.791.49 crore as of March 2005 and interest of Rs.713.39 crore pertaining to the period 2000-01 to 2004-05 was due for recovery as detailed below:

**6.6.10.1** Loans amounting to Rs. 969.68 crore were sanctioned during 1992-93 to 1999-2000 to ASEB at the rates of interest ranging from 11 to 12 *per cent* per annum. The loans were to be repaid in 10 to 15 years on equal annual instalments. In case of failure to repay the loan due, penal rate of interest at the rate of 2.50 *per cent* per annum upto March 1995 and 2.75 *per cent* thereafter is to be changed in addition to interest.

It was however, observed that out of above loan, principal of Rs. 727.38 crore was recoverable upto 31 March 2005 which has not been repaid by ASEB on which interest of Rs. 574.70 crore and penal interest of Rs. 61.73 crore was recoverable during the period from 2000-01 to 2004-05. No action has been taken by the department to recover the interest.

**6.6.10.2** In 34 cases, loans of Rs. 1,190.30 crore were sanctioned during 2000-01 to 2004-05 to ASEB at an interest rate ranging from 10 to 12 *per cent* per annum for implementation of various schemes and payment of outstanding dues to the Central public sector undertakings (CPUs). The loan was to be repaid in 10 equal annual instalments. Repayment of loans amounting to Rs. 62.29 crore become due but was not repaid. Interest of Rs. 73.47 crore and penal interest Rs. 1.66 crore was recoverable as of 31 March 2005 but no action has been taken by department to recover the same.

**6.6.10.3** The FD vide letter dated 22 August 2002 prescribed the rate of interest of 11 *per cent* with effect from 1 April 2002 for loans granted to ASEB which was reduced to 10 *per cent* from 1 April 2003. Recovery of loan should ordinarily be effected in 10 annual equal instalments of principal and interest.

17 loans amounting to Rs. 51.47 crore were sanctioned during the years from 2002-03 to 2004-05 by the Power Department to ASEB for implementation of plan schemes without specifying any terms and conditions in the sanction. Loans of Rs. 1.82 crore had become due in view of above orders. It was, however, observed that no action has been taken to recover interest of Rs. 1.83 crore including penal interest calculated as on 31 March 2005 on the basis of the rate of interest fixed by the FD from time to time.

No step had been taken by the Power Department for timely recovery of outstanding loan and interest accrued thereon.

### **6.6.11 Non recovery of interest in respect of loans sanctioned by Industries and Commerce Department**

The Department of Industries and Commerce had not maintained detailed accounts of loans, repayments and interest etc.

**6.6.11.1** Information furnished by the Directorate of Industries and Commerce to audit revealed that the Department of Industries and Commerce sanctioned industrial loans of Rs.98.39 crore. Out of this, loan amounting to Rs. 66.74 crore were outstanding as on 31 March 2000. No information

regarding repayment of loans and interest outstanding was supplied by the department.

As per FD letter dated 27 July 1998 interest at the rate of 13.5 *per cent* is chargeable with effect from 1 April, 1998 for industrial loans for units having equity not exceeding Rs. 1 crore. In view of these orders, an interest of Rs.45.05 crore and penal interest of Rs.2.75 crore calculated as per rate fixed by FD is recoverable for the period from 1 April 2000 to 31 March 2005.

**6.6.11.2** In 41 cases loans amounting to Rs. 31.65 crore were sanctioned between 2000-01 to 2004-05 to Assam Industrial Development Corporation and five industries<sup>7</sup> at the rates of interest ranging between 11.5 to 14.5 *per cent* per annum. The loans were to be repaid in 10 equal annual instalments. Of the total loan amount, loan of Rs. 5.48 crore has become due on which interest of Rs. 7.03 crore and penal interest of Rs. 0.23 crore was recoverable as on 31 March 2005.

No steps had been taken by the Industries & Commerce Department for recovery of outstanding loan and interest accrued thereon.

#### **6.6.12 Non recovery of interest in respect of loan sanctioned by Guwahati Development Department**

**6.6.12.1** Guwahati Development Department (GDD) did not maintain detailed accounts of loan. However, from the sanction register maintained by GDD and information made available by the Guwahati Metropolitan Development Authority (GMDA) it was noticed that loan of Rs. 4.10 crore was sanctioned in 1999-2000 by GDD to GMDA at the rate of interest 13.5 *per cent* per annum to be repaid in 10 equal annual instalments. Repayment of loan of Rs. 2.05 crore has become due. It was, however, observed that interest of Rs. 2.77 crore and panel interest Rs. 0.11 crore due to be recovered from loanee as of 31 March 2005 has not been recovered.

**6.6.12.2** In another 31 cases, loans amounting to Rs.14 crore were sanctioned during the period from 2000-01 to 2004-05 to the GMDA, at interest rates ranging between 11.5 to 13.5 *per cent* per annum, for construction and renovation of different works. This loan was to be repaid in 10 equal annual instalments. Repayment of loan of Rs.0.35 crore has become due. However, interest of Rs.0.45 crore due to be recovered from the loanee as of 31 March 2005 had not been recovered. No action has been taken by the department to raise the demand.

No steps had been taken by the GDD for timely recovery of outstanding loans and interest accrued thereon.

<sup>7</sup> 1) Assam Tea Corporation, 2) Ashok Paper Mills Ltd., 3) Assam Conductors and Tubes Ltd., 4) Assam Spun Silk Mills Ltd. and 5) Assam State Textiles Corporation Ltd.

**6.6.13 Non recovery of interest in respect of loan sanctioned by Urban Development Department**

**6.6.13.1** Urban Development Department (UDD) did not maintain detailed accounts of loan. However, information furnished by the Assam State Housing Board (ASHB) revealed that during the period between 1974-75 to 2004-05, UDD sanctioned loan amounting to Rs. 20.97 crore to ASHB for implementation of various schemes. Out of this, Rs. 19.62 crore pertained to the period prior to 2000-01. A sum of Rs. 13.57 crore has become recoverable as on 31 March 2005. The department has not taken any action to recover the same. An interest of Rs. 8.25 crore including penal interest for the period from 2000-01 to 2004-05 was also recoverable.

**6.6.13.2** Seven loans amounting to Rs. 1.35 crore were sanctioned to ASHB during the period from 2000-01 to 2004-05 recoverable in 10 equal annual instalments with rate of interest ranging between 11.5 to 13.5 *per cent*. Loan of Rs. 0.25 crore had been due for repayment on 31 March 2005 and interest of Rs. 0.33 crore including penal interest was recoverable. No action has been taken by the department to raise the demand.

**6.6.13.3** UDD granted loans of Rs. 61.20 crore to Assam Urban Water Supply and Sewerage Board (AUWSSB) for implementation of various schemes during the period from 1989-90 to 1999-2000 with rate of interest of 13.5 *per cent*. These loans were to be repaid in 10 equal annual instalments. Loan of Rs. 47.14 crore due for repayment as on 31 March 2005 had not been paid so far. Interest of Rs. 46.36 crore including penal interest was also recoverable for the period from 2000-01 to 2004-05.

**6.6.13.4** During the period from 2000-01 to 2004-05, 25 loans of Rs. 19.70 crore were sanctioned by UDD to be recoverable in 10 equal annual instalments with rate of interest of 13.5 *per cent*. Out of this, recovery of loan Rs. 4.31 crore has become due as on 31 March 2005 which has not been repaid. Interest amounting to Rs. 6.07 crore including penal interest for the period from 2000-01 to 2004-05 has also become recoverable.

**6.6.13.5** Information furnished by the Directorate of Municipal Administration revealed that loans amounting to Rs. 6.16 crore were sanctioned during the period from 1950-51 to 2000-01 by the UDD to Directorate of Municipal Administration for disbursement to urban local bodies (ULBs) for implementation of various schemes. No interest accrued on these loans has been worked out by the department. Out of these, loan of Rs. 3.08 crore, interest of Rs. 4.16 crore and penal interest of Rs. 0.25 crore recoverable (calculated at a interest rate of 13.5 *per cent* per annum fixed by FD) during the period from 2000-01 to 2004-05 was not recovered.



**6.6.13.6** In another 17 cases loans to Rs. 0.67 crore were disbursed during 2000-01 to 2004-05 by the Directorate of Municipal Administration to 15<sup>8</sup> ULBs for construction of markets and low cost sanitation. The loans carried interest rate of 14 *per cent* per annum and was to be repaid in 10 equal annual instalments. Out of this, loan of Rs. 0.13 crore, interest of Rs. 0.18 crore including penal interest due to be recovered from the ULBs as of 31 March 2005 had not been recovered.

**6.6.13.7** UDD sanctioned loans amounting to Rs.1.23 crore to the Director of Town and Country Planning during the period from 2001-02 to 2004-05 for disbursement to nine<sup>9</sup> town committees for implementation of Integrated Development of Small and Medium Towns Scheme (IDSMT) at interest rate ranging from 11.5 to 12.5 *per cent* per annum. The loan amount was to be repaid within 25 years in 20 equal instalments with moratorium of five years. Moratorium period is not yet over. However, interest of Rs. 0.07 crore recoverable from the town committees as of 31 March 2005 had not been recovered.

No steps had been taken by the UDD for timely recovery of outstanding loans and interest accrued thereon.

**6.6.14 Non recovery of interest in respect of loan sanctioned by Co-operation Department**

**6.6.14.1** The Cooperation Department had not maintained detailed accounts of loan. However, the Registrar of Cooperative Societies (RCS) had maintained the account of loan partially wherein details of some loans have been mentioned.

As per the instruction of FD issued from time to time, interest at prescribed rate is to be recovered on the loans granted to co-operative societies. The loans are to be ordinarily recovered in 10 annual equal instalments.

Loan amounting to Rs. 18.90 crore was outstanding as on 31 March 2000 against different co-operative societies. The period in which loan was granted was not available with department. Out of this loan, repayment of loan of Rs. 9.41 crore, interest of Rs. 12.73 crore and penal interest of Rs. 0.77 crore was due during the period from 2000-01 to 2004-05. The co-operative societies repaid loans of Rs.0.12 crore and interest of Rs.0.17 crore only. Thus, balance loan of Rs. 9.29 crore, interest of Rs.13.33 crore including penal interest at the prescribed rate was recoverable from co-operative societies.

**6.6.14.2** Records furnished by the West Assam Milk Producers' Co-operative Union Ltd. (WAMUL) revealed that loan amounting to Rs. 5 crore sanctioned in 1999-2000 by the Co-operation Department and paid by

<sup>8</sup> 1) Badarpur, 2) Bihupuria, 3) Bijnani, 4) Dhemaji, 5) Dhing, 6) Doboka, 7) Haflong, 8) Kokrajhar, 9) Kamrup, 10) Makum, 11) North Guwahati, 12) Patshala, 13) Sarthebari, 14) Silchar and 15) Udalguri.

<sup>9</sup> 1) Bongaigaon, 2) Dhubri, 3) Golaghat, 4) Haflong, 5) Karimganj, 6) Mangaldai, 7) Nalbari, 8) North Lakhimpur and 9) Sibsagar.

the RCS to WAMUL was not recorded in the loan ledgers maintained by the RCS. No terms and conditions of loans were mentioned in the sanction. As per FD letter dated 11 October 1999 interest at the rate of 13.5 *per cent* is recoverable when loans are granted to co-operative societies and recovery should be made in 10 annual equal instalments of principal and interest. Out of the total loan amount, repayment of Rs. 2.50 crore, interest of Rs. 3.38 crore and penal interest of Rs. 0.14 crore were recoverable as on 31 March 2005, (calculated at an interest rate fixed by FD) from WAMUL. Out of this, WAMUL had repaid loan of Rs. 1.02 crore and interest of Rs.0.40 crore during the period 2003-04 and 2004-05. This resulted in short recovery of loan of Rs. 1.48 crore, interest of Rs.2.98 crore and penal interest of Rs.0.14 crore as of 31 March 2005.

**6.6.14.3** 16 loans amounting to Rs. 24.75 crore were sanctioned during the period from 2000-01 to 2003-04 by the Co-operation Department to eight co-operative societies<sup>10</sup> for various purposes i.e., payment of outstanding dues to NABARD<sup>11</sup>, ICICI<sup>12</sup> bank, NDDDB<sup>13</sup> Gujarat, and for working capital/modernisation/renovation of mills. No terms and conditions for the repayment of loan and interest were specified in the sanction. Repayment of loan of Rs. 6.73 crore had become due, interest of Rs. 8.87 crore and panel interest of Rs. 0.18 crore (calculated on the basis of rate of interest fixed by the FD from time to time, which ranged between 11.5 to 13.5 *per cent* per annum during above period) from eight co-operative societies as of 31 March 2005 was not levied and recovered.

No steps had been taken by the Cooperation department for timely recovery of outstanding loan and interest accrued thereon.

### **6.6.15 Non recovery of interest in respect of loan sanctioned by Fishery Department**

**6.6.15.1** The Fishery Department had not maintained detailed accounts of loan. In reply to an audit enquiry, the Fishery Department stated in November 2005 that no loan had ever been sanctioned at their end. However, balance sheet for the year 2000-01 furnished by the Assam Apex Cooperative Fish Marketing and Processing Federation Ltd., Assam (FISHFED) revealed that loan of Rs. 0.93 crore and interest Rs.0.56 crore was outstanding as of 31 March 2000. The source from which this loan has been obtained is not forthcoming on the record. Of this loan, repayment of loan Rs.0.47 crore, interest Rs.0.60 crore and penal interest Rs.0.04 crore was due to be recovered from FISHFED during 2000-01 to 2004-05 had not been realised.

<sup>10</sup> 1) Assam State Cooperative Agriculture & Rural Development Ltd. (ASCARD), 2) Assam Cooperative Spinning Mills Ltd., 3) Assam Polyester Co-operative Society Ltd., 4) Swahid Kushal Konwar Samabaya Suta Kol Society Ltd., 5) Nowgaon Co-operative Sugar Mill Ltd., 6) West Assam Milk Producers's Co-operative Union Ltd., 7) Assam State Co-operative Fish Marketing and Processing Federation Ltd, Assam and 8) Assam Co-operative APEX Bank.

<sup>11</sup> NABARD : National Agricultural Bank for Rural Development.

<sup>12</sup> ICICI Bank : Industrial Credit and Investment Corporation of India Bank.

<sup>13</sup> NDDDB : National Dairy Development Board., Ananad, Gujarat.

**6.6.15.2** Deputy Commissioner, Kamrup sanctioned loan of Rs.0.15 crore in January 2001 to FISHFED as working capital but the terms and conditions for repayment of loan and interest chargeable thereon had not been specified in the sanction. However, calculated on the basis of prevailing rate of interest of 13.5 *per cent* per annum fixed by the FD for the year 2000-01 for co-operative societies, loan of Rs.4.50 lakh and interest Rs.6.08 lakh due as on 31 March 2005 was not recovered.

No step had been taken by the Deputy Commissioner, Kamrup, for timely recovery of outstanding loans and interest accrued thereon.

**6.6.16 Non recovery of interest in respect of loan sanctioned by Dairy Development Department**

The Dairy Development Department had not maintained detailed accounts of loan.

As per the information supplied by the Dairy Development Department in November 2005 no loan and interest was outstanding as on 31 March 2005. However, information furnished by WAMUL revealed that loan amounting to Rs.1.51 crore was sanctioned by the Dairy Development Department to WAMUL during 1979-80 to 1992-93 at interest rate of eight *per cent* per annum. The entire loan amount of Rs.1.51 crore as of 31 March 2005, together with interest of Rs. 0.60 crore during 2000-01 to 2004-05 was recoverable from WAMUL.

**6.6.17 Loss of interest due to delay in disbursement/non disbursement of loan**

Assam Financial Rules, 1939, provides that interest is recoverable by the loanee from the date of payment of loan to the previous day of date of repayment of loan at the rate prescribed by the FD.

Scrutiny of records of four departments<sup>14</sup> revealed that loan of Rs.121.40 crore sanctioned and drawn from treasury during the period between 1996 and March 2005 was disbursed between April 2000 and March 2005 to 33 loanees<sup>15</sup> after delays ranging from 1 to 3,285 days from the date of drawal

<sup>14</sup> Town and Country Planning, Director of Municipal Administration, Secretary to the Government of Assam (S.A) Accounts Department and Director of Industries and Commerce, Assam.

<sup>15</sup> Town and Country Planning: Sibasagar, Haflong, Nalbari, Mangaldai, Golaghat, Dhubri, Bongaigoan and Karimganj (8 nos)  
Industries (11 nos): AIDC Ltd., ATC Ltd., ASCON, APM, ASFC, ASSM, Fertilchem, Assam Syntex, ASWMC, Cachar Sugar Mills, ASTC  
Power (SAD) (2 nos): GMDA, ASEB  
Urban Development Department (Municipal Administration) (12 nos): Bijni TC, Badarpur TC, Bihpuria, Pathsala, Silchar, Dhing, Sarthebari, Makum, New Guwahati TC, Haflong, Dabaka, Kamrup.

from the treasury. Amounts drawn from the treasury were kept in the current account in bank, cash in hand, bank drafts, deposit at call receipts and revenue deposit which was irregular. It was also noticed from the records of the Director of Municipal Administration that loan of Rs.1.03 crore drawn in 1996 from treasury remained undisbursed till 31 March 2005.

Due to delay in disbursement of Rs.121.40 crore and non disbursement of Rs.1.03 crore to the loanees there was a loss of interest of Rs.2.33 crore as of 31 March 2005.

#### **6.6.18 Conclusion**

Power, Industry, Urban Development, Guwahati Development, Dairy Development and Town & Country Planning departments had not maintained the basic records i.e., loan ledger, sanction orders, drawal/collection registers, remittance registers etc. while the same were partially maintained by the Co-operative Department and Municipal Administration Department. Failure on the part of all the eight departments to ensure timely repayment of loans and advances affected the ways and means position of the State exchequer. It was further observed that in some cases the sanctioning authority had not spelt out the terms and conditions covering both repayment of loans and interest chargeable etc. in the sanction. Demand notice was neither issued to the loanees for repayment of loan and interest nor was the position of overdue loan and interest watched and monitored by the concerned departments for timely realisation. This was indicative of system failure with regard to monitoring of loan and advances.

#### **6.6.19 Acknowledgement**

Audit review committee on comprehensive appraisal (ARCCA) meeting was held on 28 June 2006 at Office of the Principal Accountant General (Audit), Assam. The meeting was attended by Secretary, Guwahati Development Department; Secretary, Secretariat Administration Department; Joint Secretary, Finance Department; Joint Secretary, Power Department; Deputy Secretary, Power Department; Joint Director, Finance Department; Director, Industries and Commerce and Finance & Accounts Officer and office of the Registrar of Co-operative Societies. The observations of the review were discussed in the meeting and the minutes were sent to the Commissioner and Secretary as well as to the concerned heads of the departments on 13 July 2006 with the request that reply may be sent within 30 days from the date of discussion which was awaited (October 2006).

The matter was reported to Government/department in 31 May 2006; their reply has not been received (October 2006).



GUWAHATI

The 29 JAN 2007

(SWORD VASHUM)

Principal Accountant General (Audit), Assam

Countersigned



NEW DELHI

The 05 FEB 2007

(VIJAYENDRA N. KAUL)

Comptroller and Auditor General of India

**Appendix – II (Reference Paragraph 6.6.9)**

Sl. No.	Name of record and purpose		Industries Department	Power Department (ASEB)	Guwahati Dev. Deptt. (GMDA)	Urban Development Department			Town & Country Planning	Co-operation Department	Dairy Dev. Department	Fishery Department
						Housing Board	Municipal Administration	Assam Urban Water Supply Sewerage Board				
A	Sanction Register : This Register is intended for noting each sanction and watching the drawals	Sanctioning Authority	Not maintained	Not maintained	Maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained
		Disbursing Authority	Maintained	Not maintained	Not maintained	Maintained	Not maintained	Not maintained	Not maintained	Maintained	Not maintained	Not maintained
		Loanee Organisation	Not maintained	Not maintained	Maintained	Maintained	Not maintained	Maintained	Not maintained	Not maintained	Maintained	Maintained
B	Loan Ledger : Loan ledger is the basic records of loan sanctioned with information such as details of sanction, date of drawals, amount, schedule of repayments, rate of interest and penal interest and particulars of repayments.	Sanctioning Authority	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained
		Disbursing Authority	Not maintained	Not maintained	Not maintained	Maintained	Partially maintained	Not maintained	Not maintained	Partially maintained	Not maintained	Not maintained
		Loanee Organisation	Not maintained	Maintained	Maintained	Maintained	Not maintained	Maintained	Not maintained	Maintained	Maintained	Maintained
C	Register of Remittance: This Register is intended for watching remittance into Treasuries.	Sanctioning Authority	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained
		Disbursing Authority	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained
		Loanee Organisation	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained
D	Demand Collection and Balance Register : This Register is intended for watching recoveries of loan and interest thereon from time to time.	Sanctioning Authority	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained
		Disbursing Authority	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained
		Loanee Organisation	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained	Not maintained