

## CHAPTER-I: GENERAL

### 1.1 Trend of revenue

1.1.1 The tax and non-tax revenue raised by the Government of Orissa during the year 2008-09, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(Rupees in crore)

		2004-05	2005-06	2006-07	2007-08	2008-09
<b>I</b>	<b>Revenue raised by the State Government</b>					
	• Tax revenue	4,176.60	5,002.28	6,065.07	6,856.09	7,995.20
	• Non-tax revenue	1,345.52	1,531.90	2,588.12	2,653.58	3,176.15
	<b>Total</b>	<b>5,522.12</b>	<b>6,534.18</b>	<b>8,653.19</b>	<b>9,509.67</b>	<b>11,171.35</b>
<b>II</b>	<b>Receipts from the Government of India</b>					
	• State's share of divisible Union taxes	3,977.66	4,876.75	6,220.42	7,846.50	8,279.96 <sup>1</sup>
	• Grants-in-aid	2,350.41	2,673.78	3,159.02	4,611.02	5,158.70
	<b>Total</b>	<b>6,328.07</b>	<b>7,550.53</b>	<b>9,379.44</b>	<b>12,457.52</b>	<b>13,438.66</b>
<b>III</b>	<b>Total receipts of the State Government (I+II)</b>	<b>11,850.19</b>	<b>14,084.71</b>	<b>18,032.63</b>	<b>21,967.19</b>	<b>24,610.01</b>
<b>IV</b>	<b>Percentage of I to III</b>	<b>46.60</b>	<b>46.39</b>	<b>47.98</b>	<b>43.29</b>	<b>45.39</b>

The above table indicates that during the year 2008-09, the revenue raised by the State Government was 45.39 *per cent* of the total revenue receipts (Rs. 24,610.01 crore) against 43.29 *per cent* in the preceding year. The balance 54.61 *per cent* of receipts during 2008-09 was from the Government of India.

<sup>1</sup> For details, please see Statement No. 11- Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Orissa for the year 2008-09. Figures under the minor head 901-Share of net proceeds assigned to the States under the major heads 0020 - Corporation tax; 0021 - Taxes on income other than corporation tax; 0028 - Other taxes on income and expenditure; 0032 - Taxes on wealth; 0037 - Customs; 0038 - Union excise duties; 0044 - Service tax and 0045 - Other taxes and duties on commodities and services booked in the Finance Accounts under A-Tax revenue have been excluded from the revenue raised by the State and exhibited as State's share of divisible Union taxes.

**1.1.2** The following table presents the details of tax revenue raised during the period from 2004-05 to 2008-09:

(Rupees in crore)

Sl. No.	Heads of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+) or decrease (-) in 2008-09 over 2007-08
1.	Sales tax/VAT	2,061.23	2,524.18	3,042.34	3,567.16	4,268.72	(+) 19.67
	Central sales tax	410.16	487.55	722.48	551.27	534.61	(-) 3.02
2.	Taxes and duties on electricity	261.89	353.13	282.58	327.46	365.03	(+) 11.47
3.	Land revenue	131.59	69.62	226.38	276.16	348.79	(+) 26.30
4.	Taxes on vehicles	338.11	405.86	426.54	459.42	524.43	(+) 14.15
5.	Taxes on goods and passengers	384.93	463.34	574.00	626.90	638.32	(+) 1.82
6.	State excise	306.61	389.33	430.07	524.93	660.07	(+) 25.74
7.	Stamp duty and registration fees	197.87	236.06	260.49	404.76	495.66	(+) 22.46
8.	Other taxes and duties on commodities and services	25.14	6.75	26.59	31.59	47.39	(+) 50.02
9.	Other taxes on income and expenditure-tax on professions, trades, callings and employments	59.07	66.46	73.60	86.44	112.18	(+) 29.78
<b>Total</b>		<b>4,176.60</b>	<b>5,002.28</b>	<b>6,065.07</b>	<b>6,856.09</b>	<b>7,995.20</b>	

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

**Sales tax/VAT:** The increase (19.67 per cent) was mainly due to increase in the number of assessees, system development and overall better administration.

**Land revenue:** The increase (26.30 per cent) was mainly due to conversion of land, alienation of land to different agencies and collection of premium thereof and collection of more royalty.

**Taxes on vehicles:** The increase (14.15 per cent) was mainly due to increase in vehicle population, better enforcement activities and effective supervision.

**State excise:** The increase (25.74 per cent) was mainly due to opening of new outlets and increase in lifting of India made foreign liquor and beer.

The other departments did not intimate (October 2009) the reasons for variation in receipts from those of the previous year despite being requested in April 2009.

**1.1.3** The following table presents the details of major non-tax revenue realised during the period 2004-05 to 2008-09:

(Rupees in crore)

Sl. No.	Heads of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+) or decrease (-) in 2008-09 over 2007-08
1.	Non-ferrous mining and metallurgical industries	670.52	805.03	936.60	1,126.06	1,380.60	(+) 22.60
2.	Forestry and wild life	84.72	59.13	130.63	82.66	139.29	(+) 68.51
3.	Interest receipts	249.04	298.02	398.42	570.39	654.67	(+) 14.78
4.	Education	15.76	42.99	41.94	41.95	10.65	(-) 74.61
5.	Irrigation & inland water transport	40.45	44.05	54.41	48.90	52.95	(+) 8.28
6.	Public works	17.05	18.23	24.96	31.61	38.31	(+) 21.20
7.	Police receipts	21.24	23.05	23.39	29.17	22.25	(-) 23.72
8.	Medical and public health	12.98	9.26	13.07	14.28	32.18	(+) 125.35
9.	Power	4.19	2.91	1.23	1.05	0.63	(-) 40.00
10.	Miscellaneous general services	31.70	7.62	777.36	396.95	388.85	(-) 2.04
11.	Other non-tax receipts	160.97	212.51	169.28	290.96	444.38	(+) 52.73
12.	Co-operation	2.72	2.13	2.39	2.29	2.01	(-) 12.23
13.	Other administrative services	34.18	6.97	14.44	17.31	9.38	(-) 45.81
<b>Total</b>		<b>1,345.52</b>	<b>1,531.90</b>	<b>2,588.12</b>	<b>2,653.58</b>	<b>3,176.15</b>	

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

**Non-ferrous mining and metallurgical industries:** The increase (22.60 per cent) was mainly due to increase in dispatch of coal, bauxite, manganese and

limestone as compared to the previous year and increase in collection of revenue from minor minerals.

**Forestry and wildlife:** The increase (68.51 *per cent*) was mainly due to deposit of excess amount by the Orissa Forest Development Corporation (OFDC) Limited towards *kendu* leaves.

**Police receipts:** The decrease (23.72 *per cent*) was mainly due to non-payment of arrear dues by the South Eastern Railways, East Coast Railways, Aviation Research Centre, Charbatia and Machhkund Security Force.

The other departments did not intimate (October 2009) the reasons for variation in receipts from those of the previous year despite being requested in April 2009.

## 1.2 Variations between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2008-09 in respect of principal heads of tax and non-tax revenue are mentioned below:

(Rupees in crore)

Sl. No.	Heads of revenue	Budget estimates	Actual receipts	Variations increase (+) shortfall (-)	Percentage of variation
<b>Tax revenue</b>					
1.	Sales tax/VAT	4,770.37	4,803.33	(+) 32.96	(+) 0.69
2.	Taxes on goods and passengers	580.90	638.32	(+) 57.42	(+) 9.88
3.	Taxes and duties on electricity	379.72	365.03	(-) 14.69	(-) 3.87
4.	Land revenue	260.24	348.79	(+) 88.55	(+) 34.03
5.	Taxes on vehicles	590.79	524.43	(-) 66.36	(-) 11.23
6.	State excise	620.76	660.07	(+) 39.31	(+) 6.33
7.	Stamp duty and registration fees	350.54	495.66	(+) 145.12	(+) 41.40
<b>Non-tax revenue</b>					
8.	Mines and minerals	1,250.00	1,380.60	(+) 130.60	(+) 10.45
9.	Forestry and wildlife	127.52	139.29	(+) 11.77	(+) 9.23
10.	Education	43.86	10.65	(-) 33.21	(-) 75.72
11.	Interest receipts	310.00	654.67	(+) 344.67	(+) 111.18
12.	Police receipts	45.60	22.25	(-) 23.35	(-) 51.21

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

**Land revenue:** The increase (34.03 per cent) was mainly due to conversion of land, alienation of Government land to different agencies and collection of premium thereof and collection of more royalty.

**Taxes on vehicles:** The decrease (11.23 per cent) was mainly due to downward trend in registration of new commercial vehicles as compared to the previous year.

**Forestry and wildlife:** The increase (9.23 per cent) was mainly due to deposit of excess amount by OFDC Limited towards *kendu* leaves.

**Police receipts:** The decrease (51.21 per cent) was mainly due to non-collection of arrears from the South Eastern Railways, East Coast Railways, Aviation Research Centre, Charbatia and Machhkund Security Force.

The other departments did not intimate (October 2009) the reasons for variation despite being requested in April 2009.

### 1.3 Analysis of collection

The break up of total collection at pre-assessment stage and after regular assessment of sales tax/VAT, profession tax, entry tax, luxury tax and entertainment tax for the year 2008-09 and the corresponding figures for the preceding two years as furnished by the department is mentioned below:

(Rupees in crore)

Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Amount of arrear demand collected	Amount refunded	Net collection	Per - centage of column 2 to 6
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Sales tax/VAT</b>						
2006-07	3,592.01	136.46	84.08	39.73	3,772.82	95.00
2007-08	4,036.30	31.66	77.69	27.22	4,118.43	98.01
2008-09 <sup>2</sup>	4,790.08	15.19	32.26	34.19	4,803.34	99.72
<b>Profession tax</b>						
2006-07	69.98	0.10	--	--	70.08	99.00
2007-08	76.85	0.11	0.20	--	77.16	99.60
2008-09 <sup>2</sup>	91.96	0.02	0.08	--	92.06	99.89
<b>Entry tax</b>						
2006-07	537.82	30.49	5.39	0.18	573.52	93.70
2007-08	612.71	19.84	8.61	0.29	640.87	95.61
2008-09 <sup>2</sup>	629.94	7.52	2.37	0.84	638.99	98.58
<b>Luxury tax</b>						
2006-07	0.01	--	--	--	0.01	100.00
2007-08	0.01	--	--	--	0.01	100.00
2008-09 <sup>2</sup>	0.03	--	--	--	0.03	100.00

<sup>2</sup> Figures as furnished by the department are at variance with the Finance Accounts.

(Rupees in crore)

Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Amount of arrear demand collected	Amount refunded	Net collection	Per - centage of column 2 to 6
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Entertainment tax</b>						
2006-07	2.46	--	0.08	--	2.54	97.00
2007-08	2.45	0.01	0.19	--	2.65	92.45
2008-09 <sup>2</sup>	2.33	--	0.07	--	2.40	97.08

Thus, the collection of tax at pre-assessment stage during the last three years ranged between 92.45 and 100 *per cent*.

#### **1.4 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 the years 2006-07, 2007-08 and 2008-09 along with the relevant all India average percentage of expenditure on collection to gross collection for 2007-08 are mentioned below:

(Rupees in crore)

Heads of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2007-08
Sales tax/ VAT <sup>3</sup>	2006-07	4,439.01	26.59	0.60	0.83
	2007-08	4,863.36	30.11	0.62	
	2008-09	5,601.22	44.45	0.79 <sup>4</sup>	
Taxes on vehicles	2006-07	426.54	12.25	2.87	2.58
	2007-08	459.42	14.71	3.20	
	2008-09	524.43	32.59	6.21	
State excise	2006-07	430.07	15.28	3.55	3.27
	2007-08	524.93	17.54	3.34	
	2008-09	660.07	24.76	3.75	
Stamp duty and registration fees	2006-07	260.49	10.92	4.19	2.09
	2007-08	404.76	11.81	2.92	
	2008-09	495.66	15.23	3.07	

<sup>3</sup> Figures as furnished by the department are at variance with the Finance Accounts.

<sup>4</sup> Percentage of expenditure to gross collection for 2008-09 includes entry tax, entertainment tax and profession tax in addition to sales tax/VAT.

The above table indicates that percentage of expenditure on gross collection in respect of sales tax was lower than the all India average percentage while in all other cases it was higher.

The increase (41.16 *per cent*) in expenditure on collection of taxes on vehicles was stated to be due to increase in plan expenditure like road safety awareness, modernisation in the department and creation of new regional transport offices.

### 1.5 Analysis of arrears of revenue

As on 31 March 2009, the arrears of revenue under principal heads of revenue as reported by the departments were aggregating Rs. 5,460.92 crore as mentioned in the following table:

(Rupees in crore)

Sl. No	Heads of revenue	Amount of arrears as on 31 March 2009	Arrears more than five years old	Remarks		
1.	Sales tax/VAT	3,588.57	928.27	The stages of arrears were as under:		
				•	Amount covered by show cause and penalty	1,274.34
				•	Recoveries stayed by	
				➤	Departmental authorities	1,399.96
				➤	Supreme Court/High Court	617.57
				•	Demands covered by certificate proceedings/tax recovery proceedings	291.16
2.	Entry tax	110.57	17.44	The stages of arrears were as under:		
				•	Amount covered by show cause and penalty	23.67
				•	Recoveries stayed by departmental authorities	33.96
				•	Demand stayed by the High Court	42.68
				•	Demand covered by certificate/tax recovery proceedings	10.26
3.	Entertainment tax	6.56	5.11	The stages of arrears were as under:		
				•	Demand covered by certificate/tax recovery proceedings	4.46
				•	Amount covered by show cause and penalty	1.80
				•	Recoveries stayed by	
				➤	Departmental authorities	0.18
➤	High Court	0.12				

**Audit Report (Revenue Receipts) for the year ended 31 March 2009**

(Rupees in crore)

Sl. No	Heads of revenue	Amount of arrears as on 31 March 2009	Arrears more than five years old	Remarks																																	
4.	Profession tax	0.67	0.01	All the arrears were under show cause and penalty proceedings.																																	
5.	Land revenue	30.45	NA <sup>5</sup>	Item-wise break up was as follows: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>•</td> <td>Rent</td> <td>3.17</td> </tr> <tr> <td>•</td> <td>Cess</td> <td>5.01</td> </tr> <tr> <td>•</td> <td>Nistar cess</td> <td>0.15</td> </tr> <tr> <td>•</td> <td>Sairat</td> <td>8.04</td> </tr> <tr> <td>•</td> <td>Misc. revenue</td> <td>14.08</td> </tr> </table>	•	Rent	3.17	•	Cess	5.01	•	Nistar cess	0.15	•	Sairat	8.04	•	Misc. revenue	14.08																		
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6.	Other departmental receipts (Rent) General Administration department	8.37	3.09	The arrears were due from: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>•</td> <td>Non-residential buildings</td> <td>0.91</td> </tr> <tr> <td>•</td> <td>Residential buildings</td> <td></td> </tr> <tr> <td>➤</td> <td>Retired Government servants</td> <td>3.41</td> </tr> <tr> <td>➤</td> <td>MLAs and ex MLAs</td> <td>0.50</td> </tr> <tr> <td>➤</td> <td>Boards and corporations</td> <td>0.50</td> </tr> <tr> <td>➤</td> <td>Private parties</td> <td>0.70</td> </tr> <tr> <td>➤</td> <td>Transferred Government servants</td> <td>1.18</td> </tr> <tr> <td>➤</td> <td>Certificate cases</td> <td>0.10</td> </tr> <tr> <td>➤</td> <td>Central Government employees occupying State Government quarters</td> <td>0.22</td> </tr> <tr> <td>➤</td> <td>Usual house rent</td> <td>0.69</td> </tr> <tr> <td>➤</td> <td>Recovery stayed by the High Court and other judicial authorities</td> <td>0.16</td> </tr> </table>	•	Non-residential buildings	0.91	•	Residential buildings		➤	Retired Government servants	3.41	➤	MLAs and ex MLAs	0.50	➤	Boards and corporations	0.50	➤	Private parties	0.70	➤	Transferred Government servants	1.18	➤	Certificate cases	0.10	➤	Central Government employees occupying State Government quarters	0.22	➤	Usual house rent	0.69	➤	Recovery stayed by the High Court and other judicial authorities	0.16
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7.	Forest receipts	81.24	NA	The arrears were due from: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>•</td> <td>OFDC</td> <td>70.16</td> </tr> <tr> <td>•</td> <td>TDCC<sup>6</sup></td> <td>4.49</td> </tr> <tr> <td>•</td> <td>Forest contractors</td> <td>2.98</td> </tr> <tr> <td>•</td> <td>Other agencies</td> <td>3.61</td> </tr> </table>	•	OFDC	70.16	•	TDCC <sup>6</sup>	4.49	•	Forest contractors	2.98	•	Other agencies	3.61																					
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8.	Police receipts	39.59	10.80	Of the arrears Rs. 2.31 crore is proposed to be written off.																																	
9.	Water rate	154.24	NA	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>•</td> <td>Industrial Water Rate</td> <td>118.50</td> </tr> <tr> <td>•</td> <td>Irrigation Water Rate</td> <td>35.74</td> </tr> </table>	•	Industrial Water Rate	118.50	•	Irrigation Water Rate	35.74																											
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10.	Taxes on vehicles	129.01	NA	The stages of arrears were as under: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>•</td> <td>Demands covered by certificate proceedings</td> <td>51.77</td> </tr> </table>	•	Demands covered by certificate proceedings	51.77																														
•	Demands covered by certificate proceedings	51.77																																			

<sup>5</sup> NA-Not available

<sup>6</sup> Orissa Tribal Development Co-operative Corporation.



(Rupees in crore)

Sl. No	Heads of revenue	Amount of arrears as on 31 March 2009	Arrears more than five years old	Remarks
				<ul style="list-style-type: none"> <li>• Recoveries stayed by:</li> <li>➤ High Court/ Supreme Court/other judicial authorities 4.50</li> <li>➤ Departmental authorities 1.74</li> <li>• Arrears under dispute 5.54</li> <li>• Proposed to be written off 0.15</li> <li>• Other stages 65.31</li> </ul>
11.	State excise	21.01	NA	<p>The stages of recovery were as under:</p> <ul style="list-style-type: none"> <li>• Demand covered by certificate proceedings 13.37</li> <li>• Recoveries stayed by the High Court/ Supreme Court/other judicial authorities 3.87</li> <li>• Amounts under dispute 0.77</li> <li>• Proposed to be written off 0.03</li> <li>• Other stages of recovery 2.97</li> </ul>
12.	Interest	141.15	NA	<ul style="list-style-type: none"> <li>• Co-operation Department 81.20</li> <li>• Textile and Handloom department 24.50</li> <li>• Industries department 35.45</li> </ul> <p>The arrears were due from:</p> <ul style="list-style-type: none"> <li>➤ Industrial Development Corporation 7.53</li> <li>➤ Industrial Promotion and Investment Corporation of Orissa Limited 13.50</li> <li>➤ Orissa Small Industries Corporation 2.89</li> <li>➤ Orissa State Leather Corporation 0.85</li> <li>➤ Orissa Instrument Company 0.63</li> <li>➤ Orissa State Financial Corporation</li> </ul> <p>Interest on :</p> <ul style="list-style-type: none"> <li>◇ State aided rural industries programme loan 1.25</li> <li>◇ Sales tax loan 5.47</li> <li>◇ Electricity duty loan 2.99</li> </ul>

**Audit Report (Revenue Receipts) for the year ended 31 March 2009**

(Rupees in crore)

Sl. No	Heads of revenue	Amount of arrears as on 31 March 2009	Arrears more than five years old	Remarks		
				◇	Panchayat Samiti Industries loan 0.34	
13.	Electricity duty	1,025.51	NA	Of the arrears Rs. 1.85 crore was covered under certificate proceedings and Rs. 707.42 crore was locked up in litigation in the Supreme Court/High Court/other judicial authorities.		
14.	Stationery & printing	0.86	0.08	Stages at which arrears were pending was not furnished by the department.		
15.	Guarantee fee	0.45	NA	Co-operation department		
16.	Cooperative receipts (Audit fee)	1.04	NA	Recoverable amount	0.88	
				Proposed to be written off	0.16	
17.	Dividend receipts (Industries department)	0.14	NA	The arrears were due from -		
				•	Orissa Oil Industries	0.11
				•	Orissa Ceramic Industries	0.01
				•	Pilot project companies	0.02
18.	Miscellaneous General service receipts (Industries department)	7.90	NA	The arrears were due from -		
				•	Industrial Development Corporation	7.87
				•	Panchayat Samiti industrial units	0.01
				•	Pilot project companies	0.02
19.	Village and small industries receipts (Industries department)	0.28	NA	The arrears were due from -		
				•	Industrial estate rent	0.12
				•	Government Pottery Centre, Jharsuguda	0.15
				•	Miscellaneous receipts	0.01
20.	Mining Receipts	113.31	7.15	The stages of recovery were as under:		
				•	Demand covered by certificate proceedings	1.50
				•	Demand locked up in litigation in the High Court and other judicial fora	1.72
				•	Amount under dispute	3.62
				•	Amount covered under write off proposal	2.34
				•	Recoverable amount	104.13
<b>Total</b>		<b>5,460.92</b>	<b>971.95</b>			

**1.6 Arrears in assessments**

The details of the cases pending assessment at the beginning of the year 2008-09, cases becoming due for assessment during the year, cases disposed

during the year and the number of cases pending at the end of the year 2008-09 in respect of sales tax/VAT, profession tax and entry tax and the corresponding figures in respect of sales tax and entry tax for the preceding four years as furnished by the department were as under:

Heads of revenue	Year	Opening balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year	Percentage of column 6 to 5
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sales tax	2004-05	2,84,385	2,70,549	5,54,934	2,09,000	3,45,934	37.66
	2005-06	3,45,934	2,49,728	5,95,662	2,21,492	3,74,170	37.18
	2006-07	3,74,170	80,863	4,55,033	2,11,261	2,43,772	46.43
	2007-08	2,70,487 <sup>7</sup>	23,342	2,93,829	2,62,609	31,220	89.37
	2008-09	31,220	9,545	40,765	22,795	17,970	55.92
VAT	2008-09	457	2,416	2,873	1,573	1,300	54.75
Profession tax	2008-09	96,773	40,567	1,37,340	32,753	1,04,587	23.85
Entry tax	2004-05	58,916	1,44,741	2,03,657	91,773	1,11,884	45.08
	2005-06	1,11,884	1,19,836	2,31,720	83,078	1,48,642	35.85
	2006-07	1,48,642	57,218	2,05,860	89,382	1,16,478	43.42
	2007-08	1,16,478	31,899	1,48,377	1,01,024	47,353	68.09
	2008-09	47,353	7,885	55,238	53,574	1,664	96.99

The above table indicates that the percentage of assessments completed under the above heads during the years from 2004-05 to 2008-09 ranged between 23.85 and 96.99 per cent.

### 1.7 Evasion of tax

The number of cases of evasion of tax detected and assessments finalised during 2008-09 as reported by the Commercial Tax Department are mentioned below:

Sl. No.	Name of tax	Cases pending as on 31 March 2008	Cases detected during 2008-09	Total	Assessments/ investigations completed and additional demand including penalty etc., raised		No. of cases pending finalisation as on 31 March 2009
					No. of cases	Demand (Rs. in crore)	
1.	Sales tax	881	20	901	411	0.57	490
2.	VAT	579	928	1,507	609	14.47	898
3.	CST	31	65	96	50	18.04	46
4.	Entry tax	13	149	162	99	6.05	63
<b>Total</b>		<b>1,504</b>	<b>1,162</b>	<b>2,666</b>	<b>1,169</b>	<b>39.13</b>	<b>1,497</b>

Thus, disposal of detected cases was 43.85 per cent. The department did not furnish the revenue involved in the pending cases.

<sup>7</sup> Includes 26,715 cases relating to central sales tax not furnished by the Department up to 2006-07.

**1.8 Failure to enforce accountability and protect interest of the Government**

Audit observations on incorrect assessments, short levy of taxes, duties, fees etc., as also defects in the maintenance of initial records noticed during audit and not settled on the spot are communicated to the heads of departments/offices and other departmental authorities through inspection reports (IRs). The heads of departments/offices are required to take corrective action in the interest of revenue and furnish compliance within a period of one month.

The number of IRs and audit observations relating to revenue receipts issued upto 31 December 2008 which had not been settled by the departments as on 30 June 2009 along with the corresponding figures for the preceding two years are mentioned below:

	2007	2008	2009
Number of IRs pending settlement	3,368	3,316	3,168
Number of outstanding audit observations	9,772	9,429	8,917
Amount of revenue involved (Rupees in crore)	2,576.21	3,144.73	3,901.84

Department wise break up of IRs and audit observations outstanding as on 30 June 2009 is mentioned in the following table.

Department	Nature of receipts	Number of outstanding		Amount of receipts involved (Rs. in crore)	Year to which observations relate	No. of IRs to which first reply not received
		IRs	Audit observations			
Finance	Sales tax	538	1,570	529.47	1981-82 to 2008-09	37
	Value added tax	21	38	139.08	2007-08 and 2008-09	22
	Entertainment tax	44	59	1.44	1984-85 to 2003-04	-
	Entry tax	153	255	77.75	2002-03 to 2008-09	28
Commerce and transport (Transport)	Taxes on vehicles	252	2,525	416.08	1997-98 to 2008-09	2
	Taxes on goods and passenger	70	237	1.09	1973-74 to 1987-88	-
Revenue	Land revenue	707	1,551	832.31	1985-86 to 2008-09	147
	Stamp duty and registration fees	473	745	518.06	1977-78 to 2008-09	173
Excise	State excise	218	450	132.79	1991-92 to 2008-09	18
Forest and environment	Forest receipts	484	1,107	267.38	1981-82 to 2008-09	72

Department	Nature of receipts	Number of outstanding		Amount of receipts involved (Rs. in crore)	Year to which observations relate	No. of IRs to which first reply not received
		IRs	Audit observations			
Steel and mines	Mining receipts	84	152	273.80	1980-81 to 2008-09	18
Energy	Electricity duty/fees	81	168	686.51	1992-93 to 2008-09	2
Co-operation	Departmental receipts	18	25	16.08	1995-96 to 2006-07	-
Food supplies and consumer welfare	-do-	20	30	3.08	1998-99 to 2008-09	3
General administration (Rent)	-do-	1	1	0.02	2003-04	-
Works	-do-	4	4	6.90	2003-04 to 2008-09	-
<b>Total</b>		<b>3,168</b>	<b>8,917</b>	<b>3,901.84</b>		<b>522</b>

It indicates that the heads of departments/offices, whose records were inspected by the Accountant General (Commercial, Works & Receipts Audit), failed to discharge due responsibility as they did not send reply to a large number of IRs/paragraphs and also did not take any remedial measures for the defects, omissions and irregularities pointed out by the AG. Since the outstanding amount represents unrealised revenue, the Government needs to take speedy and effective action on the issues raised in the IRs.

### 1.9 Departmental audit committee meetings

In order to expedite settlement of the outstanding audit observations contained in the IRs, departmental audit committees have been constituted by the Government. The representatives of the Finance Department, Administrative Department and office of the AG attended the meetings of the committee. The committees are expected to meet regularly to expedite clearance of the outstanding audit observations and ensure that final action is taken on all audit observations outstanding for more than a year. Department wise position of audit committee meetings held during the year 2008-09 is furnished in the following table:

Sl. No.	Name of the department	Subject	No. of meetings held	No. of IRs settled	No. of audit observations settled
1.	Finance	Sales tax/VAT/Entry tax	14	46	160
2.	Transport	Motor vehicle tax	13	--	99
3.	Excise	Excise duty	2	17	51
4.	Revenue	Land revenue	15	39	167
5.	Forest and Environment	Forest receipts	7	15	81
6.	Steel and Mines	Mining receipts	1	10	21
<b>Total</b>			<b>52</b>	<b>127</b>	<b>579</b>

However, no audit committee meeting was held during 2008-09 in Revenue department in respect of stamp duty and registration fees, Food Supplies and Consumer Welfare, Energy and Co-operation departments. As the pendency of IRs and paragraphs are accumulating, the Government may instruct all the departments to conduct more audit committee meetings to expedite clearance.

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

The Government of Orissa, Finance Department, in their circular memorandum instructed (May 1967) various departments of the Government to submit compliance to draft audit paragraphs (DPs) proposed by the Accountant General for inclusion in the Audit Report of the Comptroller and Auditor General of India (CAG), within six weeks from the date of receipt of such DPs. The above instructions were reiterated (December 1993) while accepting the recommendation of the High Power Committee on response of the State Governments to the Audit Reports of the CAG. The DPs are normally forwarded by the AG to the Principal Secretary/Secretary of the Administrative Department concerned through demi-official letters seeking confirmation of the factual position and comments thereon within the stipulated period of six weeks.

Fifty DPs including two reviews (clubbed in 47 paragraphs) being considered for inclusion in this Report were demi-officially forwarded to the Secretaries/Principal Secretaries of the concerned departments between January and September 2009 with a request for verification of the factual position and also for comments thereon. Demi-official reminders were also issued after the expiry of six weeks time in each case. The position of response to the draft paragraphs is mentioned in the following table.

Sl. No.	Name of the department/Nature of receipts	No. of draft paras forwarded including review	No. of draft paras in respect of which replies were received	No. of draft paras in which replies were not received
1.	Finance (Sales tax & entry tax)	18	15	3
2.	Transport (Motor vehicles tax)	10	--	10
3.	Excise (Excise duty and fees)	2	2	--
4.	Forest and Environment (Forest receipts)	2	2	--
5.	Steel & Mines (Mining receipts)	4	--	4
6.	Revenue (Land revenue, stamp duty and registration fees)	8	--	8 <sup>8</sup>
7.	Water resources	1	1	--
8.	Energy	4	3	1
9.	Housing and Urban Development	1	1	--
<b>Total</b>		<b>50</b>	<b>24</b>	<b>26</b>

<sup>8</sup> Of this, out of three cases involved in a draft para, reply in respect of one case received.

### 1.11 Follow-up on Audit Reports - summarised position

According to the instructions issued by the Finance Department in December 1993, all the departments are required to furnish explanatory memoranda to the Orissa Legislative Assembly in respect of the paragraphs included in the Audit Reports within three months of the Report being laid on the table of the House.

Review of outstanding explanatory memoranda on paragraphs included in the reports of the CAG (Revenue Receipts) as of September 2009 disclosed that the departments had not submitted remedial explanatory memoranda on 20 paragraphs for the years from 1999-2000 to 2007-08 as mentioned below:

Year	No. of paragraphs in the audit report	No. of paragraphs discussed in PAC	No. of paragraphs pending for discussion	No. of paragraphs for which compliance notes have not been received
1991-92	63	62	1	--
1992-93	54	53	1	--
1993-94	44	43	1	--
1994-95	47	44	3	--
1997-98	38	3	35	--
1998-99	40	1	39	--
1999-00	34	-	34	3
2000-01	45	5	40	--
2001-02	45	7	38	--
2002-03	57	10	47	1
2003-04	63	9	54	--
2004-05	62	12	50	--
2005-06	53	33	20	1
2006-07	48	9	39	4
2007-08	44	--	44	11
<b>Total</b>	<b>737</b>	<b>291</b>	<b>446</b>	<b>20</b>

Thus, non-compliance to the audit paragraphs stood at 8.47 *per cent* of total paragraphs (236) presented to the Assembly during the related years.

With a view to ensuring accountability of the executive in respect of all the issues dealt with in the Audit Reports, the Public Accounts Committee (PAC), as early as in May 1966, issued instructions to all the departments of the State Government to submit action taken notes (ATN) on the recommendations made by the PAC for further consideration within six months of the presentation of the PAC Report to the Legislature. It was noticed from the PAC reports submitted during 10<sup>th</sup>, 11<sup>th</sup>, 12<sup>th</sup> and 13<sup>th</sup> Assembly that 56 Reports containing 501 paras/recommendations were presented by the PAC before the Legislature between February 1991 and December 2008 after examination of the Audit Report (Revenue Receipts) of 14 departments for the years 1985-86 to 2005-06. However, ATNs have not been received in respect of 53 recommendations of the PAC from nine departments<sup>9</sup> as of September 2009.

<sup>9</sup> Agriculture, Energy, Excise, Forest and Environment, Home, Law, Revenue and Disaster Management, Steel and Mines and Water Resources Departments.

This indicates that the executive failed to take prompt action on the important issues highlighted in the Audit Reports that involve unrealised revenue.

### **1.12 Compliance with the earlier audit reports**

In the Audit Reports 2003-04 to 2007-08, audit observations relating to under assessments, non/short levy of taxes, loss of revenue, failure to raise demands, etc., involving Rs. 2,257.26 crore were included. Of these, as of October 2009, the departments concerned had accepted under assessments and other deficiencies involving Rs. 867.57 crore and had recovered Rs. 353.13 crore. Audit Report wise details of amount accepted and revenue recovered are as under:

(Rupees in crore)

Sl. No.	Year	Money value of audit report	Amount accepted by the department	Amount recovered
1.	2003-04	558.63	37.94	10.02
2.	2004-05	560.81	221.43	45.56
3.	2005-06	136.70	47.37	21.61
4.	2006-07	516.32	431.34	273.81
5.	2007-08	484.80	129.49	2.13
<b>Total</b>		<b>2,257.26</b>	<b>867.57</b>	<b>353.13</b>

### **1.13 Results of audit**

Test check of the records of sales tax/value added tax (VAT)/entry tax, motor vehicles tax, land revenue, state excise, forest receipts, mining receipts and other departmental offices conducted during the year 2008-09 revealed underassessment/short levy/loss of revenue, etc., amounting to Rs. 1,502.69 crore in 2,79,083 cases. During the year 2008-09, the concerned departments accepted underassessment and other deficiencies of Rs. 118.21 crore involved in 85,766 cases which were pointed out in 2008-09 and in earlier years. The departments also recovered Rs. 176.26 crore during the year in 5,495 cases.

The report contains 47 paragraphs including two reviews relating to under assessment/non/short levy etc. involving Rs. 578.83 crore. The department/Government accepted audit observations involving Rs. 65.64 crore of which Rs. 3.65 crore had been recovered upto October 2009. These are discussed in succeeding chapters II to VIII.