

## CHAPTER-I: GENERAL

### 1.1 Trend of revenue receipts

**1.1.1** Tax and non-tax revenue raised by Government of Odisha during the year 2013-14, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grants-in-Aid received from Government of India (GoI) during the year and the corresponding figures for preceding four years are mentioned in **Table-1.1.1**.

**Table-1.1.1**  
**Trend of revenue receipts**

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
<b>(₹ in crore)</b>						
<b>1.</b>	<b>Revenue raised by State Government</b>					
	• Tax Revenue	8,982.34	11,192.67	13,442.74	15,034.13	16,891.59
	• Non-Tax Revenue	3,212.20	4,780.37	6,442.96	8,078.04	8,378.60
	<b>Total</b>	<b>12,194.54</b>	<b>15,973.04</b>	<b>19,885.70</b>	<b>23,112.17</b>	<b>25,270.19</b>
<b>2.</b>	<b>Receipts from Government of India</b>					
	• State's net proceeds of divisible Union taxes and duties	8,518.65	10,496.86	12,229.12	13,965.01	15,247.24 <sup>1</sup>
	• Grants-in-Aid	5,717.02	6,806.25	8,152.20	6,859.73	8,429.42
	<b>Total</b>	<b>14,235.67</b>	<b>17,303.11</b>	<b>20,381.32</b>	<b>20,824.74</b>	<b>23,676.66</b>
<b>3.</b>	Total revenue receipts of the State Government (1 and 2)	26,430.21	33,276.15	40,267.02	43,936.91	48,946.85
<b>4.</b>	<b>Percentage of 1 to 3</b>	<b>46.14</b>	<b>48.00</b>	<b>49.38</b>	<b>52.60</b>	<b>51.63</b>

*Source : Finance Accounts for the year 2013-14 of Government of Odisha.*

The above table indicates that during the year 2013-14, the revenue raised by the State Government (₹ 25,270.19 crore) was 51.63 per cent of total revenue receipts. The balance (₹ 23,676.66 crore) 48.37 per cent of the receipts during 2013-14 was from the GoI.

<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 Odisha for the year 2013-14. 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 details of the tax revenue raised during the period 2009-10 to 2013-14 are given in **Table-1.1.2**.

**Table-1.1.2  
Details of Tax Revenue raised**

Sl. No.	Head of revenue	2009-10		2010-11		2011-12		2012-13		2013-14		Percentage of increase (+) or decrease (-) in 2013-14 over 2012-13
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
1.	OVAT including Odisha Sales Tax (OST)	4661.72	4914.99	5909.51	6221.28	7556.35	7463.39	9016.20	8929.61	10195.00	9882.03	(+) 10.66
	Central Sales Tax (CST)	720.66	493.77	590.49	585.52	725.04	733.45	783.80	755.07	900.00	846.52	(+) 12.11
2.	Taxes and Duties on Electricity	419.79	459.96	460.00	458.06	500.00	551.65	580.00	590.48	640.00	670.11	(+) 13.48
3.	Land Revenue	348.79	292.18	405.32	390.66	465.00	521.47	480.00	420.21	400.00	431.26	(+) 2.62
4.	Taxes on Vehicles	603.09	611.23	715.00	727.58	843.00	787.99	850.00	746.19	900.00	859.67	(+) 15.20
5.	Taxes on Goods and Passengers	689.38	815.25	875.00	1111.37	1235.00	1312.36	1350.00	1342.54	1500.00	1613.46	(+) 20.17
6.	State Excise	792.08	849.05	1000.00	1094.26	1350.00	1379.00	1500.00	1498.64	1725.00	1780.13	(+) 18.78
7.	Stamp Duty and Registration Fee	495.66	359.96	450.00	415.82	510.00	498.14	550.00	544.88	620.00	605.48	(+) 11.12
8.	Other Taxes and Duties on Commodities and Services	53.83	50.40	58.15	54.84	55.00	68.39	60.28	70.52	65.00	53.23	(-) 32.50
9.	Other Taxes on Income and Expenditure-Tax on Professions, Trades, Callings and Employments	134.72	135.55	145.00	133.28	160.00	126.90	140.00	135.99	160.00	149.70	(+) 10.08
	<b>Total:</b>	<b>8919.72</b>	<b>8982.34</b>	<b>10608.47</b>	<b>11192.67</b>	<b>13399.39</b>	<b>13442.74</b>	<b>15310.28</b>	<b>15034.13</b>	<b>17105.00</b>	<b>16891.59</b>	

Source : Finance Accounts for the year 2013-14 of Government of Odisha.

The respective Departments reported the following reasons for variation:

**Odisha VAT (OVAT) including OST/CST:** Increase (OVAT 10.66 *per cent* and CST 12.11 *per cent*) was due to increase in business activities of industry sector and vigorous collection drive by the Department.

**Taxes on Vehicles:** Increase (15.20 *per cent*) was due to increase in registration of vehicles, stringent enforcement activities and arrear collection.

**State Excise:** Increase (18.78 *per cent*) was due to enhancement of excise duty and various fees in the Annual Excise Policy 2013-14 compared to the previous year.

The other Departments despite being requested (July 2014) did not furnish the reasons for variations in receipts from that of the previous year (2012-13).

**1.1.3** The details of the non-tax revenue raised during the period 2009-10 to 2013-14 are indicated in **Table-1.1.3**.

**Table-1.1.3**  
**Details of Non-Tax Revenue raised**

Sl. No.	Head of revenue	2009-10		2010-11		2011-12		2012-13		2013-14		Percentage of increase (+) or decrease (-) of actual in 2013-14 over 2012-13
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
1.	Non-Ferrous Mining and Metallurgical Industries	1550.00	2020.76	2556.48	3329.25	3804.63	4571.57	5000.00	5695.70	5515.00	5518.80	(-) 3.11
2.	Interest Receipts	299.97	379.23	100.00	260.84	340.00	576.38	200.00	588.25	300.00	1241.18	(+) 110.99
3.	Forestry and Wild life	120.00	109.03	90.00	157.68	91.87	192.39	117.46	188.92	30.22	95.11	(-) 98.63
4.	Irrigation & Inland Water transport	99.84	70.13	100.80	143.09	178.30	333.11	295.28	396.76	380.30	451.70	(+) 13.84
5.	Other administrative services	24.31	56.48	24.79	11.06	11.00	16.07	10.24	12.76	13.30	24.44	(+) 91.53
6.	Public Works	46.31	41.99	47.24	48.79	40.25	47.16	40.04	49.77	47.00	69.72	(+) 40.08
7.	Police Receipts	46.52	36.69	47.45	38.45	39.19	36.18	33.97	52.62	37.15	44.70	(-) 17.71
8.	Education	11.00	14.88	11.22	25.98	15.37	21.18	10.17	89.10	16.63	75.86	(-) 17.45
9.	Medical and Public Health	35.00	12.96	35.70	19.55	18.00	37.12	9.90	10.55	28.84	28.71	(+) 172.13
10.	Miscellaneous general services	413.08	11.60	32.00	412.29	7.95	86.86	7.11	225.60	11.00	126.50	(-) 78.33
11.	Power	1.64	2.66	1.67	2.07	2.13	3.37	2.17	2.14	2.30	4.70	(+) 119.62
12.	Co-operation	3.50	1.99	3.57	2.18	2.05	1.92	2.20	2.97	2.30	3.34	(+) 12.45
13.	Other Non-Tax Receipts	295.30	453.80	314.56	329.14	258.48	519.65	308.24	762.90	441.10	693.84	(-) 9.95
	<b>Total:</b>	<b>2946.47</b>	<b>3212.20</b>	<b>3365.48</b>	<b>4780.37</b>	<b>4809.22</b>	<b>6442.96</b>	<b>6036.78</b>	<b>8078.04</b>	<b>6825.14</b>	<b>8378.60</b>	

Source: Finance Accounts for the year 2013-14 of Government of Odisha.

The respective Departments reported the following reasons for variation:

**Non-Ferrous Mining and Metallurgical Industries:** Decrease (3.11 per cent) was due to non-working of mines on the ground of non-availability of statutory clearance.

Other Departments despite being requested (July 2014) did not intimate the reasons for variation in receipts from that of the previous year (2012-13).

## 1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2014 on some principal heads of revenue amounted to ₹ 10,865.71 crore of which ₹ 2,356.34 crore was outstanding for more than five years as detailed in the **Table-1.2**.

**Table-1.2**  
**Arrears of revenue**

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2014	Amount outstanding for more than five years as on 31 March 2014	Replies of Departments
<b>A-Tax Revenue</b>				
<b>0040-Taxes on Sales, Trade etc.</b>				
1.	VAT (including OST and CST)	6,843.29	1,849.98	Department stated reasons of arrears as under: <ul style="list-style-type: none"> <li>• Amount covered by show cause notice 3,623.47</li> <li>• Amount stayed by Departmental authorities 532.01</li> <li>• Amount stayed by Supreme/ High Court 2,003.32</li> <li>• Demands covered by Tax Recovery proceedings 682.53</li> <li>• Amount likely to be written off 1.96</li> </ul>
<b>0042-Taxes on Goods and Passengers</b>				
2.	Entry Tax	2,001.22	408.81	Department stated reasons of arrears as under: <ul style="list-style-type: none"> <li>• Amount covered by show cause notice 1,098.25</li> <li>• Recoveries stayed by                             <ul style="list-style-type: none"> <li>➤ Departmental authorities 416.64</li> <li>➤ Supreme Court/ High Court 462.88</li> </ul> </li> <li>• Demands covered by certificate proceedings 23.42</li> <li>• Amount likely to be written off 0.03</li> </ul>
<b>0041-Taxes on Vehicles</b>				
3.	Taxes on Vehicle	140.33	88.18	Department stated reasons of arrears as under: <ul style="list-style-type: none"> <li>• Recoveries stayed by                             <ul style="list-style-type: none"> <li>➤ Departmental authorities 3.61</li> <li>➤ Supreme Court/ High Court 24.69</li> </ul> </li> <li>• Other stages 56.02</li> <li>• Demands covered by certificate proceedings/ tax recovery proceedings 56.00</li> </ul>
<b>0039-State Excise</b>				
4.	State Excise	35.67	0	Department stated reasons of arrears as under: <ul style="list-style-type: none"> <li>• Recoveries stayed by                             <ul style="list-style-type: none"> <li>➤ Supreme Court/ High Court 4.78</li> </ul> </li> <li>• Demands covered by certificate proceedings/ tax recovery proceedings 22.04</li> <li>• Amount likely to be written off 0.49</li> <li>• Other stages 8.36</li> </ul>
<b>B- Non-Tax Revenue</b>				
5.	Mining receipts	1,845.20	9.37	Department stated reasons of arrears as under: <ul style="list-style-type: none"> <li>• Certificate cases 1.46                             <ul style="list-style-type: none"> <li>➤ Amount under dispute 1,334.58</li> <li>➤ Amount likely to be written off 2.46</li> <li>➤ Court of law 1.62</li> <li>➤ Recoverable dues 505.08</li> </ul> </li> </ul>
<b>Total:</b>		<b>10,865.71</b>	<b>2,356.34</b>	

Source : Replies of concerned Departments.

It would be seen from the above table that arrears of ₹ 2,356.34 crore were pending for recovery for more than five years. Arrears of ₹ 952.26 crore were pending with the departmental authorities and sufficient efforts were not made to dispose of the same. Certificate cases/ tax recovery proceedings initiated for recovery of ₹ 785.45 crore have not been finalised. Cases referred for write off (₹ 4.94 crore) were also not being pursued.

### 1.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year as furnished by the Commercial Tax Wing of Finance Department in respect of Odisha Sales Tax, Value Added Tax, Central Sales Tax, Odisha Entry Tax, Profession Tax and Entertainment Tax were as below in **Table-1.3**.

**Table-1.3**  
Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2013-14	Total assessment due	Cases disposed off during 2013-14	Balance at the end of the year	Percentage of disposal (Col. 5 to 4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Odisha Sales Tax	5551	0	5551	729	4822	13.13
CST	656	193	849	230	619	27.09
VAT	2867	2867	5734	3948	1786	68.85
Entry Tax	782	2208	2990	2242	748	74.98
Profession Tax	42782	28783	71565	36532	35033	51.04
Entertainment tax	130	55	185	89	96	48.10

Source: Commercial Tax Wing of Finance Department.

It would be seen from the above that 4,822 assessments under the erstwhile Odisha Sales Tax Act were pending for assessment as of 31 March 2014 although the Act had been repealed since 1 April 2005.

### 1.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected by the Commercial Tax Wing of Finance Department, cases finalised and the demands for additional tax raised as reported by the Department are given in **Table-1.4**.

**Table-1.4**  
Evasion of Tax

Sl. No.	Head of revenue	Cases pending as on 31 March 2013	Cases detected during 2013-14	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty etc. raised		Number of cases pending for finalisation as on 31 March 2014
					Number of cases	Amount of demand	
1.	Odisha Sales Tax	26	0	26	0	0	26
2.	Entry Tax	92	42	134	64	3.39	70

(₹ in crore)

Sl. No.	Head of revenue	Cases pending as on 31 March 2013	Cases detected during 2013-14	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty etc. raised		Number of cases pending for finalisation as on 31 March 2014
					Number of cases	Amount of demand	
3.	Value Added Tax	794	972	1766	1041	307.19	725
4.	Central Sales Tax	11	0	11	5	0.92	6
<b>Total:</b>		<b>923</b>	<b>1014</b>	<b>1937</b>	<b>1110</b>	<b>311.50</b>	<b>827</b>

Source: Commercial Tax Wing of Finance Department.

Number of cases pending at the end of the year had reduced (10.40 per cent) compared to those at the beginning of the year.

### 1.5 Pendency of refund cases

The number of refund cases pending at the beginning of the year 2013-14, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2013-14 as reported by the Commercial Tax Wing of Finance Department is given in **Table-1.5**.

**Table-1.5**  
**Details of pendency of refund cases**

(₹ in crore)

Sl. No.	Particulars	Sales Tax/VAT		Entry Tax	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	1408	119.19	93	1.17
2.	Claims received during the year	389	123.29	82	8.81
3.	Refunds made during the year	405	49.66	34	1.89
4.	Balance outstanding at the end of year	1392	192.82	141	8.09

Source: Commercial Tax Wing of Finance Department.

Evidently, progress of disposal of refund cases of Sales Tax/ VAT and Entry Tax during 2013-14 as compared to total refund cases was slow at 22.54 and 19.43 per cent respectively.

Odisha VAT Act provides for payment of interest at the rate of eight per cent per month if the refund is not made to the dealer within 60 days from the date of receipt of order till the refund is made. Due to such slow pace of disposal of refund cases, Government may incur liability for payment of interest.

### 1.6 Response of Departments/Government towards Audit

The Principal Accountant General (E&RSA) Odisha (PAG) conducts periodical inspection of the Government Departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. The inspections are followed up with the Inspection Reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot which are issued to the heads

of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of the offices/ Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the PAG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the Department and the Government.

Inspection Reports issued up to December 2013 disclosed that 6,656 paragraphs involving ₹ 11,060.31 crore relating to 2,939 IRs remained outstanding at the end of June 2014 along with the corresponding figures for the preceding two years as mentioned in **Table-1.6** below.

**Table-1.6**  
**Department-wise details of IRs**

	June 2012	June 2013	June 2014
Number of IRs pending for settlement	3,597	2,376	2,939
Number of outstanding audit observations	10,270	7,884	6,656
Amount of revenue involved (₹ in crore)	7,454.18	5,442.03	11,060.31

Source: Records of the Principal Accountant General (E&RSA).

**1.6.1** The Department-wise details of the IRs and audit observations outstanding as on 30 June 2014 and the amounts involved are mentioned in the **Table-1.6.1**.

**Table-1.6.1**  
**Department-wise details of IRs (Revenue Receipts)**

Sl. No.	Name of the Department	Nature of receipts	Numbers of outstanding IRs	Numbers of outstanding audit observations	Money value involved (₹ in crore)
1.	Finance	OVAT including OST/CST	760	1771	850.15
		Entry Tax	254	454	188.80
		Profession Tax	8	11	16.95
		Entertainment Tax	1	1	2.30
2.	Excise	State Excise	274	771	539.67
3.	Revenue & Disaster Management	Stamp Duty and Registration fee	500	862	446.27
4.	Steel and Mines	Mining receipts	177	523	8820.54
5.	Transport	Taxes on vehicles and taxes on goods and passengers	347	1104	156.57
<b>Total :</b>			<b>2321</b>	<b>5497</b>	<b>11021.25</b>

Source: Records of the Principal Accountant General (E&RSA).

**Department-wise details of IRs (Expenditure)**

Sl. No.	Name of the Department	Numbers of outstanding IRs	Numbers of outstanding audit observations	Money value involved (₹ in crore)
1.	Finance	87	135	0
2.	Excise	103	159	0
3.	Revenue & Disaster Management	120	140	0
4.	Steel and Mines	29	66	5.80
5.	Transport	279	659	33.26
<b>Total :</b>		<b>618</b>	<b>1159</b>	<b>39.06</b>

Source: Records of the Principal Accountant General (E&RSA).

Audit did not receive even the first replies in respect of 72 IRs issued during 2013-14 from the heads of offices within one month from the date of issue of

the IRs. This large pendency of IRs due to non-receipt of the replies is indicative of failure to initiate action to rectify the defects, omissions and irregularities pointed out by the PAG in the IRs.

### 1.6.2 Departmental Audit Committee (DAC) meetings

The Government set up audit committees to monitor and expedite the progress of settlement of the IRs and paragraphs therein. The details of the audit committee meetings held during the year 2013-14 and the paragraphs settled are mentioned in **Table-1.6.2**.

**Table-1.6.2**  
**Details of Departmental audit committee meetings**

(₹ in crore)

Sl. No.	Head of revenue	Number of meetings held	Number of paras settled	Amount
1.	Finance Department	10	207	122.50
2.	Steel and Mines Department	3	57	3.87
	<b>Total:</b>	<b>13</b>	<b>264</b>	<b>126.37</b>

Source: As per data maintained in office of the Principal Accountant General (E&RSA).

The Commerce and Transport (Transport) Department, Revenue and Disaster Management Department and Excise Department did not hold any DAC meeting during 2013-14.

### 1.6.3 Non-production of records to Audit for scrutiny

The programme of local audit of Tax Revenue/Non-Tax Revenue offices is drawn up sufficiently in advance and intimations are issued usually one month before the commencement of audit to the departments to enable them to keep the relevant records ready for audit scrutiny.

During the year 2013-14, as many as 1,336 assessment files, returns, refunds registers and other relevant records involving tax effect of ₹ 1,318.92 crore were not made available to audit. Break up of these cases are given in **Table-1.6.3**. There was no case of non-production of records in other four departments<sup>2</sup>.

**Table-1.6.3**  
**Details of non-production of records**

Name of the Department	Type of Tax/Non-tax revenue	Year in which it was to be audited	Number of cases not audited	Tax amount (₹ in crore)
Finance	Taxes/ VAT on Sales Trade etc.	Up to 2012-13	1,014	764.95
		2013-14	322	553.97
<b>Total:</b>			<b>1,336</b>	<b>1,318.92</b>

Source: Records of the Principal Accountant General (E&RSA).

### 1.6.4 Response of Departments to draft Audit Paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the PAG to the Principal Secretaries/Secretaries of the concerned Departments drawing their attention to audit findings and requesting them to send their response within

<sup>2</sup> Excise, Revenue and Disaster Management, Steel & Mines and Transport Department.



six weeks. The fact of non-receipt of the replies from the Departments/ Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Audit forwarded 70 draft paragraphs including two Performance Audits (PAs) to the Principal Secretaries/ Secretaries of the respective Departments by name between May 2014 and September 2014. The Principal Secretaries/ Secretaries of the Departments did not send replies to 50 draft paragraphs despite issue of reminders (October 2014) and the same have been included in this Report without the response of the Departments.

### 1.6.5 Follow up on the Audit Reports-summarised position

Based on the recommendations of the High Powered Committee on response of the State Governments to the Audit Reports of the Comptroller and Auditor General of India, Finance Department issued instructions (December 1993) to Secretaries to Government of all Departments to submit explanatory notes on paragraphs included in the Audit Report within three months from the date of placing of Report in Odisha Legislative Assembly, indicating the action taken or proposed to be taken. In spite of these instructions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Odisha containing 683 paragraphs (including Performance Audit) for the years ended 31 March 1994, 1995 and 1998 to 2012 were placed before the State Legislative Assembly between June 1995 and March 2013. The action taken explanatory notes in respect of 45 paragraphs from four Departments (Finance, Commerce and Transport, Excise and Revenue and Disaster Management) had not been received for the Audit Report for the year ended March 2012 so far (November 2014).

The Public Accounts Committee (PAC) discussed 184 selected paragraphs pertaining to the Audit Reports for the years from 1985-86 to 2006-07 and its recommendations on 428 paragraphs were incorporated in their 28 Reports. However, Action Taken Notes (ATNs) in respect of 16 recommendations of the PAC laid in the Odisha Legislative Assembly between February 1991 and December 2008 had not been received from the Departments concerned although those are required to be received within three months from the date of laying in the legislature. The details are mentioned in the **Table-1.6.5**.

**Table-1.6.5**

Year	Name of the Department					Total
	Finance	Commerce and Transport	Excise	Revenue and Disaster Management	Steel and Mines	
10 <sup>th</sup> Assembly	-	-	2	-	-	2
11 <sup>th</sup> Assembly	-	1	-	-	-	1
13 <sup>th</sup> Assembly	-	-	12	-	1	13
<b>Total</b>	-	<b>1</b>	<b>14</b>	-	<b>1</b>	<b>16</b>

## 1.7 Analysis of the mechanism for dealing with the issues raised by Audit

To analyse the system of addressing the issues highlighted in the Inspection Reports/ Audit Reports by the Departments/ Government, the action taken on the paragraphs and Performance Audits included in the Audit Reports of the last 10 years for one Department is evaluated and included in this Audit Report.

The succeeding paragraphs 1.7.1 to 1.7.2 discuss the performance of the **Revenue and Disaster Management Department** under revenue head **0030-Stamps and Registration Fees** and cases detected in the course of local audit during the last 10 years and also the cases included in the Audit Reports for the years 2003-04 to 2012-13.

### 1.7.1 Position of Inspection Reports

The summarised position of the IRs issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2014 are tabulated below in **Table-1.7.1**.

**Table-1.7.1**  
**Position of Inspection Reports**

(₹ in lakh)

Sl. No.	Year	Opening balance			Addition during the year			Clearance during the year			Closing balance		
		IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
1.	2004-05	364	670	531.03	67	174	289.35	151	372	36.82	280	472	783.50
2.	2005-06	280	472	783.50	122	238	365.57	39	121	17.33	363	589	1131.74
3.	2006-07	363	589	1131.74	85	138	2640.00	97	193	318.99	348	534	3452.75
4.	2007-08	348	534	3452.75	90	135	28242.90	27	54	0.46	411	611	31695.18
5.	2008-09	411	611	31695.18	107	148	473.39	58	78	18.43	458	681	32150.14
6.	2009-10	458	681	32150.14	57	110	594.39	20	33	16.13	455	758	32728.40
7.	2010-11	495	758	32728.40	27	60	236.20	8	30	44.85	514	790	32919.75
8.	2011-12	514	790	32919.75	48	95	339.78	65	138	147.00	497	747	33112.53
9.	2012-13	497	747	33112.53	65	139	341.75	68	176	19.83	494	710	33434.45
10.	2013-14	494	710	33434.45	48	142	8282.01	19	51	87.67	523	801	41628.79

Source: Records of the Principal Accountant General (E&RSA).

The Government arranges ad-hoc Committee meetings between the Department and PAG's office to settle the old paragraphs. As would be evident from the above table, against 364 outstanding IRs with 670 paragraphs at the beginning of 2004-05, the number of outstanding IRs increased to 523 with 801 paragraphs at the end of 2013-14. Thus, there was no substantial improvement in clearance of IRs and paragraphs by the Department during the years 2004-05 to 2013-14.

## 1.7.2 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Department and the amount recovered are mentioned in **Table-1.7.2**.

**Table-1.7.2**

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year	Cumulative position of recovery of accepted cases as of 31.03.2012
2003-04	4	72.82	4	72.82	0	0
2004-05	1	0.26	1	0.26	0	0
2005-06	2	45.73	2	45.73	0	0
2006-07	2	281.04	2	281.04	88.81	88.81
2007-08	2	2.69	1	1.39	0	88.81
2008-09	2	49.57	0	0	0	88.81
2009-10	2	0.24	1	0.05	0	88.81
2010-11	1	0.46	1	0.46	0	88.81
2011-12	5	1.71	5	1.71	0.02	88.83
2012-13	5	135.75	3	1.95	0	88.83
<b>Total</b>	<b>26</b>	<b>590.27</b>	<b>20</b>	<b>405.41</b>	<b>88.83</b>	

Source: Records of the Principal Accountant General (E&RSA).

It is evident from the above table that the progress of recovery even in accepted cases was very slow throughout during the last 10 years. The recovery of accepted cases was to be pursued as arrears recoverable from the concerned parties. No mechanism for pursuance of the accepted cases had been put in place by the Department/Government. Further, the arrear cases including accepted audit observations were not available with the office of the Commissioner, Revenue and Disaster Management Department. In absence of a suitable mechanism, the Department could not monitor the recovery of accepted cases.

## 1.8 Audit planning

Unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of the audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter alia* include critical issues in Government revenues and tax administration i.e. Budget Speech, White paper on State Finances, Reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, audit coverage and its impact during past five years etc.

During the year 2013-14, there were 512 auditable units of which 225 units were planned and 225 units had been audited which is 43.95 *per cent* of the total auditable units.

Besides the compliance audit mentioned above, one Performance Audit was also taken up to examine the efficacy of classification, assessment and

collection of Motor Vehicles Tax and Road Safety Measures in the Commerce and Transport (Transport) Department.

## **1.9 Results of audit**

### **Position of local audit conducted during the year**

Test check of the records of 174 units relating to Odisha Sales Tax/ Value Added Tax, Goods and Passengers Tax, State Excise Duty, Stamp Duty and Registration Fee, Motor Vehicles Tax, and other Non-Tax receipts conducted during the year 2013-14 showed under assessment/ short levy/ loss of revenue aggregating ₹ 4,713.63 crore in 5,10,147 cases. During the course of the year, Departments concerned accepted under assessment and other deficiencies of ₹ 2,379.41 crore involved in 3,98,229 cases which were pointed out in audit during 2013-14 and collected ₹ 4.73 crore in 268 cases pertaining to audit findings of 2013-14 and previous years.

Similarly, test check of the records of 170 units under Commercial Tax, Excise, Revenue and Disaster Management, Transport and Steel and Mines Departments conducted during the year 2013-14 showed irregular expenditure/ payment amounting to ₹ 20.15 crore in 806 cases. During the course of the year, the Departments concerned accepted irregularities of ₹ 16.51 crore involved in 748 cases which were pointed out in audit during 2013-14 and collected ₹ 18.70 lakh in 96 cases pertaining to previous years.

## **1.10 Coverage of this Report**

This Report contains 60 paragraphs (selected from the audit detections made during the local audit referred to above and during earlier years which could not be included in earlier reports) including two Performance Audits on “**Classification, Assessment and Collection of tax and Road Safety measures in Transport Department**” and “**e-Registration system**” involving financial effect of ₹ 737.71 crore.

The Departments/Government have accepted audit observations involving ₹ 389.84 crore out of which ₹ 0.12 crore had been recovered. The replies in the remaining cases have not been received (November 2014). These are discussed in succeeding Chapters II to VI.