

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 2007-08, 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)

		2003-04	2004-05	2005-06	2006-07	2007-08
I	Revenue raised by the State Government					
	• Tax revenue	3,301.73	4,176.60	5,002.28	6,065.07	6,856.09
	• Non-tax revenue	1,094.55	1,345.52	1,531.90	2,588.12	2,653.58
	Total	4,396.28	5,522.12	6,534.18	8,653.19	9,509.67
II	Receipts from the Government of India					
	• State's share of divisible Union taxes	3,327.68	3,977.66	4,876.75	6,220.42	7,846.50 ¹
	• Grants-in-aid	1,716.28	2,350.41	2,673.78	3,159.02	4,611.02
	Total	5,043.96	6,328.07	7,550.53	9,379.44	12,457.52
III	Total receipts of the State Government (I+II)	9,440.24	11,850.19	14,084.71	18,032.63	21,967.19
IV	Percentage of I to III	46.57	46.60	46.39	47.98	43.29

The above table indicates that during the year 2007-08, the revenue raised by the State Government was 43.29 *per cent* of the total revenue receipts (Rs. 21,967.19 crore) against 47.98 *per cent* in the preceding year. The balance 56.71 *per cent* of receipts during 2007-08 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 2007-08. 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 2003-04 to 2007-08:

(Rupees in crore)

Sl. No.	Heads of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+) or decrease (-) in 2007-08 over 2006-07
1.	Sales tax	1,546.47	2,061.23	2,524.18	3,042.34	3,567.16	(+) 17.25
	Central sales tax	317.50	410.16	487.55	722.48	551.27	(-) 23.70
2.	Taxes and duties on electricity	200.43	261.89	353.13	282.58	327.46	(+) 15.88
3.	Land revenue	103.27	131.59	69.62	226.38	276.16	(+) 21.99
4.	Taxes on vehicles	280.03	338.11	405.86	426.54	459.42	(+) 7.71
5.	Taxes on goods and passengers	377.19	384.93	463.34	574.00	626.90	(+) 9.22
6.	State excise	256.37	306.61	389.33	430.07	524.93	(+) 22.06
7.	Stamp duty and registration fees	153.07	197.87	236.06	260.49	404.76	(+) 55.38
8.	Other taxes and duties on commodities and services	14.77	25.14	6.75	26.59	31.59	(+) 18.80
9.	Other taxes on income and expenditure-tax on professions, trades, callings and employments	52.63	59.07	66.46	73.60	86.44	(+) 17.45
Total		3,301.73	4,176.60	5,002.28	6,065.07	6,856.09	

The reasons for variation in receipt for 2007-08 from those of 2006-07 in respect of principal heads of revenue were as follows:

Sales tax: The increase (17.25 per cent) was mainly due to widening of tax base, higher growth in VAT because of better administrative monitoring and self policing nature of VAT. The decrease (23.70 per cent) in central sales tax (CST) was due to reduction of CST rate from four per cent to three per cent with effect from 1 April 2007.

Land revenue: The increase (21.99 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.

State excise: The increase (22.06 per cent) was mainly due to increase in fee and duty structures, better enforcement, controlling evasion and restricting illicit operation.

The other departments did not intimate (November 2008) the reasons for variation in receipts from those of the previous year despite being requested (April 2008) followed by reminders in July 2008.

1.1.3 The following table presents the details of major non-tax revenue realised during the period 2003-04 to 2007-08:

(Rupees in crore)

Sl. No.	Heads of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+) or decrease (-) in 2007-08 over 2006-07
1.	Non-ferrous mining and metallurgical industries	552.06	670.52	805.03	936.60	1,126.06	(+) 20.23
2.	Forestry and wild life	48.64	84.72	59.13	130.63	82.66	(-) 36.72
3.	Interest receipts	164.38	249.04	298.02	398.42	570.39	(+) 43.16
4.	Education	12.00	15.76	42.99	41.94	41.95	(+) 0.02
5.	Irrigation & inland water transport	36.25	40.45	44.05	54.41	48.90	(-) 10.13
6.	Public works	15.06	17.05	18.23	24.96	31.61	(+) 26.64
7.	Police	15.55	21.24	23.05	23.39	29.17	(+) 24.71
8.	Medical and public health	7.51	12.98	9.26	13.07	14.28	(+) 9.26
9.	Power	2.90	4.19	2.91	1.23	1.05	(-) 14.63
10.	Miscellaneous general services	5.38	31.70	7.62	777.36	396.95	(-) 48.94
11.	Other non-tax receipts	226.35	160.97	212.51	169.28	290.96	(+) 71.88
12.	Co-operation	2.39	2.72	2.13	2.39	2.29	(-) 4.18
13.	Other administrative services	6.08	34.18	6.97	14.44	17.31	(+) 19.88
Total		1,094.55	1,345.52	1,531.90	2,588.12	2,653.58	

The reasons for variation in receipt for 2007-08 from those of 2006-07 in respect of principal heads of revenue were as follows:

Non-ferrous mining and metallurgical industries: The increase (20.23 per cent) was mainly due to enhancement of royalty on coal, enforcement of Minor Mineral Rules, 2007 and increase in dispatch of major revenue earning minerals like coal, iron ore and dolomite.

Forestry and wildlife: The decrease (36.72 per cent) was mainly due to refund of revenue amounting to Rs. 39.59 crore towards recovery of net present value (NPV) of forest land diverted under the Forest Conservation Act, 1980 previously taken as revenue.

Interest receipts: The increase (43.16 per cent) was mainly due to collection of outstanding dues from Orissa State Co-operative Bank, Central Co-operative Banks, Marketing Federation and collection of more interest on sales tax/electricity duty loans.

Miscellaneous general services: The decrease (48.94 per cent) was mainly due to less receipt of debt relief from the Government of India in comparison with the previous year.

The other departments did not intimate (November 2008) the reasons for variation in receipts from those of the previous year despite being requested (April 2008) followed by reminders in July 2008.

1.2 Variations between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2007-08 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
Tax revenue					
1.	Sales tax	4,054.71	4,118.43	(+) 63.72	(+) 1.57
2.	Taxes on goods and passengers	602.70	626.90	(+) 24.20	(+) 4.02
3.	Taxes and duties on electricity	330.19	327.46	(-) 2.73	(-) 0.83
4.	Land revenue	230.91	276.16	(+) 45.25	(+) 19.60
5.	Taxes on vehicles	552.00	459.42	(-) 92.58	(-) 16.77
6.	State excise	553.70	524.93	(-) 28.77	(-) 5.20
7.	Stamp duty and registration fees	359.84	404.76	(+) 44.92	(+) 12.48
Non-tax revenue					
8.	Mines and minerals	1,060.00	1,126.06	(+) 66.06	(+) 6.23
9.	Forestry and wildlife	62.26	82.66	(+) 20.40	(+) 32.77
10.	Education	43.00	41.95	(-) 1.05	(-) 2.44
11.	Interest receipts	389.53	570.39	(+) 180.86	(+) 46.43
12.	Police	28.27	29.17	(+) 0.90	(+) 3.18

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

Land revenue: The increase (19.60 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 (16.77 per cent) was mainly due to less registration of commercial vehicles as compared to the previous year and campaign against carriage of overloading.

Forestry and wildlife: The increase (32.77 per cent) was mainly due to deposit of excess amount of royalty on timber and other produce by the Orissa Forest Development Corporation Ltd.

Interest receipts: The increase (46.43 per cent) was mainly due to collection of outstanding dues from Orissa State Co-operative Bank, Central Co-operative Banks, Marketing Federation and collection of more interest on sales tax/electricity duty loans.

The other departments did not intimate (November 2008) the reasons for variation despite being requested (April 2008) followed by reminders in July 2008.

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 2007-08 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	2005-06	2,909.94	72.90	46.48	22.14	3,007.18	96.80
	2006-07	3,592.01	136.46	84.08	39.73	3,772.82	95.00
	2007-08 ²	4,036.30	31.66	77.69	27.22	4,118.43	98.01
2. Profession tax	2005-06	64.18	--	--	--	64.18	100.00
	2006-07	69.98	0.10	--	--	70.08	99.00
	2007-08 ²	76.85	0.11	0.20	--	77.16	99.60
3. Entry tax	2005-06	432.71	29.01	8.33	0.82	469.23	92.20
	2006-07	537.82	30.49	5.39	0.18	573.52	93.70
	2007-08 ²	612.71	19.84	8.61	0.29	640.87	95.61
4. Luxury tax	2005-06	0.08	--	--	--	0.08	100.00
	2006-07	0.01	--	--	--	0.01	100.00
	2007-08 ²	0.01	--	--	--	0.01	100.00
5. Entertainment tax	2005-06	2.98	--	0.09	--	3.07	97.00
	2006-07	2.46	--	0.08	--	2.54	97.00
	2007-08 ²	2.45	0.01	0.19	--	2.65	92.45

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

Thus, the collection of tax at pre-assessment stage during the last three years ranged between 92.20 and 100 *per cent*. This indicates that voluntary compliance for payment of tax by the dealers was good.

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 2005-06, 2006-07 and 2007-08 along with the relevant all India average percentage of expenditure on collection to gross collection for 2006-07 are mentioned below:

(Rupees in crore)

Heads of revenue	Year	Gross collection	Expenditure on collection ³	Percentage of expenditure to gross collection	All India average percentage for the year 2006-07
Sales tax	2005-06	3,566.71	24.41	0.68	0.82
	2006-07	4,439.01	26.59	0.60	
	2007-08	4,863.36	30.11	0.62 ⁴	
Taxes on vehicles	2005-06	405.86	9.39	2.31	2.47
	2006-07	426.54	12.25	2.87	
	2007-08	459.42	14.71	3.20	
State excise	2005-06	389.33	13.38	3.44	3.30
	2006-07	430.07	15.28	3.55	
	2007-08	524.93	17.54	3.34	
Stamp duty and registration fees	2005-06	236.06	11.56	4.90	2.33
	2006-07	260.49	10.92	4.19	
	2007-08	404.76	11.81	2.92	

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 case of taxes on vehicles, state excise and stamp duty and registration fees, it was higher.

1.5 Analysis of arrears of revenue

As on 31 March 2008, the arrears of revenue under principal heads of revenue as reported by the departments were aggregating Rs. 4,971.69 crore as mentioned in the following table:

³ Figures as furnished by the department are at variance with the Finance Accounts.

⁴ Percentage of expenditure to gross collection for 2007-08 includes entry tax, entertainment tax and profession tax in addition to sales tax.

(Rupees in crore)

Sl. No	Heads of revenue	Amount of arrears as on 31 March 2008	Arrears more than five years old	Remarks		
1.	Sales tax	3,447.17	810.11	The stages of arrears were as under:		
				•	Amount covered by show cause and penalty	1,195.87
				•	Recoveries stayed by	
				➤	Departmental authorities	623.07
				➤	Supreme Court/High Court	1,338.95
				•	Demands covered by certificate proceedings/tax recovery proceedings	283.31
•	Amounts likely to be written off	5.97				
2.	Entry tax	105.45	12.23	The stages of arrears were as under:		
				•	Amount covered by show cause and penalty	30.88
				•	Recoveries stayed by departmental authorities	27.56
				•	Demand stayed by the High Court	36.81
•	Demand covered by certificate/tax recovery proceedings	10.20				
3.	Entertainment tax	7.12	4.04	The stages of arrears were as under:		
				•	Demand covered by certificate/tax recovery proceedings	4.91
				•	Amount covered by show cause and penalty	1.89
				•	Recoveries stayed by	
				➤	Departmental authorities	0.17
➤	High Court	0.15				
4.	Profession tax	0.30	0.01	All the arrears are under show cause and penalty proceedings.		
5.	Land revenue	26.58	NA ⁵	Item-wise break up was as follows:		
				•	Rent	3.16
				•	Cess	4.94
				•	Nistar cess	0.15
				•	Sairat	4.55
•	Misc. revenue	13.78				

5 NA-Not available.

(Rupees in crore)

Sl. No	Heads of revenue	Amount of arrears as on 31 March 2008	Arrears more than five years old	Remarks	
6.	Other departmental receipts (Rent) GA department	8.18	NA	The arrears were due from:	
				• Non-residential buildings	0.74
				• Residential buildings	
				➤ Retired Government servants	3.33
				➤ MLAs and ex MLAs	0.66
				➤ Boards and corporations	0.37
				➤ Private parties	0.68
				➤ Transferred Government servants	1.03
				➤ Certificate cases	0.11
				➤ Central Government employees occupying State Government quarters	0.23
				➤ Usual house rent	0.79
➤ Recovery stayed by the High Court and other judicial authorities	0.24				
7.	Mining receipts	118.66	5.51	The stages of recovery were as under:	
				• Demand covered by certificate proceedings	1.49
				• Demand locked up in litigation in the High Court and other judicial forums	1.72
				• Amount under dispute	3.62
				• Amount covered under write off/waiver proposal	2.34
				• Recoverable amount	109.49
8.	Forest receipts	92.59	NA	The arrears were due from:	
				• Forest lease	6.58
				• OFDC ⁶	81.52
				• TDCC ⁷	4.49
9.	Police	38.15	10.49	The arrear was pending from 1972-73 onwards. Of the arrears Rs. 2.31 crore is proposed to be written off.	

⁶ Orissa Forest Development Corporation

⁷ Orissa Tribal Development Co-operative Corporation.

(Rupees in crore)

Sl. No	Heads of revenue	Amount of arrears as on 31 March 2008	Arrears more than five years old	Remarks		
10.	Water rate	137.23	NA	•	Industrial Water Rate	107.56
				•	Irrigation Water Rate	29.67
11.	Taxes on vehicles	110.28	NA	The stages of arrears were as under:		
				•	Demands covered by certificate proceedings	46.57
				•	Recoveries stayed by:	
				➤	High Court/ Supreme Court/other judicial authorities	4.53
				➤	Departmental authorities	1.65
•	Other stages	57.53				
12.	State excise	20.87	NA	The stages of recovery were as under:		
				•	Demand covered by certificate proceedings	12.10
				•	Recoveries stayed by the High Court/other judicial authorities	3.28
				•	Recoveries stayed by departmental authorities	0.82
				•	Amounts under dispute	1.47
				•	Proposed to be written off	0.23
				•	Other stages of recovery	2.97
13.	Interest	156.12	NA	•	Co-operation Department	83.70
				•	Industries Department	72.42
				The arrears were due from:		
				➤	Industrial Development Corporation	7.43
				➤	Industrial Promotion and Investment Corporation of Orissa Limited	13.51
				➤	Orissa Small Industries Corporation	2.59
				➤	Orissa State Leather Corporation	0.79
				➤	Orissa Instrument Company	0.58
				➤	Orissa State Financial Corporation	
◇	Loan in lieu of share capital	9.18				

(Rupees in crore)

Sl. No	Heads of revenue	Amount of arrears as on 31 March 2008	Arrears more than five years old	Remarks		
				◇	Interest bearing loan	28.32
				◇	State aid rural industries programme loan	1.25
				◇	Sales tax loan	5.46
				◇	Electricity duty loan	2.97
				◇	Panchayat Samiti Industries loan	0.34
14.	Electricity duty	701.62 (Provisional)	NA	Stages at which arrears were pending were not furnished by the departments.		
15.	Stationery & printing	1.21	0.07			
16.	Fisheries	0.16	0.08			
Total		4,971.69				

1.6 Arrears in assessments

The details of the cases pending assessment at the beginning of the year 2007-08, 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 2007-08 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
Sales tax	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
	2007-08	2,70,487 ⁸	23,342	2,93,829	2,62,609	31,220	89.37
Entry tax	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
	2007-08	1,16,478	31,899	1,48,377	1,01,024	47,353	68.09

The above table indicates that the percentage of assessments completed under both the heads during the years from 2003-04 to 2007-08 ranged between 35.85 and 89.37 per cent. As of March 2008, arrears in assessment under sales tax and entry tax were 31,220 and 47,353 cases. Since value added tax (VAT)

⁸ Includes 26,715 cases relating to central sales tax not furnished by the Department up to 2006-07.

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 2007-08 as reported by the Commercial Tax Department are mentioned below:

Sl. No.	Name of tax/duty	Cases pending as on 31 March 2007	Cases detected during 2007-08	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 2008
					No. of cases	Amount of demand (Rs. in crore)	
1.	Sales tax	3,584	165	3,749	2,868	11.81	881
2.	VAT	222	1,104	1,326	747	16.87	579
3.	CST	37	12	49	18	22.24	31
4.	Entry tax	2	21	23	10	0.04	13
Total		3,845	1,302	5,147	3,643	50.96	1,504

Thus, disposal of detected cases was 70.78 *per cent*. 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/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 2007-08 revealed underassessment/short levy/loss of revenue etc., amounting to Rs. 1,241.86 crore in 2,71,010 cases. During the year 2007-08, the concerned departments accepted underassessment and other deficiencies of Rs. 232.50 crore involved in 1,56,075 which were pointed out in 2007-08 and in earlier years. Of these, the departments recovered Rs. 20.54 crore in 20,148 cases.

This report contains 44 paragraphs including two reviews relating to under assessment/non/short levy etc., involving Rs. 484.80 crore of which Rs. 129.49 crore has been accepted by the department/Government. Recovery made in these cases amounted to Rs. 75.52 lakh upto November 2008. Audit observations with a total revenue effect of Rs. 127.84 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 2008).

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 2007 which had not been settled by the departments as on 30 June 2008 along with the corresponding figures for the preceding two years are mentioned below:

	2006	2007	2008
Number of IRs pending settlement	3,115	3,368	3,316
Number of outstanding audit observations	9,190	9,772	9,429
Amount of revenue involved (Rupees in crore)	2,112.96	2,576.21	3,144.73

Department wise break up of IRs and audit observations outstanding as on 30 June 2008 is mentioned below:

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	633	1,788	365.85	1981-82 to 2007-08	40
	Entertainment tax	60	88	1.46	1977-78 to 2003-04	--
	Luxury tax	8	9	0.46	1998-99 to 2002-03	--
	Entry tax	136	203	57.06	2002-03 to 2007-08	21
Commerce and transport (Transport)	Taxes on vehicles	301	2,769	374.40	1970-71 to 2007-08	7
	Taxes on goods and passenger	70	237	1.09	1973-74 to 1987-88	--
Revenue	Land revenue	675	1,505	575.77	1975-76 to 2007-08	140
	Stamp duty and registration fees	434	686	454.99	1977-78 to 2007-08	144

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			
Excise	State excise	259	545	152.00	1991-92 to 2007-08	28
Forest and environment	Forest receipts	515	1,209	274.56	1980-81 to 2007-08	52
Steel and mines	Mining receipts	103	173	193.79	1979-80 to 2007-08	16
Co-operation	Departmental receipts	26	41	86.44	1995-96 to 2006-07	--
Food supplies and consumer welfare	-do-	22	27	2.38	1997-98 to 2004-05	--
Energy	-do-	69	144	597.09	1992-93 to 2007-08	2
General administration (Rent)	Departmental receipts	2	2	4.04	2003-04 and 2006-07	--
Works	-do-	3	3	3.35	2003-04 to 2006-07	--
Total		3,316	9,429	3,144.73		450

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 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 the 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 2007-08 was as 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	6	56	612
2.	Transport	Motor vehicle tax	15	7	533
3.	Excise	Excise duty	1	20	107
4.	Revenue	Land revenue/ stamp duty and registration fees	19	50	212
Total			41	133	1,464

However, no audit committee meeting was held during 2007-08 in respect of Forest and Environment, Steel and Mines, 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.

1.11 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.

Sixty two DPs including two reviews (clubbed in 44 paragraphs) being considered for inclusion in this Report were demi-officially forwarded to the Secretaries/Principal Secretaries of the concerned departments between January and June 2008 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 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)	30	12	18
2.	Transport (Motor vehicle tax)	13	--	13
3.	Excise (Excise duty and fees)	5	1	4

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
4.	Forest and Environment (Forest receipts)	2	--	2
5.	Steel & Mines (Mining receipts)	1	1	--
6.	Revenue (Land revenue, stamp duty and registration fees)	7	1	6
7.	Energy and F & ARD (Departmental receipts)	4	--	4
Total		62	15	47

1.12 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 2008 disclosed that the departments had not submitted remedial explanatory memoranda on 75 paragraphs for the years from 1998-99 to 2006-07 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	2
1999-00	34	--	34	7
2000-01	45	5	40	6
2001-02	45	7	38	1
2002-03	57	7	50	6
2003-04	63	9	54	4
2004-05	62	12	50	1
2005-06	53	33	20	9
2006-07	48	--	48	39
Total	693	279	414	75

Thus, non-compliance to the audit paragraphs stood at 16.78 *per cent* of total paragraphs (447) presented to the Assembly during the related 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 48 Reports containing 385 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 2004-05. However, ATNs have not been received in respect of 39 recommendations of the PAC from eight⁹ departments as of September 2008.

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

1.13 Compliance with the earlier audit reports

In the Audit Reports 2002-03 to 2006-07, audit observations relating to under assessments, non/short levy of taxes, loss of revenue, failure to raise demands, etc., involving Rs. 2,053.77 crore were included. Of these, as of November 2008, the departments concerned had accepted under assessments and other deficiencies involving Rs. 742.20 crore and had recovered Rs. 172.41 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.	2002-03	281.31	10.40	6.92
2.	2003-04	558.63	37.94	10.02
3.	2004-05	560.81	221.43	45.56
4.	2005-06	136.70	46.98	17.39
5.	2006-07	516.32	425.45	92.52
Total		2,053.77	742.20	172.41

⁹ Agriculture, Energy, Excise, Forest and Environment, Home, Law, Revenue and Disaster Management and Water Resources Departments.