

Audit of receipts

- Article 151 of the Constitution lay down that the Reports of the Comptroller and Auditor General of India relating to the accounts of the Union/Union Territories with Legislature and the States shall be submitted to the President or the Governor/Administrator, as the case may be, who shall cause them to be laid before each House of Parliament or Legislature.
- The reports of the Comptroller and Auditor General must relate to the totality of the accounts of the Union and of the States and thus cover not only the expenditure, but the receipts as well.
- The Comptroller and Auditor General's (Duties, Powers and Condition of Service) Act 1971 clearly reflected the above position by explicitly stating audit of all receipts as the duty of the C&AG.

Nature of revenues

- Government revenues, i.e. Government receipts, may be classified as tax revenues and non-tax revenues. Taxes are collected by the State for general purpose of the community; these do not involve any direct quid pro quo from the State to the tax payer.
- Taxes are generally levied as direct taxes and indirect taxes. Sometimes these are divided as personal taxes and taxes on services and commodities.
- Not-tax revenues, on the other hand, involve some quid pro quo; these are, generally, receipts in return for supplies and services rendered by the State and include contractual receipts like those from sales of forest produce, gross revenues of service organizations or public utilities like road transport or railways and also surpluses of State commercial enterprises.
- The levy and collection of a tax are regulated by substantive and procedural provisions of a law.
- A Non-tax revenue, on the other hand, is generally governed by a contract, a tariff or general financial rules and regulations.
- A tax assessment is a quasi-judicial act;
- a non-tax revenue is purely an administrative decision.

Audit of Tax and Non Tax receipts

Tax Receipts		
Union	Direct Taxes	Income tax, wealth tax, gift tax, estate duty
	Indirect Taxes	Duties of custom; duties of excise
State	Direct Taxes	Agricultural income tax; Taxes on profession
	Indirect Taxes	Sales Tax, State Excise Duties, Motor Vehicles Tax, Stamp Duty, Entertainment Tax, Land Revenue, Taxes on Electricity

Audit of Tax and Non Tax receipts contd..

Non Tax Receipts	
	Forest Revenue; Royalties from Mines and Minerals; Irrigation Receipts; Registration Fee; Other Rents and Fees; Interest Charges, Penalties

Function of audit

- The most important function of audit is to see
 - (1) that adequate regulations and procedure have been framed by the Revenue Department to secure an effective check on assessment, collection and proper allocation of taxes;
 - (2) to satisfy itself by adequate test check that such regulations and procedure are actually being carried out.
- Audit also makes such examination as it thinks fit with respect of the correctness of the sums brought to account.
- Any obvious errors in computation of assessment etc., can be pointed out in audit leaving it to the administrative authorities to set right errors by adopting such legal course as they may deem necessary.

Functions of audit contd..

- Where any financial rule or order applicable to the case prescribed the scale or periodicity of recoveries, it will be the duty of Audit to see as far as possible, that there is no deviation without proper authority from such scale or periodicity. When this check cannot be exercised centrally, a test audit may be conducted through local inspections, the aim being to “apart from due realisation of particular debts” rules or defects of procedure are not such as to lead to leakage of revenue.
- Ordinarily, audit will see that the internal procedure adequately secures correct and regulating accounting of demands, collections and refunds that no amounts due to Government are left outstanding on its books without sufficient reasons and that the claims are pursued with diligence and are not abandoned or reduced except with adequate justification and with proper authority.
- Audit should carefully watch any outstanding dues and suggest to the departmental authorities any feasible means for their recovery. Whenever any dues appear to be irrecoverable, orders for their waiver and adjustment should be sought.
- Unless permitted by any rule or order of a competent authority no sums may be credited to Government by debit to a suspense head. Credit must follow and not precede actual realization.