

CHAPTER-1 : GENERAL

1.1 Trend of Revenue Receipts

1.1.1 The tax and non-tax revenue raised by the Government of Orissa during the year 2002-2003, 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 given below:

(Rupees in crore)					
	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
I Revenue raised by State Government					
(a) Tax Revenue	1487.13	1704.08	2184.03	2466.88	2871.84
(b) Non-Tax Revenue	557.49	716.48	685.47	691.75	961.18
Total	2044.62	2420.56	2869.50	3158.63	3833.02
II Receipts from Government of India					
(a) State's share of divisible Union taxes	1694.52	1748.45	2603.97	2648.72	2805.58 ¹
(b) Grants-in-aid	815.26	1715.63	1428.55	1240.64	1800.17
Total	2509.78	3464.08	4032.52	3889.36	4605.75
III Total Receipt of the State Government (I+II)	4554.40	5884.64	6902.02	7047.99	8438.77
IV Per centage of I to III	44.89	41.13	41.57	44.82	45.42

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 2001-2002. Figures under the minor head 901-Share of net proceeds assigned to 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.

(a) The details of the tax revenue raised during the year 2002-2003 along with figures for the preceding four years are given below:

(Rupees in crore)

Heads of Revenue	1998-99	1999-2000	2000-2001	2001-2002	2002-03	Per centage of increase (+) or decrease (-) in 2002-2003 over 2001-2002
1. (a) Sales Tax	930.84	1061.74	1293.99	1350.51	1532.69	(+) 13.49
(b) Central Sales Tax	40.25	45.81	48.13	51.82	72.53	(+) 39.96
2. Taxes and Duties on Electricity	110.13	127.20	146.71	136.96	172.17	(+) 25.71
3. Land Revenue	58.57	50.46	53.26	84.48	82.16	(-) 2.75
4. Taxes on Vehicles	143.18	155.53	178.17	216.37	257.35	(+) 18.94
5. Taxes on Goods and Passengers	0.01	34.18	194.04 ²	252.04	313.07	(+) 24.21
6. State Excise	109.67	114.82	135.31	197.46	246.06	(+) 24.61
7. Stamp Duty and Registration Fees	87.59	102.01	108.52	109.76	135.86	(+) 23.78
8. Other Taxes and Duties on Commodities and Services	6.89	12.33	14.60	27.62	13.34	(-) 51.70
9. Other Taxes on Income and Expenditure- Tax on Professions, Trades, Callings and Employments	--	--	11.30 ³	39.86	46.61	(+) 16.93
Total	1487.13	1704.08	2184.03	2466.88	2871.84	

The reasons for variations in respect of the following items as furnished by the concerned departments were as under:

(a) *Taxes on Vehicles*: The increase was stated to be due to revision of taxation rates, increase in vehicle population, better enforcement activities and effective supervision etc.

(b) *State Excise*: The increase was stated to be due to revision of various fees such as export, import of IMFL beer, label and registration fees, distilling and bottling plant licence fees, storage fee etc.

Reasons for variation in respect of other taxes and duties on commodities and services, stamp duty and registration fees and taxes on duties on Electricity duty from the departments concerned have not been received (November 2003).

2 Represents tax on "Entry of goods into local areas introduced in the State from 1 December 1999.

3 Represents tax on "Professions, Trades and Employment" introduced in the State from 1 November 2000.

(b) Details of non-tax revenue realised during the year 2002-2003 alongwith the figures for the preceding four years are given below:

(Rupees in crore)

Heads of Revenue	1998-99	1999-2000	2000-2001	2001-2002	2002-03	Per centage of increase (+) or decrease (-) in 2002-2003 over 2001-2002	
1 Non-ferrous Mining and Metallurgical Industries	314.05	320.09	360.33	378.56	443.58	(+)	17.18
2 Forestry and Wild Life	87.30	95.78	84.79	87.95	97.04	(+)	10.34
3 Interest Receipts	19.62	19.46	13.09	25.27	76.09 ⁴	(+)	201
4 Education	12.49	15.11	19.91	24.98	24.31	(-)	2.68
5 Irrigation & Inland Water Transport	13.79	10.51	20.16	18.40	24.70	(+)	34.24
6 Public Works	8.02	8.80	15.40	13.99	13.69	(-)	2.14
7 Police	8.71	10.17	21.44	19.23	13.37	(-)	30.47
8 Medical and Public Health	8.06	11.20	10.07	10.15	11.24	(+)	10.74
9 Power	1.87	2.72	3.20	3.18	2.94	(-)	7.55
10 Miscellaneous General Services	15.65	19.75	8.20	13.92	10.41	(-)	25.22
11 Other Non-Tax Receipts	52.92	181.259	111.363	82.653	227.96 ⁵	(+)	175.79
12 Co-operation	0.98	1.06	1.70	1.94	2.09	(+)	7.73
13 Other Administrative Services	14.03	20.57	15.81	11.52	13.71	(+)	19.01
14 Diary development		0.001	0.007	0.007	0.05	(+)	614
Total	557.49	716.48	685.47	691.75	961.18		

The reasons for variations for the following items as furnished by the concerned Departments were as under.

(a) **Non-Ferrous Mining & Metallurgical Industries:** The increase was stated to be due to upward revision of rates on royalty on coal and increase in dispatch of coal.

(b) **Forestry and Wild life:** The increase was stated to be due to payment of more royalty by Orissa Forest Development Corporation (OFDC Ltd.) towards *Kendu* leaves.

4 Interest receipts includes Rs.58.28 crore realised from Public Sector and other Undertakings.

5 Includes receipt of dividend of Rs.152.22 crore realised from OPGC under dividend head.

(c) **Police** : The reason for decrease in respect of Police receipts was stated to be due to non-collection of arrears from South Eastern Railways, Other State Governments and other parties.

Reasons for variations relating to *education, interest, irrigation and inland water transport* have not been received in August 2003 though called for.

1.2 Initiative for Mobilisation of Additional Resources

Government of Orissa on 11 October 2001, agreed to implement certain time bound fiscal reform measures enumerated in the Memorandum of Understanding (MOU) signed with Government of India for augmentation of Government revenue.

Scrutiny of the relevant records during the course of audit and information made available to audit in respect of implementation of specific time bound measures revealed the following position.

I Resource Mobilisation Measures

Sl. No.	Taxation measures	Action to be taken	Date by which action to be taken	Present position
1	Bringing new forms of entertainment like cable TV, Satellite TV, Video Halls, Jatra and entertainment in hotels and restaurants under the tax net.	New legislation to substitute the present Act of 1946.	December, 2001	New legislation for Entertainment Tax Act was stated to be under consideration of Government (July, 2003)
2	Introduction of Excise Adhesive Labels (EAL)	Notification to be issued.	December, 2001	Originally introduced from April 2001 @ Re.0.50 to Rs.2.00 depending upon pack size and nature of liquor. However, the manufacturers moved the Hon'ble High Court against the high rates of EAL. Subsequently, Government revised the rate to Rs.0.20 per EAL from February 2002. Hence, no EAL fees could be recovered during April 2001 to January 2002.
3	Revision of electricity duty and levy at the generation point to reduce loss of revenue on transmission and distribution loss.	Notification to be issued.	December, 2001	Not implemented as of July, 2003. It was stated to be under process of examination.
4	Levy of premium on conversion of agriculture land for non-agriculture purpose.	Notification to be issued.	December, 2001	Not implemented as of July, 2003.
5	To bring every flat under lease rent instead of the existing practice of charging lease rent for one plot only irrespective of the number of storeys in apartments.	-	December, 2001	Not implemented as of July, 2003. The matter was stated to be under active consideration (July 2003).

Sl. No.	Taxation measures	Action to be taken	Date by which action to be taken	Present position
6	Enhancement of the existing rate of M.V. tax on contract and stage-carriages keeping it at par with the rate prevailing in the neighbouring States.	Notification to be issued.	December, 2001	Implemented from January, 2002.
7	Expansion of luxury tax base.	Amendment of the existing Act	March, 2002	The Act was amended in November, 2002 inserting thirty new items for levy of luxury tax with effect from 1 January 2003
8	Provision for confiscating the carriers of non-duty paid liquor and illicit distilled liquor.	Legislation to be made.	March, 2002	Legislation amending the Bihar and Orissa Excise Act, 1915 not introduced as of July 2003.
9	MRP to be written on liquor bottles.	Notification to be issued.	March, 2002	The department stated (July 2003) that it could not be implemented in view of the provision of the Packaged Commodities (Regulation) Order, 1975.
10	Introduction of service charges at par with the rate of fees prescribed under Rule-32 and 81 of Central Motor Vehicle Rules for issue/renewal of driving licences, registration of motor vehicles etc.	Legislation to be introduced.	March, 2002	Service charge not introduced
11	Change of fixed rate structure of one time MV tax to advalorem system.	Notification to be issued.	March, 2002	Advalorem tax @ 5% of cost of new vehicle introduced vide notification dated 13 February 2003.
12	Increase of the tax payable under Section-5 of Orissa Motor Vehicles Tax Act paid by manufacturers/dealers.	Notification to be issued.	March, 2002	Not implemented as of July, 2003.
13	Rationalisation of Stamp Duty and Registration fees.	Act to be amended.	March, 2002	The Indian Stamp (Orissa Amendment) Act, 2001 issued in January, 2003.
14	Enhancement of cess on land revenue from 75% to 150% of land revenue.	Cess Act to be amended.	March, 2002	Not implemented as of July 2003.
15	Selling of excess urban land in urban areas of the State.	-	March, 2002	The matter was stated to be under active consideration (July 2003).

It would be seen from the above that out of 15 resource mobilisation measures agreed to in the MOU, steps were taken belatedly only in 5 items, while there has been no follow up action on 10 items as of July 2003.

II Cost Recovery and User charges

According to the MOU, the State Government was to issue orders for revision of user charges for urban water supply and for revision of higher education fees and health care rates. Local bodies were to issue orders for revision of user charges for sewerage services. The details are as follows.

Sl. No.	Taxation measures	Action to be taken	Date by which action to be taken	Present position
1	Revision of Tariff on urban water Supply.	Notification to be issued.	November, 2001	The matter was stated to be under active consideration of Government (August 2003)
2	Revision of existing fees collected by urban local Bodies for sewerage services.	Notification to be issued.	December, 2001	The matter was stated to be under active consideration of Government (August 2003)

Sl. No.	Taxation measures	Action to be taken	Date by which action to be taken	Present position
3	Revision of contribution and fees from students in the technical, medical and higher education.	Notification to be issued.	December, 2001.	The fee structure of Government/Private Engineering Schools/Polytechnics and Government colleges was revised in March 2002 applicable from 2002-03 onwards. The fee structure has been revised (June 2002) in respect of post-graduate and under graduate courses in Allopathic, Ayurvedic and Homeopathic Medical Colleges. No reply was received from Higher Education Department, though called for (July 2003).
4	Revision of various fees in hospitals.	Notification to be issued.	March, 2003	Not implemented as of August 2003.

It would be seen from the above that the State Government had not initiated action to implement the above measures except Sl. No.3. The Department stated that no white paper on finance was presented during 2000-2001.

1.3 Variations between budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2002-2003 in respect of the 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 (-)	Per centage of Variation
Tax Revenue					
1	Sales Tax	1665	1605.22	(-) 59.78	3.59
2	Taxes on Goods and Passengers	270	313.07	(+) 43.07	15.95
3	Taxes and Duties on Electricity	200	172.17	(-) 27.83	13.92
4	Land Revenue	85	82.16	(-) 2.84	3.34
5	Taxes on Vehicles	260	257.35	(-) 2.65	1.01
6	State Excise	300	246.06	(-) 53.94	17.98
7	Stamp Duty and registration Fees	140	135.86	(-) 4.14	2.96
Non-Tax Revenue					
8	Mines and Minerals	385.28	443.88	(+) 58.60	15.20
9	Forest	97.00	97.04	(+) 0.04	0.04
10	Education	26.70	24.31	(-) 2.39	0.08
11	Interest	45	76.09	(+) 31.09	69.09
12	Police	19.28	13.37	(-) 5.91	30.65

The reasons for short fall (30.65 per cent) in respect of Police receipts was stated to be due to non-collection of dues from South Eastern Railways, other State Governments and other parties.

The reasons for variation for taxes on goods and passengers, taxes on duties on electricity, state excise, interest etc. though called for were awaited. The variation between budget estimates and actual receipts indicated that the budget estimates were not being framed on realistic basis.

1.4 Analysis of collection

Break-up of total collection at pre-assessment stage and after regular assessment of Sales Tax, Profession Tax, Entry Tax and Luxury Tax for the year 2002-2003 and the corresponding figures for the preceding two years as furnished by the department is as follows:

(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	Percentage of column 3 to 7
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Sales Tax	2000-01	1313.38	23.85	14.26	20.13	1331.36 ⁶	98.6
	2001-02	1375.17	41.46	18.08	27.26	1407.45 ⁷	97.7
	2002-03	1570.33	40.79	35.54	35.36	1611.30 ⁸	97.5
2. Profession Tax	2000-01	9.15	--	--	--	9.15	100
	2001-02	36.72	--	--	--	36.72	100
	2002-03	44.42	--	--	--	44.42	100
3. Entry Tax	2000-01	207.80	--	--	--	207.80	100
	2001-02	246.06	3.07	0.10	--	249.23	98.7
	2002-03	301.63	7.72	2.32	--	NA	NA
4. Luxury Tax	2000-01	9.63	--	0.33	--	9.96	96.7
	2001-02	8.69	--	--	--	8.69	100
	2002-03	9.45	--	--	--	9.45	100

The above table shows that *percentage* of collection of revenue at the assessment stage ranged between 96.7 to 98.7 *per cent* under sales tax, entry tax and luxury tax during the year 2000-01 and 2001-02.

1.5 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 collections during the years 2000-2001, 2001-2002 and 2002-2003 along with the relevant all India average *percentage* of expenditure on collection to gross collections for 2001-2002 are given below:

- 6 The figures supplied by the Department donot tally with figures of Finance Accounts.
- 7 The figures supplied by the Department donot tally with figures of Finance Accounts.
- 8 The difference of Rs.6.08 crore (Departmental figure of Rs.1611.30 crore minus Rs.1605.22 crore Finance Accounts figure) yet to be reconciled (November 2003).

(Rupees in crore)

Heads of Revenue	Year	Gross collection	Expenditure on collection	Per centage of expenditure to gross collection	All India average per centage for the year 2001-2002
1 Sales Tax	2000-2001	1342.12	22.86	1.70	1.26
	2001-2002	1402.33	21.70	1.55	
	2002-2003	1646.66	21.36	1.29	
2 Taxes on Vehicles	2000-2001	178.17	7.86	4.41	2.99
	2001-2002	216.37	7.87	3.64	
	2002-2003	257.35	9.22	3.58	
3 State Excise	2000-2001	135.31	11.80	8.72	3.21
	2001-2002	197.46	11.99	6.07	
	2002-2003	246.06	12.62	5.13	
4 Stamp Duty and Registration Fees	2000-2001	108.52	12.16	11.21	3.51
	2001-2002	109.76	11.70	10.66	
	2002-2003	135.86	12.24	9.01	

The expenditure on collection in all the above heads as a *percentage* of total collection under the respective heads is higher as compared to the national average. The same is significantly high in case of State Excise and Stamp duty and Registration fee.

1.6 Collection of sales tax per assessee

(Rupees in crore)

Year	No. of assessees	Sales tax revenue	Revenue/assessee
1998-1999	55,540	1027.49	0.018
1999-2000	55,896	1126.56	0.020
2000-2001	58,427	1351.49	0.023
2001-2002	62,142	1434.72	0.023
2002-2003	69,743	1646.66	0.024

The above table reveals that revenue collection per assessee increased from Rs.0.018 crore in the year 1998-99 to Rs.0.024 crore in 2002-03.

1.7 Analysis of arrears of revenue

As on 31 March 2003, the arrears of revenue under principal heads of revenue as reported by the departments were as follows:

(Rupees in crore)

Sl. No	Heads of Revenue	Amount of arrears as on 31 March 2003	Arrears more than five years old	Remarks
1	Sales Tax	942.32	NA	The stages of arrears were as under: (a) Demands covered by Certificate proceedings/ Tax Recovery proceedings 221.81 (b) Demands stayed by

(Rupees in crore)				
Sl. No	Heads of Revenue	Amount of arrears as on 31 March 2003	Arrears more than five years old	Remarks
				(i) Supreme Court/High Court 280.53 (ii) Departmental authorities 147.45 (c) Cases covered by show cause and penalty 291.31 (d) Amounts likely to be written off 1.22 Total 942.32
2	Forest	74.30	N.A.	The arrears were due on account of (a) Forest Lease 11.28 (b) <i>Kendu Leaves</i> 0.17 (c) OFDC 62.85 Total 74.30
3	Mines and Minerals	40.84 ⁹	2.47	The stages of recovery was as under : (a) Recoverable amount 35.28 (b) Demand covered by certificate proceedings 1.55 (c) Amount under dispute 2.23 (d) Demand locked up in litigation in High Court 0.77 (e) Amount covered under write off/waiver proposal 1.01 Total 40.84
4	Taxes on Vehicles	65.08 ¹⁰		The arrears were due from (i) Orissa State Road Transport Corporation 36.56 (ii) Private Vehicles 28.52 Total 65.08 The stages of arrear was as under: (i) Demands covered by certificate proceedings 29.41 (ii) Recoveries stayed by (a) High Court/Supreme Court/other Judicial authorities 1.10 (b) Departmental authorities of Government 0.24 (iii) Amount under dispute 2.50 (iv) Other stages 31.83

9 Of this Rs.31.12 crore stated to have been collected between April 2003 and June 2003.

10 Of this Rs.0.77 crore stated to have been collected between April 2003 and June 2003.

(Rupees in crore)

Sl. No	Heads of Revenue	Amount of arrears as on 31 March 2003	Arrears more than five years old	Remarks
5	State Excise	17.39	NA	The stage wise position of arrears was as under: (a) Covered by certificate proceedings 4.45 (b) Stayed by High Court/other judicial authorities 1.65 (c) Stayed by Departmental authorities 1.54 (d) Amount under dispute 0.46 (e) Proposed to be written off 0.12 (f) Other stages of recovery 9.17 Total 17.39
6	Land Revenue	17.55 ¹¹	NA	Item-wise break up was as follows : (a) Rent 1.37 (b) Cess 4.30 (c) Nistar Cess 0.15 (d) Sairat 3.30 (e) Misc. Revenue 8.43 Total 17.55
7	Police	29.72 ¹²	4.27	--
8	Interest	100.90	NA	1 Co-operation Department 63.33 2 Industry Department 37.57 The arrears were due from: (a) Orissa Small Industries Corp. 0.67 (b) Industrial Development Corp. 6.06 (c) Orissa Film Development Corp. 0.18 (d) Orissa Instrument Co. 0.34 (e) Orissa State Leather Corp. 0.48 (f) Orissa State Financial Corp. (i) Loan in lieu of share capital 7.28 (ii) Interest bearing loan 11.42 (iii) State Aid Rural Industries Program. loan 1.10 (iv) Sales Tax loan 5.95 (v) Electricity Duty loan 2.91 (vi) Panchayat Samiti Industries loan 0.34

11 Of this Rs.89.77 lakh stated to have been collected between April 2003 and July 2003.

12 Of this Rs.6.80 crore stated to have been collected between April 2003 and June 2003.

(Rupees in crore)				
Sl. No	Heads of Revenue	Amount of arrears as on 31 March 2003	Arrears more than five years old	Remarks
				(g) IPICOL 0.84
				Total 37.57
				Grand Total 100.90
9	Irrigation (WR)	75.68	45.22	Industrial Water Rate 75.68
				Total 75.68
10	Other Departmental Receipts (Rent) G.A Department	9.43	NA	The arrears were due from: <u>Non-Residential Buildings</u> 0.90 <u>Residential Buildings</u> 1 MLA's and ex-MLA's 0.58 2 Boards and Corporations 0.50 3 Private parties 0.42 4 Retired Govt. Servants 3.08 5 Transferred Govt. Servants 0.92 6 Certificate cases 0.03 7 Central Government employees occupying State Government Quarters and water tax 0.52 8 Usual House Rent 2.36 9 Recovery stayed by High Court and other judicial authorities 0.12 Total 9.43
11	Entry Tax	27.20	NA	The stages of arrears were as under: (a) Demand stayed by High Court 0.26 (b) Recoveries stayed by Departmental authorities 3.33 (c) Amount covered by show cause and penalty 23.61 Total 27.20
12	Entertainment Tax	5.57	NA	The stages of arrears were as under: (a) Demand covered by certificate/Tax Recovery proceedings 4.18 (b) Recoveries stayed by: (i) High Court/Supreme Court 0.15 (ii) Departmental authorities 0.18

(Rupees in crore)

Sl. No	Heads of Revenue	Amount of arrears as on 31 March 2003	Arrears more than five years old	Remarks
				(c) Amount covered by show cause and penalty 1.06
				Total 5.57
13	Stationery and Printing	4.51	NA	(i) Orissa Govt. Press 4.10 (ii) Gopalpur Port Project 0.41
				Total 4.51

1.8 Arrears in assessments

The details of cases pending assessment at the beginning of the year 2002-2003, cases becoming due for assessment during the year, cases disposed of during the year and the number of cases pending finalisation at the end of the year 2002-2003 as furnished by the Sales Tax Department in respect of sales tax and entry tax are as follows:

Year	Opening Balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year	Per-centage of column 5 to 4
1	2	3	4	5	6	7
Sales Tax	3,45,278	2,38,801	5,84,079	3,44,463	2,39,616	59
Entry Tax	50,228	84,051	1,34,279	58,748	75,531	44

It can be seen from the above table that arrears in assessment under sales tax and entry tax have been 59 per cent and 44 per cent respectively.

1.9 Evasion of Tax

The number of cases of evasion of tax detected and assessments finalised during 2002-2003 are given below:

Sl No.	Name of tax/duty	Cases pending as on 31 March 2002	Cases detected during 2002-03	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 2003
					No. of cases	Amount of demand (Rs.in crore)	
1	Sales Tax	11,014	4,547	15,561	10,571	25.99	4,990
2	State Excise	--	31,851	31,851	--	--	31,851

The revenue involved in the pending cases was not furnished by the departments. It would be seen from the above that the disposal of detected cases was 67.9 per cent in respect of Sales Tax cases.

1.10 Refunds

The number of refund cases pending at the beginning of the year 2002-03, claims received during the year and cases pending at the close of the year 2002-03 as reported by the Commercial tax department is given below:

(Rupees in lakh)

		No. of cases	Amount
1	Claims outstanding at the beginning of the year	1,129	1,531.79
2	Claims received during the year	3,053	7,066.70
3	(a) Refunds made during the year	2,271	3,536.12
	(b) Rejected	177	134.46
4	Balance outstanding at the end of the year	1,734	4,927.91

Non disposal of refund cases increased substantially by 53.6 per cent in the year 2002-03.

1.11 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 2002-2003 revealed under-assessment/short levy/loss of revenue etc. amounting to Rs.447.09 crore in 1,10,933 cases. During the course of the year 2002-2003, the concerned departments accepted under-assessment etc. of Rs.39.24 crore involved in 43,107 cases which were pointed out in 2002-2003 and in earlier years. Of these, the departments recovered Rs.7.21 crore in 3656 cases.

This report contains 57 paragraphs including 3 reviews relating to under-assessment/short-levy/non-levy etc. involving Rs.281.31 crore of which Rs.10.40 crore has been accepted by Government/ Department. Recovery made in these cases amounted to Rs.0.74 crore up to August 2003. Audit observations with a total revenue effect of Rs.0.65 crore have not been accepted by the Department/Government but their contentions being at variance with the facts or legal position have been appropriately commented upon in the relevant paragraphs. Replies in the remaining cases have not been received (November 2003).

1.12 Failure of senior officials to enforce accountability and protect interest of 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. The heads of departments/offices are required to take corrective action in the interest of Government revenue and furnish compliances within a period of one month.

The number of inspection reports and audit observations relating to revenue receipts issued up to 31 December 2002 which were pending settlement by the departments as on 30 June 2003 along with corresponding figures for the preceding two years are given below:

	2001	2002	2003
1. Number of inspection reports pending settlement	3909	3636	3655
2. Number of outstanding audit observations	12507	11643	11081
3. Amount of revenue involved (in crore of Rupees)	920.26	1375.38	1446.54

Department-wise break up of the inspection reports and audit observations outstanding as on 30 June 2003 is given below:

Department	Nature of receipts	Number of outstanding		Amount of receipts involved (Rs. in crore)	Year to which observations relate	Number of Inspection Reports to which even first replies have not been received
		Inspection reports	Audit observations			
1 Commerce and Transport (Transport)	Taxes on Vehicles	254	2598	154.21	1970-71 to 2002-03	53
	Taxes on Goods and Passenger	70	237	1.09	1973-74 to 1987-88	Nil
2 Finance	Sales Tax	606	2304	151.29	1976-77 to 2002-03	54
	Entertainment Tax	86	118	1.31	1975-76 to 2002-03	18
	Luxury Tax	10	11	0.57	1997-98 to 2002-03	10
	Entry Tax	28	43	0.18	2001-02 and 2002-03	27
3 Revenue	Land Revenue	983	1982	245.24	1975-76 to 2002-03	134
	Stamp Duty and Registration Fees	225	367	42.01	1976-77 to 2002-03	143
4 Forest and Environment	Forest Receipts	516	1456	104.57	1980-81 to 2002-03	65
5 Excise	State Excise	292	837	64.08	1997-98 to 2002-03	64
6 Steel and Mines	Mining Receipts	97	205	29.38	1974-75 to 2002-03	09
7 Cooperation	Departmental Receipts	56	189	264.73	1976-77 to 2002-03	10

Department	Nature of receipts	Number of outstanding		Amount of receipts involved (Rs. in crore)	Year to which observations relate	Number of Inspection Reports to which even first replies have not been received
		Inspection reports	Audit observations			
8 Food Supplies and Consumer Welfare	Departmental Receipts	68	115	3.78	1989-90 to 2002-03	01
9 Energy	-do-	41	82	370.93	1992-93 to 2002-03	05
10 G.A (Rent)	-do-	10	28	4.45	1976-77 to 2002-03	Nil
11 Works	-do-	24	40	5.72	1992-93 to 2002-03	Nil
12. Others	-do-	289	469	3.00	1987-88 to 2002-03	Nil
Total		3655	11081	1446.54		593

It indicates that the Heads of departments/offices, whose records were inspected by Accountant General, failed to discharge due responsibility as (a) they did not send any reply to a large number of IRs/Paragraphs, (b) they did not take remedial measures for the defects, omissions and irregularities pointed out by the Accountant General.

1.13 Departmental Audit Committee Meetings

In order to expedite the settlement of outstanding audit observations contained in the Inspection Reports, Departmental Audit Committees are constituted by the Government. The representatives of Finance Department, Administrative Department and office of the Accountant General (Audit)-II attend the Committee. The Committee meet regularly to expedite the clearance of outstanding audit observations and ensure that final action is taken on all audit observations outstanding for more than a year. During the years 2002-03, Finance, Transport, Revenue, Forest and Mining Department convened 28, three, 10, one and two. Audit Committee meetings respectively. Other Government departments did not take initiative in using the machinery created for settling the outstanding audit observations.

1.14 Response of the Departments to Draft Audit Paragraphs

Government of Orissa, Finance Department, in their circular memorandum instructed (May 1967), various departments of the Government to submit compliance to the draft audit paragraphs floated by the Accountant General (AG) for inclusion in the Audit Reports of the Comptroller and Auditor General (C&AG) within six weeks from the date of receipt of such draft audit paragraphs. 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 C&AG. The draft paras (DP) 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 6 weeks.

Seventy draft paragraphs being considered for inclusion in this Report were demi-officially forwarded to the Secretaries/Principal Secretaries of the concerned departments between January 2003 and August 2003 with a request to verify the factual position and offer 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 are detailed below:

Sl. No.	Name of the Department/Nature of receipt	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)	26	3	23
2	Transport (Motor Vehicle Tax)	14	1	13
3	Excise (Excise Duty and Fees)	8	-	8
4	Forest and Environment (Forest Receipts)	7	1	6
5	Steel & Mines (Mining Receipts)	6	-	6
6	Energy (Electricity Duty)	5	1	4
7	Revenue (Land Revenue, Stamp Duty and Registration Fees)	2	-	2
8	General Administration, Home, Revenue, Water Resources, Works Departments (Departmental Receipt)	1	-	1
9	Fisheries and ARD (Departmental Receipts)	1	-	1
Total		70	6	64

1.15 Follow up on Audit Reports- summarised position

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

Review of outstanding explanatory memoranda on paragraphs included in the reports of Comptroller & Auditor General of India (Revenue Receipts) as on 31.3.2003 disclosed that the departments had not submitted remedial explanatory memoranda on 238 paragraphs for the years from 1989-90 to 2001-02 as detailed below.

Year	1989-1990	1990-1991	1991-1992	1992-1993	1993-1994	1994-1995	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	Total
No. of paras in the AR	69	68	63	54	44	47	40	36	38	40	34	45	45	623
No. of paras discussed in PAC	68	51	51	40	32	21	13	5	3	--	--	5	--	289
No. of paras pending for discussion	01	17	12	14	12	26	27	31	35	40	34	40	45	334
No. of paras for which compliance notes awaited from the departments	01	Nil	12	14	12	12	10	8	23	27	34	40	45	238

From the above, it would be seen that the non-compliance to audit paragraphs stood at 38.20 *per cent* of total paras 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 had as early as May 1966 issued instructions to all the departments of State Government to submit Action Taken Notes (ATN) on the recommendations made by PAC for further consideration **within six months** of the presentation of PAC Report to the Legislature. However it was noticed from the PAC reports submitted during 10th, 11th and 12th Assembly that 48 Reports containing 331 paras/recommendations were presented by the PAC before the Legislature between February 1991 and March 2003 after examination of the Audit Report (Revenue Receipts) of 14 departments for the years 1985-86 to 2000-01. However, Action Taken Notes have not been received in respect of 188 recommendations of the PAC from the concerned departments as of March 2003.

The PAC in its meeting held on 28 April 2003 drew the attention of the Chief Secretary to the heavy pendency and directed that the High Power Committee consisting of the Principal Secretary, Finance, Accountant General and Administrative Secretaries be activated to review the action taken by various Government departments on the Comptroller and Auditor General's Report and on PAC's recommendations. Accordingly the High Power Committee has been meeting once every month since June 2003. The Apex Committee under the Chairmanship of the Chief Secretary met only on one occasion on 27 February 2002.