

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 2006-07, 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)

		2002-03	2003-04	2004-05	2005-06	2006-07
I	Revenue raised by the State Government					
	• Tax revenue	2,871.84	3,301.73	4,176.60	5,002.28	6,065.07
	• Non-tax revenue	961.18	1,094.55	1,345.52	1,531.90	2,588.12
	Total	3,833.02	4,396.28	5,522.12	6,534.18	8,653.19
II	Receipts from the Government of India					
	• State's share of divisible Union taxes	2,805.58	3,327.68	3,977.66	4,876.75	6,220.42 ¹
	• Grants-in-aid	1,800.17	1,716.28	2,350.41	2,673.78	3,159.02
	Total	4,605.75	5,043.96	6,328.07	7,550.53	9,379.44
III	Total receipts of the State Government (I+II)	8,438.77	9,440.24	11,850.19	14,084.71	18,032.63
IV	Percentage of I to III	45.42	46.57	46.60	46.39	47.98

The above table indicates that during the year 2006-07, the revenue raised by the State Government was 47.98 *per cent* of the total revenue receipts (Rs. 18,032.63 crore) against 46.39 *per cent* in the preceding year. The balance 52.02 *per cent* of receipts during 2006-07 was from the Government of India.

¹ 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 2006-07. 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 2002-03 to 2006-07:

(R u p e e s i n c r o r e)

Sl. No.	Heads of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+) or decrease (-) in 2006-07 over 2005-06
1.	Sales tax	1,532.69	1,546.47	2,061.23	2,524.18	3,042.34	(+) 21
	Central sales tax	72.53	317.50	410.16	487.55	722.48	(+) 48
2.	Taxes and duties on electricity	172.17	200.43	261.89	353.13	282.58	(-) 20
3.	Land revenue	82.16	103.27	131.59	69.62	226.38	(+)225
4.	Taxes on vehicles	257.35	280.03	338.11	405.86	426.54	(+) 5
5.	Taxes on goods and passengers	313.07	377.19	384.93	463.34	574.00	(+) 24
6.	State excise	246.06	256.37	306.61	389.33	430.07	(+) 10
7.	Stamp duty and registration fees	135.86	153.07	197.87	236.06	260.49	(+) 10
8.	Other taxes and duties on commodities and services	13.34	14.77	25.14	6.75	26.59	(+) 293
9.	Other taxes on income and expenditure-tax on professions, trades, callings and employments	46.61	52.63	59.07	66.46	73.60	(+) 11
Total		2,871.84	3,301.73	4,176.60	5,002.28	6,065.07	

The following reasons for variations were furnished by the concerned departments:

Sales tax: The increase (21 *per cent*) was stated to be due to widening of tax base, huge growth in CST, entry tax collection and higher growth rate in VAT.

State excise: The increase (10 *per cent*) was stated to be due to more collection of excise duty and effective enforcement measures which includes sharing of information between enforcement and intelligence wing and vigorous patrolling and raids.

Land revenue: The increase (225 *per cent*) was stated to be due to conversion of land, alienation of Government land to different agencies, collection of premium thereof and collection of more royalty.

Stamp duty and registration fees: The increase (10 *per cent*) was stated to be due to sincere efforts of the field functionaries as well as supervising authorities particularly by the Inspector General Registration, Orissa.

Taxes and duties on electricity: The decrease (20 *per cent*) was stated to be due to non-collection of electricity duty outstanding against consumers and non-collection of revenue locked up in court cases.

The other departments did not inform the reasons for variation despite being requested (November 2007).

1.1.3 The following table presents the details of major non-tax revenue realised during the period 2002-03 to 2006-07:

(Rupees in crore)							
Sl. No.	Heads of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+) or decrease (-) in 2006-07 over 2005-06
1	Non-ferrous mining and metallurgical industries	443.58	552.06	670.52	805.03	936.60	(+) 16
2	Forestry and wild life	97.04	48.64	84.72	59.13	130.63	(+) 121
3	Interest receipts	76.09	164.38	249.04	298.02	398.42	(+) 34
4	Education	24.31	12.00	15.76	42.99	41.94	(-) 2
5	Irrigation & inland water transport	24.70	36.25	40.45	44.05	54.41	(+) 24
6	Public works	13.69	15.06	17.05	18.23	24.96	(+) 37
7	Police	13.37	15.55	21.24	23.05	23.39	(+) 1
8	Medical and public health	11.24	7.51	12.98	9.26	13.07	(+) 41
9	Power	2.94	2.90	4.19	2.91	1.23	(-) 58
10	Miscellaneous general services	10.41	5.38	31.70	7.62	777.36	(+) 10,102
11	Other non-tax receipts	227.96	226.35	160.97	212.51	169.28	(-) 20
12	Co-operation	2.09	2.39	2.72	2.13	2.39	(+) 12
13	Other administrative services	13.71	6.08	34.18	6.97	14.44	(+) 107
14	Dairy development	0.05	Nil	Nil	Nil	Nil	Nil
Total		961.18	1,094.55	1,345.52	1,531.90	2,588.12	

The following reasons for variations were furnished by the concerned departments:

Non-ferrous mining and metallurgical industries: The increase (16 per cent) was stated to be due to increase in despatch of major revenue earning minerals.

Forestry and wildlife: The increase (121 per cent) was stated to be due to collection of arrear royalty for *kendu* leaf from M/s. OFDC Ltd.[#]

Miscellaneous general services: The increase (10,102 per cent) was attributable to waiver of debt of Rs. 763.80 crore by the Government of India and taken as receipts under this head as per their instructions.

The other departments did not inform the reasons for variation despite being requested (November 2007).

[#] Orissa Forest Development Corporation Ltd.

1.2 Variations between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2006-07 in respect of principal heads of tax and non-tax revenue are given below:

(Rupees in crore)

Sl. No.	Heads of revenue	Budget estimates	Actual receipts	Variations increase (+) shortfall (-)	Percentage of variation
Tax revenue					
1	Sales tax	2,817.47	3,764.82	(+) 947.35	(+) 33.62
2	Taxes on goods and passengers	370.00	574.00	(+) 204.00	(+) 55.13
3	Taxes and duties on electricity	390.00	282.58	(-) 107.43	(-) 27.54
4	Land revenue	180.00	226.38	(+) 46.38	(+) 25.77
5	Taxes on vehicles	480.00	426.54	(-) 53.46	(-) 11.13
6	State excise	490.00	430.07	(-) 59.93	(-) 12.23
7	Stamp duty and registration fees	290.00	260.49	(-) 29.51	(-) 10.17
Non-tax revenue					
8	Mines and minerals	900.00	936.60	(+) 36.60	(+) 4.07
9	Forest	80.00	130.63	(+) 50.63	(+) 63.29
10	Education	15.00	41.94	(+) 26.94	(+) 179.60
11	Interest	60.00	398.42	(+) 338.42	(+) 564.00
12	Police	17.50	23.39	(+) 5.89	(+) 33.66

The following reasons for variation were reported by the concerned departments.

Sales tax: The increase (33.62 per cent) was stated to be due to widening of tax base, huge growth in CST, entry tax collection and higher growth rate in VAT.

Taxes on vehicles: The decrease (11.13 per cent) was stated to be due to less registration of vehicles as compared to the previous year and campaign against carriage of overloading etc.

Taxes and duties on electricity: The decrease (27.54 per cent) was stated to be non-collection of revenue locked up in court cases and from industries availing of exemption under IPR^{\$}.

Land revenue: The increase (25.77 per cent) was stated to be due to conversion of land, alienation of Government land to different agencies, collection of premium thereof and collection of more royalty.

State excise: The shortfall (12.23 per cent) was stated to be due to non-opening of new excise shops due to public resentment.

Stamp duty and registration fee: The shortfall (10.17 per cent) was stated to be due to the high target fixed by the Government.

Forest: The increase (63.29 per cent) was stated to be due to deposit of excess amount by M/s. OFDC Ltd towards royalty on *kendu* leaf.

^{\$} Industrial Policy Resolution.

Police: The increase (33.66 *per cent*) was stated to be due to payment of arrear claims from South Eastern Railways, Kolkata.

The other departments did not inform (November 2007) the reasons for variation despite being requested (April 2007).

1.3 Analysis of collection

The break-up of total collection at pre-assessment stage and after regular assessment of sales tax, profession tax, entry tax, luxury tax and entertainment tax for the year 2006-07 and the corresponding figures for the preceding two years as furnished by the department is mentioned below:

(Rupees in crore)							
Head of revenue	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 3 to 7
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Sales tax	2004-05	2,420.87	35.34	34.68	23.54	2,467.35	98.1
	2005-06	2,909.94	72.90	46.48	22.14	3,007.18	96.8
	2006-07*	3,592.01	136.46	84.08	39.73	3,772.82	95
2. Profession tax	2004-05	56.16	--	--	--	56.16	100
	2005-06	64.18	--	--	--	64.18	100
	2006-07*	69.98	0.10	--	--	70.08	99
3. Entry tax	2004-05	361.65	19.87	4.81	0.74	385.59	93.8
	2005-06	432.71	29.01	8.33	0.82	469.23	92.2
	2006-07*	537.82	30.49	5.39	0.18	573.52	93.7
4. Luxury tax	2004-05	10.15	0.01	--	--	10.16	99.9
	2005-06	0.08	--	--	--	0.08	100
	2006-07*	0.01	--	--	--	0.01	100
5. Entertainment tax	2004-05	3.06	0.06	0.21	--	3.33	92
	2005-06	2.98	--	0.09	--	3.07	97
	2006-07*	2.46	--	0.08	--	2.54	97

Thus, the collection of tax at pre-assessment stage during the last three years ranged between 92 and 100 *per cent*. This indicates that voluntary compliance for payment of tax by the dealers was good. During 2005-06, the amount collected at pre-assessment stage was more than the amount due to the Government and the department had to make refund of Rs. 87.15 crore. Revenue collection after pre-assessment stage was quite low.

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 2004-05, 2005-06 and 2006-07 along with the relevant all India average percentage of expenditure on collection to gross collection for 2005-06 are mentioned below:

* Figures as furnished by the department are at variance with the Finance Accounts.

Audit Report (Revenue Receipts) for the year ended 31 March 2007

(Rupees in crore)

Heads of revenue	Year	Gross collection	Expenditure on collection ²	Percentage of expenditure to gross collection	All India average percentage for the year 2005-06
Sales tax	2004-05	2,946.87	23.47	0.80	0.91
	2005-06	3,566.71	24.41	0.68	
	2006-07	4,439.01	26.59	0.60 ³	
Taxes on vehicles	2004-05	338.11	8.82	2.60	2.67
	2005-06	405.86	9.39	2.31	
	2006-07	426.54	12.25	2.87	
State excise	2004-05	306.70	13.19	4.30	3.40
	2005-06	389.33	13.38	3.44	
	2006-07	430.07	15.28	3.55	
Stamp duty and registration fees	2004-05	197.95	11.70	5.91	2.87
	2005-06	236.06	11.56	4.90	
	2006-07	260.49	10.92	4.19	

The above table indicates that percentage of expenditure on gross collection in respect of sales tax and motor vehicles tax were lower than the all India average percentage while in case of state excise and stamp duty and registration fees, it was higher.

1.5 Analysis of arrears of revenue

As on 31 March 2007, the arrears of revenue under principal heads of revenue as reported by the departments aggregating Rs. 4,508.92 crore were as mentioned in the following table:

(Rupees in crore)

Sl. No	Heads of revenue	Amount of arrears as on 31 March 2007	Arrears more than five years old	Remarks	
1.	Sales tax	3,768.61	802.71	The stages of arrears were as under::	
				• Amount covered by show cause and penalty	1,589.26
				• Recoveries stayed by	
				➤ Departmental authorities	497.45
				➤ Supreme Court/High Court	1,372.10
				• Demands covered by certificate proceedings/tax recovery proceedings	306.23
				• Amounts likely to be written off	3.57
2.	Entry tax	98.91	--	The stages of arrears were as under:	
				• Amount covered by show cause and penalty	19.82
				• Recoveries stayed by departmental authorities	17.95
				• Demand stayed by the High Court	50.99
				• Demand covered by certificate/tax recovery proceedings	10.15

² Figures as furnished by the department are at variance with the Finance Accounts.

³ Percentage of expenditure to gross collection for 2006-07 includes entry tax, entertainment tax and professional tax in addition to sales tax.

(Rupees in crore)

Sl. No	Heads of revenue	Amount of arrears as on 31 March 2007	Arrears more than five years old	Remarks	
3.	Entertainment tax	6.34	--	The stages of arrears were as under:	
				• Demand covered by certificate/tax recovery proceedings	3.91
				• Amount covered by show cause and penalty	1.86
				• Recoveries stayed by	
				> Departmental authorities	0.18
> High Court/Supreme Court	0.39				
4.	Land revenue	25.28	--	Item wise break up was as follows:	
				• Rent	3.05
				• Cess	4.75
				• Nistar cess	0.15
				• Sairat	4.52
• Misc. revenue	12.81				
5.	Other departmental receipts (Rent) GA departmental	8.39	--	The arrears were due from:	
				• Non-residential buildings	0.74
				• Residential buildings	
				> Retired Government servants	3.18
				> MLAs and ex MLAs	0.63
				> Boards and corporations	0.35
				> Private parties	0.60
				> Transferred Government servants	1.21
				> Certificate cases	0.12
				> Central Government employees occupying State Government quarters and water tax	0.05
> Usual house rent	1.04				
> Recovery stayed by the High Court and other judicial authorities	0.47				
6.	Mines and minerals	86.11	2.08	The stages of recovery were as under:	
				• Demand covered by certificate proceedings	1.64
				• Demand locked up in litigation in the High Court and other judicial authorities	1.65
				• Amount under dispute	3.33
				• Amount covered under write off/waiver proposal	1.83
• Recoverable amount	77.66				
7.	Forest	88.81	84.50	The arrears were due from:	
				• Forest lease	6.63
				• OFDC	77.69
• TDCC ⁴	4.49				
8.	Police	33.50	9.42	Details not furnished.	
9.	Irrigation (WR)	97.64	62.84	Details not furnished.	
10.	Taxes on vehicles	119.22	--	The stages of arrears were as under:	
				• Demands covered by certificate proceedings	50.21
				• Recoveries stayed by	
				> High court/Supreme Court/other judicial authorities	4.45
				> Departmental authorities of the Government	5.36
• Other stages	59.20				

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(Rupees in crore)

Sl. No	Heads of revenue	Amount of arrears as on 31 March 2007	Arrears more than five years old	Remarks	
11.	State excise	30.03	11.33	The stages of recovery were as under:	
				• Demand covered by certificate proceedings	13.46
				• Recoveries stayed by the High Court/other judicial authorities	12.48
				• Recoveries stayed by departmental authorities	0.35
				• Amounts under dispute	0.81
				• Proposed to be written off	0.05
				• Other stages of recovery	2.88
12.	Interest	144.70	--	• Co-operation Department	79.30
				• Industries Department	65.40
				The arrears were due from:	
				➤ Industrial Development Corporation	7.23
				➤ Industrial Promotion and Investment Corporation of Orissa Limited	11.25
				➤ Orissa Small Industries Corporation	2.67
				➤ Orissa State Leather Corporation	0.73
				➤ Orissa Instrument Company	0.53
				➤ Orissa State Financial Corporation	
				◇ Loan in lieu of share capital	9.18
				◇ Interest bearing loan	23.47
				◇ State aid rural industries programme loan	1.23
				◇ Sales tax loan	5.82
				◇ Electricity duty loan	2.95
◇ Panchayat Samiti Industries loan	0.34				
13.	Stationery & printing	1.23	0.07	Details not available	
14.	Fisheries	0.15	0.08	Details not available	
Total		4,508.92	973.03		

1.6 Arrears in assessments

The details of the cases pending assessment at the beginning of the year 2006-07, cases becoming due for assessment during the year, cases disposed during the year and the number of cases pending finalisation at the end of the year 2006-07 as furnished by the department in respect of sales tax and entry tax 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	2002-03	3,45,278	2,38,801	5,84,079	3,44,463	2,39,616	58.97
	2003-04	2,39,616	2,27,589	4,67,205	1,82,820	2,84,385	39.13
	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
Entry tax	2002-03	50,228	84,051	1,34,279	58,748	75,531	43.75
	2003-04	75,531	51,379	1,26,910	67,994	58,916	53.58
	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

The above table indicates that the percentage of assessments completed under both the heads during the years from 2002-03 to 2006-07 ranged between 35.85 and 58.97 *per cent*. This resulted in accumulation of huge arrears of assessments during these years. As of March 2007, arrears in assessment under sales tax and entry tax were 2.44 lakh and 1.16 lakh cases. Since, value added tax (VAT) has been introduced in the State from April 2005, the department needs to complete the pending assessments in a time bound manner.

1.7 Evasion of tax

The number of cases of evasion of tax detected and assessments finalised during 2006-07 as reported by the department are mentioned below:

Sl. No.	Name of tax/duty	Cases pending as on 31 March 2006	Cases detected during 2006-07	Total	No. of cases in which assessment/investigations completed and additional demand including penalty etc., raised		No. of cases pending finalisation as on 31 March 2007
					No. of cases	Amount of demand (Rs. in crore)	
1	Sales tax	6,547	790	7,337	3,492	202.80	3,845

Thus, disposal of detected cases was only 47.59 *per cent* in respect of sales tax. The department did not furnish the revenue involved in the pending cases.

1.8 Results of audit

Test check of the records of sales tax, motor vehicles tax, land revenue, state excise, forest, mines and minerals and other departmental offices conducted during the year 2006-07 revealed under assessment/short levy/loss of revenue etc., amounting to Rs. 1,160.66 crore in 2,38,540 cases. During the year 2006-07, the concerned departments accepted under assessment and other deficiencies of Rs. 189.97 crore involved in 87,114 cases which were pointed out in 2006-07 and in earlier years. Of these, the departments recovered Rs. 25.26 crore in 15,428 cases.

This report contains 48 paragraphs including two reviews relating to under assessment/non/short levy etc., involving Rs. 516.32 crore of which Rs. 425.45 crore has been accepted by the department/Government. Recovery made in these cases amounted to Rs. 92.42⁵ crore upto September 2007. Audit observations with a total revenue effect of Rs. 43.79 crore have not been accepted by the department/Government but their contentions have been appropriately commented upon in the relevant paragraphs. Replies in the remaining cases have not been received (November 2007).

⁵ Due to recovery of Rs. 88.81 crore in a single observation

1.9 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 2006 which had not been settled by the departments as on 30 June 2007 along with the corresponding figures for the preceding two years are mentioned below:

	2005	2006	2007
Number of IRs pending settlement	3,653	3,115	3,368
Number of outstanding audit observations	11,067	9,190	9,772
Amount of revenue involved (Rupees in crore)	1,788.59	2,112.96	2,576.21

Department wise break up of IRs and audit observations outstanding as on 30 June 2007 is mentioned below:

Department	Nature of receipts	Number of outstanding		Amount of receipts involved (Rs. in crore)	Year to which observations relate	Number of IRs to which even first replies have not been received
		IRs	Audit observations			
Finance	Sales tax	627	2,009	343.65	1981-82 to 2006-07	52
	Entertainment tax	76	113	1.53	1975-76 to 2003-04	--
	Luxury tax	9	10	0.50	1997-98 to 2002-03	--
	Entry tax	122	191	30.07	2003-04 to 2006-07	36
Commerce and transport (Transport)	Taxes on vehicles	282	2,726	318.70	1970-71 to 2006-07	06
	Taxes on goods and passenger	70	237	1.09	1973-74 to 1987-88	--
Revenue	Land revenue	840	1,781	469.18	1975-76 to 2006-07	107
	Stamp duty and registration fees	374	604	158.70	1977-78 to 2006-07	116
Excise	State excise	272	611	163.75	1991-92 to 2006-07	19
Forest and environment	Forest receipts	471	1,086	273.21	1980-81 to 2006-07	59
Steel and mines	Mining receipts	107	188	179.52	1979-80 to 2006-07	08
Co-operation	Departmental receipts	25	43	77.58	1995-96 to 2006-07	03
Food supplies and consumer welfare	-do-	26	34	2.69	1997-98 to 2004-05	--
Energy	-do-	63	133	546.81	1992-93 to 2006-07	--

Department	Nature of receipts	Number of outstanding		Amount of receipts involved (Rs. in crore)	Year to which observations relate	Number of IRs to which even first replies have not been received
		IRs	Audit observations			
General administration (Rent)	Departmental receipts	02	04	6.51	2003-04 to 2006-07	--
Works	-do-	02	02	2.72	2003-04 to 2006-07	--
Total		3,368	9,772	2,576.21		406

It indicates that the heads of departments/offices, whose records were inspected by the Accountant General (CW&RA), failed to discharge due responsibility as they did not send any 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 Accountant General (CW&RA). Since the outstanding amount represents unrealised revenue, the Government needs to take speedy and effective action on the issues raised in the IRs.

1.10 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 Finance Department, Administrative Department and Office of the Accountant General (CW&RA) attend 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 2006-07 was as under:

Sl. No.	Name of the department	Subject	No. of meeting held	No. of IRs settled	No. of audit observations settled
1.	Finance	Sales tax	16	24	196
2.	Forest & environment	Forest receipts	03	15	89
3.	Steel & mines	Mining receipts	10	08	35
4.	Transport	Motor vehicle tax	13	09	334
5.	Excise	Excise duty	01	09	36
6.	Food supplies & consumer welfare	Departmental receipts	01	13	22
7.	Revenue	Land revenue	10	47	410
Total			54	125	1,122

1.11 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 AG for inclusion in the Audit Report of the Comptroller and Auditor General (CAG)

of India, 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 five DPs (clubbed in 48 paragraphs) being considered for inclusion in this Report were demi-officially forwarded to the Secretaries/Principal Secretaries of the concerned departments between January 2007 and May 2007 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 paras is mentioned below:

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	17	01
2	Transport (Motor vehicle tax)	15	15	--
3	Excise (Excise duty and fees)	06	04	02
4	Forest and environment (Forest receipts)	02	02	--
5	Steel & mines (Mining receipts)	07	02	05
6	Revenue (Land revenue, stamp duty and registration fees)	05	04	01
7	Energy and Home (Departmental receipts)	02	01	01
Total		55	45	10

1.12 Follow-up on audit reports - summarised position

According to the instructions issued by the Finance Department in December 1993, all departments are required to furnish explanatory memoranda vetted by audit 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 on 31 March 2007 disclosed that the departments had not submitted remedial explanatory memoranda on 103 paragraphs for the years from 1997-98 to 2005-06 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 are awaited from the departments
1991-92	63	62	01	--
1992-93	54	53	01	--
1993-94	44	43	01	--
1994-95	47	44	03	--
1995-96	40	39	01	--
1996-97	36	36	--	--
1997-98	38	03	35	01
1998-99	40	01	39	02
1999-00	34	--	34	07
2000-01	45	05	40	06
2001-02	45	06	39	10
2002-03	57	04	53	09
2003-04	63	--	63	13
2004-05	62	04	58	02
2005-06	53	--	53	53
Total	721	300	421	103

Thus, non-compliance to the audit paragraphs stood at 14.28 *per cent* of total paragraphs presented to the Assembly during the above period.

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 10th, 11th, 12th, and 13th Assembly that 47 Reports containing 371 paras/recommendations were presented by the PAC before the Legislature between February 1991 and March 2007 after examination of the Audit Report (Revenue Receipts) of 14 departments for the years 1985-86 to 2000-01. However, ATNs had not been received in respect of 107 recommendations of the PAC from the concerned departments as of March 2007.

This indicated that the executive failed to take prompt action on the important issues highlighted in the Audit Reports that involved large sources of unrealised revenue.

1.13 Compliance with audit reports

In the Audit Reports 2001-02 to 2005-06, audit observations relating to under assessments, non/short levy of taxes, loss of revenue, failure to raise demands, etc., involving Rs. 1,797.63 crore were included. Of these, as of September 2007, the departments concerned had accepted under assessments and other deficiencies involving Rs. 322.89 crore and had recovered Rs. 52.35 crore. Audit Report wise details of cases 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	2001-02	260.18	6.88	4.18
2	2002-03	281.31	9.66	6.92
3	2003-04	558.63	37.94	10.02
4	2004-05	560.81	221.43	17.78
5	2005-06	136.70	46.98	13.45
Total		1,797.63	322.89	52.35