



**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

FOR THE YEAR ENDED 31 MARCH 2004

REVENUE RECEIPTS

GOVERNMENT OF ORISSA

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PREFACE

This report for the year ended 31 March 2004 has been prepared for submission to the Governor under Article 151(2) of the Constitution.

The audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This Report presents the results of audit of receipts comprising sales tax, taxes on motor vehicles, land revenue, stamp duty and registration fees, state excise, forest receipts, mining receipts and other Departmental receipts of the state.

The cases mentioned in this Report are among those which came to notice in the course of test audit of records during 2003-04 as well as those noticed in earlier years but which could not be covered in the previous years' Reports.

OVERVIEW

I General

This report contains 63 paragraphs including two reviews relating to under-assessment/short-levy/non-levy etc. involving Rs. 558.63 crore. Some of the major findings are mentioned below:

- (i) The Government's total revenue receipts for the year 2003-04 aggregated* to Rs.9,440 crore. Of this 46.57 *per cent* was raised by the State - Rs.3,302 crore through tax revenue and Rs.1,094 crore through non-tax revenue while 53.43 *per cent* was received from the Government of India - Rs.3,328 crore in the form of State's share of divisible Union taxes and Rs.1,716 crore as grants-in-aid.

{Para 1.1}

- (ii) Test check of records of Sales Tax, Motor Vehicles Tax, State Excise, Mines and Minerals, Land Revenue, Forest and Other Departmental offices conducted during the year 2003-04, revealed under-assessment, short-levy/loss of revenue etc. amounting to Rs 688.51 crore in 1,87,940 cases. During the year 2003-04, the concerned departments accepted under-assessment etc. of Rs 122 crore, involving 1,18,184 cases pointed out during 2003-04 and earlier years, of which the Departments recovered Rs.11 crore in 8784 cases.

{Para 1.10}

- (iii) As on 30 June 2004, 3,768 inspection reports issued upto December 2003 containing 11,023 audit observations involving Rs.1,472 crore were outstanding for want of comments/final action by the concerned Departments.

{Para 1.11}

II Sales Tax

- (i) Allowance of incorrect deduction on defective declarations resulted in under assessment of tax of Rs.1.22 crore.

{Para 2.2}

- (ii) Cross verification of records of F.C.I., with the assessment records of Registered Rice Millers revealed that there was evasion of tax of Rs.1.50 crore due to suppression of sale turnover of rice.

{Para 2.3}

* Chapter-I figures in Overview have been rounded off to nearest crore

(iii) Incorrect exemption was granted on tax paid goods that were sold by the dealers who had made no sales, or were non-existent or were not assessed to tax and resulted in short levy of tax of Rs.1.37 crore including penalty.

{Para 2.4}

(iv) Penalty of Rs.3.88 crore due to non-submission of correct and complete returns for entry tax in the specified period was not levied on two dealers.

{Para 2.18}

III Motor Vehicles Tax

(i) Motor vehicle tax and additional tax including penalty amounting to Rs.28.91 crore was not realised in respect of 14,567 vehicles which had valid route permits.

{Para 3.2}

(ii) Non-disposal of vehicle check reports resulted in non-realisation of compounding fees of Rs. 4.33 crore.

{Para 3.3}

(iii) There was short levy of one-time tax of Rs. 1.12 crore on advalorem basis in respect of 309 vehicles registered between 13 February 2003 and 31 March 2003.

{Para 3.4}

IV Land Revenue, Stamp Duty and Registration Fees

(i) Non-finalisation of unauthorised occupation of Government land by M/s. Mahanadi Coal Fields Ltd resulted in non-realisation of Government revenue of Rs.37.95 crore towards premium, ground rent, cess and interest.

{Para 4.2}

(ii) Premium and ground rent of Rs.1.02 crore was not realised from conversion of agricultural land for non-agricultural purpose.

{Para 4.5}

A review on Stamp **Duty** revealed the following:

- ◆ Despite huge closing balances of stamps, annual purchases of stamps varied from 182 to 435 *per cent* of the closing balances.
- ◆ Nodal points for collection of bulk supply of stamped papers from Indian Security Press, Nasik were not created.

{Para 4.6.6}

- ◆ Cross verification of stamped papers sold by treasuries with the stamped papers utilised in registering offices revealed that there was excess utilisation of stamped papers worth Rs.15.22 crore in execution of documents in eight districts.

{Para 4.6.10}

- ◆ Provisions of rules regarding deposit of sale register of vendors with the licencing officer were not enforced, highlighting failure of internal controls.
- ◆ Test check of 15 vendors in Jajpur, Sambalpur, Kendrapara and Jharsuguda revealed that vendors issued stamped papers valuing Rs.22.48 lakh for execution of documents in excess of stamped paper received from Treasuries.

{Para 4.6.11}

- ◆ Non inspection of sale register of vendors by Sub-Registrar/District Sub-Registrars and Additional District Magistrates indicated serious internal control failure leading to possible use of fake stamped papers.
- ◆ Test check of 20 vendors in Puri and Khurda districts confirmed sale of stamped papers worth Rs.54.13 lakh in excess of purchases made by vendors.

{Para 4.6.12}

- ◆ Despite adequate stock in local treasuries, irregular purchase of Rs.4.45 crore of insurance policy stamps were made by LIC from unauthorised private sources outside the State.

{Para 4.6.15}

- (iii) Cross verification of records of Tahasil Offices with reference to 397 documents revealed that Kisam of land was incorrectly set-forth with lower value for which there was short realisation of stamp duty and registration fees of Rs.65.56 lakh and fine of Rs.19.85 lakh.

{Para 4.8}

V State Excise

- (i) There was short levy of excise duty of Rs.25.82 crore due to application of incorrect rates on whisky made from imported base. The loss of revenue to the Government aggregated to Rs.31.50 crore including sales tax and surcharge.

{Para 5.2}

- (ii) There was non-realisation of excise duty of Rs.8.90 crore on short production of India Made Foreign Liquor from 136 licensees with reference to Minimum Guaranteed Quantity.

{Para 5.3}

- (iii) Excise duty of Rs.3.43 crore remained unrealised due to non-raising of demand at the enhanced rate.

{Para 5.4}

VI Forest Receipts

- (i) Bamboo coupes in the bamboo potential forest divisions of the State were not worked leading to loss of Rs.11.23 crore of revenue from royalty.

{Para 6.2}

- (ii) Interest was not levied on the defaulting contractor resulting in loss of Rs.7.05 crore.

{Para 6.3}

- (iii) Failure to finalise rate of royalty before the delivery of timber resulted in blocking of revenue of Rs. 80.43 lakh.

{Para 6.8}

VII Mining Receipts

- (i) Review “**Assessment, collection and recovery of mining dues from major minerals**” revealed the following:-

- ◆ Non-raising of demand for royalty and cost of ore for unauthorised removal of mineral ores resulted in loss of revenue of Rs. 267.95 crore

{Para 7.2.10}

- ◆ Charging of royalty on processed mineral instead of on unprocessed mineral led to loss of revenue of Rs.8.28 crore.

{Para 7.2.11}

- ◆ Delay in renewal of mining lease led to non-execution of lease deeds and consequent loss of stamp duty and registration fees of Rs. 2.09 crore.

{Para 7.2.12}

- ◆ Non-realisation of interest of Rs. 2.47 crore on delayed payment of royalty.

{Para 7.2.15}

- ◆ Cross verification of stock as per the Books of lessee with that of the return submitted to Mining Department revealed evasion of royalty of Rs.2.33 crore on suppressed quantity of coal.

{Para 7.2.16}

- ◆ Blocking of Government revenue of Rs.5.93 crore was due to non-disposal of minor minerals.

{Para 7.2.17}

VIII Departmental Receipts

- (i) There was under-assessment of Police cost of Rs.1.62 crore due to non-inclusion of element of leave salary contribution.

{Para 8.2.1}

- (ii) Improper accounting of Police cost resulted in suppression of realisable amount of Rs. 2.63 crore from various commercial banks.

{Para 8.2.4}

- (iii) Failure to finalise the terms and conditions of loan led to non-realisation of Rs. 1.38 crore towards interest from a Co-operative Spinning Mill at Sundergarh.

{Para 8.3.2}

- (iv) Due to non/short-levy of inspection fees at the enhanced rate by the Chief Electrical Inspector, Rs.4.38 crore towards inspection fees was not realised from private distributing companies.

{Para 8.6}

- (v) Inspection fee of Rs.13.48 lakh was not levied on a private Cable T.V. Service Provider.

{Para 8.7}

CHAPTER-I : 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 2003-2004, 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)

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
I Revenue raised by State Government					
(a) Tax Revenue	1,704.08	2,184.03	2,466.88	2,871.84	3,301.73
(b) Non-Tax Revenue	716.48	685.47	691.75	961.18	1,094.55
Total	2,420.56	2,869.50	3,158.63	3,833.02	4,396.28
II Receipts from Government of India					
(a) State's share of divisible Union taxes	1,748.45	2,603.97	2,648.72	2,805.58	3,327.68 ¹
(b) Grants-in-aid	1,715.63	1,428.55	1,240.64	1,800.17	1,716.28
Total	3,464.08	4,032.52	3,889.36	4,605.75	5,043.96
III Total Receipt of the State Government (I+II)	5,884.64	6,902.02	7,047.99	8,438.77	9,440.24
IV Per centage of I to III	41.13	41.57	44.82	45.42	46.57

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 2003-2004. 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.

1.1.2 The details of the tax revenue raised during the year 2003-2004 along with figures for the preceding four years are given below:

(Rupees in crore)

Heads of Revenue	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Per centage of increase (+) or decrease (-) in 2003-2004 over 2002-2003
1. (a) Sales Tax	1,061.74	1,293.99	1,350.51	1,532.69	1,546.47	(+) 1
(b) Central Sales Tax	45.81	48.13	51.82	72.53 ²	317.50	(+) 338
2. Taxes and Duties on Electricity	127.20	146.71	136.96	172.17	200.43	(+) 16
3. Land Revenue	50.46	53.26	84.48	82.16	103.27	(+) 26
4. Taxes on Vehicles	155.53	178.17	216.37	257.35	280.03	(+) 9
5. Taxes on Goods and Passengers	34.18	194.04 ³	252.04	313.07	377.19	(+) 20
6. State Excise	114.82	135.31	197.46	246.06	256.37	(+) 4
7. Stamp Duty and Registration Fees	102.01	108.52	109.76	135.86	153.07	(+) 13
8. Other Taxes and Duties on Commodities and Services	12.33	14.60	27.62	13.34	14.77	(+) 11
9. Other Taxes on Income and Expenditure-Tax on Professions, Trades, Callings and Employments	--	11.30 ⁴	39.86	46.61	52.63	(+)13
Total	1,704.08	2,184.03	2,466.88	2,871.84	3,301.73	

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

Taxes on Vehicles: The increase was stated to be due to increase in vehicle population, better enforcement activities and effective supervision etc.

State Excise: The increase was stated to be due to revision of duty of IMFL and other fees, opening of new shops etc.

Stamp duty and registration fees: The increase was stated to be due to disposal of cases relating to determination of considerations of the deeds.

2 The figures of central sales tax as provided by the Department were depicted less by Rs.175.47 crore in the Finance Accounts for the year 2002-03.

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

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

Central Sales Tax: The increase in Central Sales Tax was due to correct accountal and reconciliation in Finance accounts.

Reasons for variation in respect of other taxes and duties on commodities and services has not been received from concerned Department (December 2004).

1.1.3 Details of non-tax revenue realised during the year 2003-2004 alongwith the figures for the preceding four years are given below:

(Rupees in crore)

Heads of Revenue	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Per centage of increase (+) or decrease (-) in 2003-2004 over 2002-2003
1 Non-ferrous Mining and Metallurgical Industries	320.09	360.33	378.56	443.58	552.06	(+) 24
2 Forestry and Wild Life	95.78	84.79	87.95	97.04	48.64	(-) 50
3 Interest Receipts	19.46	13.09	25.27	76.09	164.38 ⁵	(+) 116
4 Education	15.11	19.91	24.98	24.31	12.00	(-) 51
5 Irrigation & Inland Water Transport	10.51	20.16	18.40	24.70	36.25	(+) 47
6 Public Works	8.80	15.40	13.99	13.69	15.06	(+) 10
7 Police	10.17	21.44	19.23	13.37	15.55	(+) 16
8 Medical and Public Health	11.20	10.07	10.15	11.24	7.51	(-) 33
9 Power	2.72	3.20	3.18	2.94	2.90	(-) 1
10 Miscella-neous General Services	19.75	8.20	13.92	10.41	5.38	(-) 48
11 Other Non-Tax Receipts	181.259	111.363	82.653	227.96	226.35	(-) 1
12 Co-operation	1.06	1.70	1.94	2.09	2.39	(+) 14
13 Other Administr-ative Services	20.57	15.81	11.52	13.71	6.08	(-) 56
14 Diary development	0.001	0.007	0.007	0.05	Nil	
Total	716.48	685.47	691.75	961.18	1,094.55	

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

Non-ferrous Mining and Metallurgical Industries: The increase was stated to be due to upward revision of rates on royalty on coal, increase in collection of revenue on minor minerals.

Forestry and Wild Life: The decrease was stated to be due to payment of less royalty by Orissa Forest Development Corporation Limited (OFDC Ltd) towards kendu leaves, timber, salseeds and bamboo.

5 Interest receipts includes Rs.121.21 crore realised from Public Sector and other Undertakings.

Reasons for variations relating to education, *interest*, irrigation and inland water transport, medical and public health have not been received in December 2004 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.

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 (June 2004)
2	Entry tax would be broad based			Orissa Entry Tax Act has been amended w.e.f 1 June 2004.
3	Levy of Electricity duty at generation point to reduce loss of revenue on transmission and distribution loss	Notification to be issued.	December, 2001	Not implemented as of June, 2004.
4	Levy of premium on conversion of agriculture land for non-agriculture purpose.	Notification to be issued.	December, 2001	As per the decision taken by the Chief Secretary in the meeting dated 13.3.2002, a target of more than Rs.100 crore was fixed. It was also decided to give wide publicity to the amendment of OLR Rules of 1997 and organise special collection drive. Collection on this account was only Rs.3.33 crore during 2000-01. Collection of revenue for the year 2002-03 to 2003-04 was Rs.13 crore and Rs.14 crore respectively.
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	The matter was stated to be under active consideration but not implemented as of August 2004.
6	Introduction of service charges at par with the rate of fees prescribed under Rule-32 and 81 of Central Motor Vehicle (CMV) Rules for issue/renewal of driving licences, registration of motor vehicles etc.	Legislation to be introduced.	March, 2002	Orissa Motor Vehicle Act has not been amended as of June 2004.

Sl. No.	Taxation measures	Action to be taken	Date by which action to be taken	Present position
7	Increase of Tax payable u/s 5 of OMVT Act paid by manufacturers/ dealers	Notification to be issued.	March 2002	Not implemented as of June 2004
8	Enhancement of cess on land revenue from 75% to 150% of land revenue.	Cess Act to be amended.	March, 2002	Not agreed by Government as intimated in Revenue Department letter No.2435 dtd.16 January 2004.
9	Selling of excess urban land in urban areas of the State.	-	March, 2002	Reply not received as of August 2004.
10	Provision for confiscating the carriers of non-duty paid liquor and illicit distilled liquor.	Legislation to be introduced.	March, 2002	Legislation amending the Bihar and Orissa Excise Act, 1915 not introduced as of June 2004.

It would be seen from the above that out of 10 resource mobilisation measures agreed to in the MOU, in two items steps were taken belatedly while there has been no follow up action on eight items as of June 2004.

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 but not implemented as of June 2004.
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 (June 2004).
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 2004).
4	Revision of various fees in hospitals.	Notification to be issued.	March, 2003	Implemented with effect from 6 October 2003.

It would be seen from the above that the State Government had not initiated action to implement the measures at Sl. No. one and two..

1.3 Variations between budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2003-2004 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	1,766.50	1,863.97	(+) 97.47	6
2	Taxes on Goods and Passengers	300.00	377.19	(+) 77.19	26
3	Taxes and Duties on Electricity	200.00	200.43	(+) 0.43	--
4	Land Revenue	80.00	103.27	(+) 23.27	29
5	Taxes on Vehicles	280.61	280.03	(-) 0.58	--
6	State Excise	300.00	256.37	(-) 43.63	15
7	Stamp Duty and registration Fees	159.50	153.08	(-) 6.42	4
Non-Tax Revenue					
8	Mines and Minerals	466.51	552.06	(+) 85.55	18
9	Forest	90.00	48.64	(-) 41.36	46
10	Education	31.18	12.00	(-) 19.18	62
11	Interest	33.00	164.38	(+) 131.38	398
12	Police	20.15	15.06	(-) 5.09	25

State Excise: The short fall (15 per cent) was stated to be due to non-renewal/non-settlement of licenses of IMFL off/ country spirit and outstill shops.

Stamp duty and Registration fees: The short fall (four per cent) was stated to be due to less registration of sale deeds.

Police: The short fall (25 per cent) was stated to be due to non-payment of claims by South Eastern Railways and Aviation Research Centre, Charbatia.

The reasons for variation for taxes on goods and passengers, education, interest etc. though called for were awaited. The variation between budget estimates and actual receipts indicated that the budget estimates were not 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 2003-2004 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	2001-02	1,375.17	41.46	18.08	27.26	1,407.45 ⁶	97.7
	2002-03	1,570.33	40.79	35.54	35.36	1,611.30 ⁷	97.5
	2003-04	1,820.65	37.80	36.61	17.01	1,877.75 ⁸	97
2. Profession Tax	2001-02	36.72	--	--	--	36.72	100
	2002-03	44.42	--	--	--	44.42	100
	2003-04	50.62	--	--	--	50.62	100
3. Entry Tax	2001-02	246.06	3.07	0.10	--	249.23	98.7
	2002-03	301.63	7.72	2.32	1.20	310.47	97
	2003-04	350.67	17.44	3.45	0.04	371.52	94.4
4. Luxury Tax	2001-02	8.69	--	--	--	8.69	100
	2002-03	9.45	--	--	--	9.45	100
	2003-04	11.26	--	--	--	11.26	100

The above table shows that percentage of collection of revenue at the assessment stage ranged between 94.4 to 98.7 per cent under sales tax and entry tax during the year 2001-02 to 2003-04.

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 collection during the years 2001-2002, 2002-2003 and 2003-2004 along with the relevant all India average percentage of expenditure on collection to gross collection for 2002-2003 are given below:

(Rupees in crore)

Heads of Revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2002-2003
Sales Tax	2001-2002	1,402.33	21.70	1.55	1.18
	2002-2003	1,646.66	21.36	1.29	
	2003-2004	2,331.60	21.30	0.91 ⁹	
Taxes on Vehicles	2001-2002	216.37	7.87	3.64	2.86
	2002-2003	257.35	9.22	3.58	
	2003-2004	280.14	7.81	2.79	
State Excise	2001-2002	197.46	11.99	6.07	2.92
	2002-2003	246.06	12.62	5.13	
	2003-2004	256.68	13.05	5.08	
Stamp Duty and Registration Fees	2001-2002	109.76	11.70	10.66	3.46
	2002-2003	135.86	12.24	9.01	
	2003-2004	154.36	12.82	8.30	

6 The figures supplied by the Department do not tally with figures of Finance Accounts.

7 The figures supplied by the Department do not tally with figures of Finance Accounts.

8 The difference of Rs.13.78 crore (Departmental figure of Rs.1877.75 crore minus Rs.1863.97 crore Finance Accounts figure) yet to be reconciled (December 2004).

9 Percentage of expenditure to gross collection for 2003-04 includes Entry Tax, Entertainment Tax and Professional Tax in addition to Sales Tax.

It would be seen from above that cost of collection under taxes on vehicles, states excise, stamp duty and registration fee was higher than all India average.

1.6 Collection of sales tax per assessee

(Rupees in crore)

Year	No. of assesseees	Sales tax revenue	Revenue/assessee
1999-2000	55,896	1,126.56	0.020
2000-2001	58,427	1,351.49	0.023
2001-2002	62,142	1,434.72	0.023
2002-2003	69,743	1,646.66	0.024
2003-2004	74,494	1,894.76	0.025

The above table reveals that revenue collection per assessee increased from Rs.0.020 crore in the year 1999-2000 to Rs.0.025 crore in 2003-04.

1.7 Analysis of arrears of revenue

As on 31 March 2004, the arrears of revenue under principal heads of revenue as reported by the Departments aggregating Rs.1,986.29 crore as detailed below:-

(Rupees in crore)

Sl. No	Heads of Revenue	Amount of arrears as on 31 March 2004	Arrears more than five years old	Remarks
1	Sales Tax	1,128.00	297.04	The stages of arrears were as under: <ul style="list-style-type: none"> • Cases covered by show cause and penalty 301.32 • Demands stayed by <ul style="list-style-type: none"> ➤ Departmental authorities 216.53 ➤ Supreme Court/High Court 360.52 • Demands covered by Certificate proceedings/ Tax Recovery proceedings 246.21 • Amounts likely to be written off 3.42
				Total 1,128.00
2	Taxes and duties on electricity	346.21		Item wise break up was as follows <ul style="list-style-type: none"> • Non-captive 136.31 • Captive 184.42 • Inspection 25.48
				Total 346.21

(Rupees in crore)

Sl. No	Heads of Revenue	Amount of arrears as on 31 March 2004	Arrears more than five years old	Remarks
3	Taxes on Vehicles	58.50 ¹⁰		<p>The stages of arrears were as under:</p> <ul style="list-style-type: none"> • Demands covered by certificate proceedings 18.53 • Recoveries stayed by <ul style="list-style-type: none"> ➤ High Court/Supreme Court/other Judicial authorities 0.07 ➤ Departmental authorities of Government 4.28 • Amount under dispute 0.08 • Other stages 35.54 <p>Total 58.50</p>
4	State Excise	17.93	9.18	<p>The stage wise position of arrears was as under:</p> <ul style="list-style-type: none"> • Covered by certificate proceedings 6.81 • Stayed by High Court/other judicial authorities 1.67 • Stayed by Departmental authorities 2.63 • Amount under dispute 0.17 • Proposed to be written off 0.04 • Other stages of recovery 6.61 <p>Total 17.93</p>
5	Police	38.52	8.02	--
6	Irrigation (WR)	78.15	45.23	<p>Industrial Water Rate 78.15</p> <p>Total 78.15</p>
7	Entry Tax	41.70		<p>The stages of arrears were as under:</p> <ul style="list-style-type: none"> • Amount covered by show cause and penalty 15.19 • Recoveries stayed by Departmental authorities 13.54 • Demand stayed by High Court 12.74 • Demand covered by Certificate/ tax recovery proceedings 0.23 <p>Total 41.70</p>

¹⁰ Information in respect of 22 Regional Transport Offices only out of 26 offices.

Audit Report (Revenue Receipts) for the year ended 31 March 2004

(Rupees in crore)

Sl. No	Heads of Revenue	Amount of arrears as on 31 March 2004	Arrears more than five years old	Remarks
8	Forest	80.45	--	The arrears were due on account of <ul style="list-style-type: none"> • Forest Lease 11.36 • <i>Kendu Leaves</i> 6.93 • OFDC 62.16 Total 80.45
9	Entertainment Tax	6.07	NA	The stages of arrears were as under: <ul style="list-style-type: none"> • Demand covered by certificate/Tax Recovery proceedings 4.03 • Amount covered by show cause and penalty 1.71 • Recoveries stayed by: <ul style="list-style-type: none"> ➤ Departmental authorities 0.17 ➤ High Court/ Supreme Court 0.16 • Amount proposed to be written off 0.003 Total 6.07
10	Land Revenue	21.56		Item-wise break up was as follows : <ul style="list-style-type: none"> • Rent 2.06 • Cess 4.53 • Nistar Cess 0.15 • Sairat 4.69 • Misc. Revenue 10.13 Total 21.56
11	Interest	101.34	NA	<ul style="list-style-type: none"> • Co-operation Department 69.92 • <u>Industries Department</u> 31.42 The arrears were due from: <ul style="list-style-type: none"> • Orissa State Financial Corporation. <ul style="list-style-type: none"> ➤ Loan in lieu of share capital 7.75 ➤ Interest bearing loan 3.63 ➤ State Aid Rural Industries Program. loan 1.12 ➤ Sales Tax loan 6.03 ➤ Electricity Duty loan 2.93 ➤ Panchayat Samiti Industries loan 0.34 • Industrial Development Corporation 6.93 • IPICOL 0.84 • Orissa Small Industries Corporation 0.67 • Orissa State Leather Corporation 0.55 • Orissa Instrument Comany 0.39 • Orissa Film Development Corporation 0.24 Total 31.42 Grand Total 101.34

(Rupees in crore)

Sl. No	Heads of Revenue	Amount of arrears as on 31 March 2004	Arrears more than five years old	Remarks
12	Other Departmental Receipts (Rent) G.A Department	9.59		<p>The arrears were due from:</p> <p>Non-Residential Buildings 0.81</p> <p>Residential Buildings</p> <ul style="list-style-type: none"> • Retired Govt. Servants 3.81 • MLA's and ex- MLA's 0.42 • Boards and Corporations 0.42 • Private parties 0.47 • Transferred Govt. Servants 0.96 • Certificate cases 0.03 • Central Government employees occupying State Government Quarters and water tax 0.55 • Usual House Rent 1.89 • Recovery stayed by High Court and other judicial authorities 0.23 <p>Total 9.59</p>
13	Mines and Minerals	58.27	2.78	<p>The stages of recovery were as under:-</p> <ul style="list-style-type: none"> • Demand covered by certificate proceedings 2.49 • Demand locked up in litigation in High Court and other judicial authorities 0.87 • Amount under dispute 2.33 • Amount covered under write off/ waiver proposal 1.86 • Recoverable amount 50.72 <p>Total 58.27</p>

1.8 Arrears in assessments

The details of cases pending assessment at the beginning of the year 2003-2004, 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 2003-2004 as furnished by the Sales Tax Department in respect of sales tax and entry tax are as follows:

	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	2,39,616	2,27,589	4,67,205	1,82,820	2,84,385	39.13
Entry Tax	75,531	51,379	1,26,910	67,994	58,916	53.58

It can be seen from the above table that the percentage of disposal under sales tax and entry tax have been 39.13 *per cent* and 53.58 *per cent* respectively.

1.9 Evasion of Tax

The number of cases of evasion of tax detected and assessments finalised during 2003-2004 are given below:

Sl No.	Name of tax/duty	Cases pending as on 31 March 2003	Cases detected during 2003-04	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 2004
					No. of cases	Amount of demand (Rs.in crore)	
1	Sales Tax	4,990	5,261	10,251	3,326	57.55	6,925
2	State Excise	---	31,742	31,742	--	--	31,742

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 32.45 *per cent* in respect of Sales Tax cases. In case of state excise mobilisation of additional revenue could not be effective due to non-disposal of all the 31,742 cases detected during 2003-04.

1.10 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 2003-2004 revealed under-assessment/short levy/loss of revenue etc. amounting to Rs.688.51 crore in 1,87,940 cases. During the course of the year 2003-2004, the concerned departments accepted under-assessment etc. of Rs. 121.93 crore involved in 1,18,184 cases which were pointed out in 2003-2004 and in earlier years. Of these, the Departments recovered Rs.11.49 crore in 8,784 cases.

This report contains 63 paragraphs including two reviews relating to under-assessment/short-levy/non-levy etc. involving Rs.558.63 crore of which Rs.37.94 crore has been accepted by Government/ Department. Recovery made in these cases amounted to Rs.2.77 crore up to August 2004. Audit observations with a total revenue effect of Rs.12.42 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 (December 2004).

1.11 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 (IRs). 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 IRs and audit observations relating to revenue receipts issued up to 31 December 2003 which were pending settlement by the Departments as on 30 June 2004 along with corresponding figures for the preceding two years are given below:

	2002	2003	2004
Number of inspection reports pending settlement	3,636	3,655	3,768
Number of outstanding audit observations	11,643	11,081	11,023
Amount of revenue involved (in crore of Rupees)	1,375.38	1,446.54	1,472.32

Department-wise break up of the IRs and audit observations outstanding as on 30 June 2004 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	2.44	2,552	187.21	1970-71 to 2003-04	46
	Taxes on Goods and Passenger	70	237	1.09	1973-74 to 1987-88	--
2 Finance	Sales Tax	524	2,098	175.44	1976-77 to 2003-04	59
	Entertainment Tax	77	115	1.81	1975-76 to 2003-04	03
	Luxury Tax	10	11	0.57	1997-98 to 2003-04	---
	Entry Tax	42	58	5.52	2001-02 and 2003-04	34
3 Revenue	Land Revenue	1,041	2,127	294.54	1975-76 to 2003-04	60
	Stamp Duty and Registration Fees	331	557	45.48	1976-77 to 2003-04	69
4 Excise	State Excise	295	774	103.13	1977-78 to 2003-04	55
5 Steel and Mines	Mining Receipts	105	229	33.51	1974-75 to 2003-04	02
6 Cooperation	Departmental Receipts	53	141	136.33	1976-77 to 2003-04	08
7 Forest and Environment	Forest Receipts	540	1,379	108.47	1980-81 to 2003-04	88
8 General Administration (Rent)	Departmental Receipts	10	29	6.29	1976-77 to 2003-04	--

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			
9 Food Supplies and Consumer Welfare	Departmental Receipts	72	122	4.27	1989-90 to 2003-04	03
10 Energy	-do-	45	93	360.17	1992-93 to 2003-04	05
11 Works	-do-	20	32	5.49	1992-93 to 2003-04	--
12. Others	-do-	289	469	3.00	1987-88 to 2003-04	--
Total		3,768	11,023	1,472.32		432

It indicates that the Heads of departments/offices, whose records were inspected by Accountant General, 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.

1.12 Departmental Audit Committee Meetings

In order to expedite the settlement of 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 (AG) (Audit)-II attend the Committee. The Committees 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 year 2003-04, Finance, Transport, Revenue and Mining Departments convened 13, 13, 12 and three Audit Committee meetings respectively. Other Government departments did not take initiative in using the machinery created for settling the outstanding audit observations.

1.13 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 (DPs) floated by the 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 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 C&AG. 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.

Ninety DPs being considered for inclusion in this Report were demi-officially forwarded to the Secretaries/Principal Secretaries of the concerned departments between January 2004 and August 2004 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)	30	18	12
2	Transport (Motor Vehicle Tax)	20	2	18
3	Excise (Excise Duty and Fees)	11	9	2
4	Forest and Environment (Forest Receipts)	9	5	4
5	Steel & Mines (Mining Receipts)	3	2	1
6	Revenue (Land Revenue, Stamp Duty and Registration Fees)	11	4	7
7	Home, Textiles & Handloom, Energy, Revenue, Works Departments (Departmental Receipts)	6	3	3
Total		90	43	47

1.14 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 being laid on the table of the House.

Review of outstanding explanatory memoranda on paragraphs included in the reports of C&AG of India (Revenue Receipts) as on 31 March 2004 disclosed that the departments had not submitted remedial explanatory memoranda on 140 paragraphs for the years from 1991-92 to 2002-03 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	2002-2003	Total
No. of paras in the AR	69	68	63	54	44	47	40	36	38	40	34	45	45	57	680
No. of paras discussed in PAC	68	66	51	40	32	21	13	5	3	--	--	5	3	---	307
No. of paras pending for discussion	01	2	12	14	12	26	27	31	35	40	34	40	42	57	373
No. of paras for which compliance notes awaited from the Departments	Nil	Nil	5	7	10	12	Nil	8	8	8	7	7	11	57	140

From the above, it would be seen that the non-compliance to audit paragraphs stood at 20.6 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 (PAC) 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 50 Reports containing 345 paras/recommendations were presented by the PAC before the Legislature between February 1991 and March 2004 after examination of the Audit Report (Revenue Receipts) of 14 departments for the years 1985-86 to 2000-01. However, ATNs have not been received in respect of 113 recommendations of the PAC from the concerned departments as of March 2004.

As per the decision of PAC two Sub-committees were set up in 2003-04 to expedite the discussion of ATNs on PAC Reports and Audit paras. The Sub-committee met eight times and discussed 39 ATNs of seven PAC reports and 18 Audit paras. The High Power Committee consisting of the Principal Secretary, Finance, AG and Administrative Secretaries met six times to review the action taken by various Government departments on the C&AG's Report and on PAC's recommendations.

CHAPTER- II : SALES TAX

2.1 Results of audit

Sales Tax

Test check of assessments and refund cases and connected documents of the Commercial Tax Offices during the year 2003-04 revealed under assessment of tax, incorrect grant of exemption, non/short levy of tax etc., amounting to Rs.53.45 crore in 495 cases which may broadly be categorised as under:-

(Rupees in crore)			
Sl. No.	Category	No of cases	Amount
1.	Under assessment of tax due to irregular grant of exemption	181	24.28
2.	Other irregularities	89	10.75
3.	Non-levy of interest	75	6.92
4.	Non-levy of surcharge	49	2.34
5.	Under assessment of tax due to application of incorrect rate of tax	33	1.81
6.	Short levy of tax due to incorrect computation of taxable turnover	10	1.13
Total		437	47.23
Entry tax			
1.	Non/short levy of penalty	17	4.53
2.	Application of incorrect rate of entry tax	4	0.98
3.	Short/non levy of entry tax	18	0.50
4.	Short levy of entry tax due to irregular deduction	12	0.12
5.	Other irregularities	5	0.08
6.	Incorrect computation of taxable turnover	2	0.006
Total		58	6.22
Grand Total		495	53.45

During the course of the year 2003-04, the Department accepted under assessment etc. of Rs.14.12 crore in 248 cases which were pointed out in audit in earlier years and Rs.10.99 crore in 17 cases pointed out in 2003-04. Out of these, the Department recovered Rs.1.53 crore in 75 cases.

A few illustrative cases highlighting important audit observations involving Rs.20.08 crore are discussed in the following paragraphs.

2.2 Under-assessment of tax due to incorrect deduction

Under Central Sales Tax Act, 1956 (CST Act), inter-state sale effected by transfer of documents of title to the goods during their movement from one State to another is exempted from tax, provided the dealer availing the exemption furnishes to the prescribed authority the prescribed form duly filled in and signed by the registered dealer from whom the goods were purchased and a declaration in Form "C" from the registered dealer to whom the goods were sold. Electrical goods and equipment are taxable at the rate of 12 *per cent* under Orissa Sales Tax Act, 1947 (OST Act).

Test check of records of Cuttack-I (West) circle, revealed in January 2004 that the assessing officer while assessing a registered dealer dealing in electrical goods and equipment, for the year 2000-01, allowed exemption on sale of Rs.8.85 crore towards goods sold on transit. It was noticed in audit that the second buyer GRIDCO furnished declaration in form C to the branch of dealer at Chennai. However, the branch at Cuttack was allowed exemption on the basis of this form 'C' which was incorrect and resulted in underassessment of tax of Rs. 1.22 crore including surcharge.

After this was pointed out in January 2004, the Department raised a demand of Rs.1.25 crore in July 2004.

The matter was reported to Government in April 2004. Government confirmed in August 2004 the fact of raising demand. Report on realisation was awaited.

2.3 Evasion of tax due to suppression of sale turnover

Under the OST Act, every registered dealer shall keep a true account of the value of goods bought and sold by him. If for any reason, the turnover of a dealer for any period has escaped the assessment under relevant section due to concealment of turnover, the assessment proceedings has to be reopened and the dealer is liable to pay by way of penalty, in addition to the tax assessed, a sum of one and a half times of the tax assessed. Under the Food grain Procurement Policy of the State Government for the years 1999-2000 and 2000-01, a rice miller was obliged to sell 70 *per cent* and 75 *per cent* of his stock respectively to the Food Corporation of India (FCI) and the balance in the open market. As per the standing orders of Commissioner of Commercial Taxes (CCT), Orissa of September and October 1998, the intelligence wing as well as circle offices should verify the transactions of dealers having high turnover to detect suppression or fraud. Rice is taxable at the rate of four *per cent* under the OST Act.

Cross verification of the records of FCI, Titilagarh division with the transactions made by five registered rice millers of Bolangir-I circle revealed that 2.20 lakh quintals of rice valued at Rs. 18.74 crore was sold to the FCI

between 1999-2000 and 2000-01 as per their books of accounts. Against this, the dealers disclosed the sale of only 0.89 lakh quintals of rice valued at Rs. 7.34 crore in their returns. Besides, rice sold in the open market was not disclosed by the assesses in their returns. As per the approved norms, 0.48 lakh quintals valued at Rs.3.63 crore could have been sold by the assesses in the open market. However, the assessing officers accepted the returns as furnished by the assesses and finalised the assessments between June 2000 and March 2003 accordingly. Thus, there was suppression of sale turnover of 1.79 lakh quintals of rice (including 0.48 lakh quintal levy free rice) valued at Rs.15.03 crore resulting in evasion of tax of Rs.1.50 crore including penalty. Although there existed a system to detect suppression, the assessing officers without any cross verification or referring the matter to the intelligence wing accepted the figure furnished by the dealers which showed lack of proper monitoring and control by the department.

After this was pointed out in audit in July 2003, the Department stated in August 2004 that reassessment proceedings were initiated against all the five dealers.

The matter was reported to the Government in February 2004; their reply was awaited (December 2004).

2.4 Irregular exemption from Central Sales Tax

Government of Orissa in their notification of 6 April 1991 as amended on 16 September 1994 exempted inter-State sale of iron and steel made to registered dealers from levy of tax subject to the condition that the tax under the State Act has been paid in respect of such iron and steel.

Two dealers of Cuttack-II and Balasore circles were allowed exemption from payment of CST by the assessing officers in the assessment years 1999-2000 and 2001-02, on sale of iron and steel valued at Rs.6.86 crore on the ground that goods sold by them had suffered OST. Cross verification of the statements furnished by the dealers relating to the purchase of goods with the records in Sales tax circles of Rourkela-I & II revealed that the selling dealers mentioned in the statement had either made no sales/were non-existent or were not assessed for the period in question. Thus the claim of exemption as allowed by the assessing officer was incorrect and resulted in short levy of tax of Rs.1.37 crore including penalty.

After this was pointed out in audit between November 2002 and August 2003, the assessing officer of Cuttack-II Circle stated in July 2004 that the reassessment proceedings were initiated against the dealer. The assessing officer of Balasore circle raised extra demand of Rs.38.40 lakh in December 2003 without imposing penalty stating that there was no instance of suppression/escapement in sale account. The reply of assessing officer of Balasore circle was not tenable, since the dealer in course of inter-State trade sold goods that had not suffered tax at the first point of sale under OST Act.

The matter was reported to Government in March 2004. In respect of Balasore Circle Government confirmed in June 2004 that demand was raised and recovery proceedings were initiated for realisation of dues. Report on recovery has not been received (December 2004).

2.5 Under-assessment of tax due to allowance of irregular branch transfer

Under the CST Act, movement of goods from one state to another occasioned by reason of transfer of goods to any other place of business or to an agent of principal and not by reason of sale, is not subjected to tax. It is judicially held¹¹ that in case of dispatch of goods against pre-existing order or temporarily intercepted by an agent or branch to a known buyer, the transaction is an inter-State sale and hence, subject to tax. Sale of Duty Entitlement Pass Books (DEPB) is taxable at the rate of 12 per cent in case of inter-state sale not supported with declaration in 'C' form.

During the audit of Bhubaneswar-II circle, it was noticed in December 2003 that in the assessment of a registered dealer for the year 1999-2000 the assessing officer allowed exemption from tax on the sale of 38 DEPBs valued at Rs.12.58 crore treating the same as transfer of goods not by reason of sale. Since 37 DEPBs had been sold to the same known buyer on different occasions within a period of two to 15 days, it was evident that goods had moved out of the state in pursuance of a contract of sale. Thus the dealer was not entitled to exemption from payment of tax. This resulted in underassessment of tax of Rs. 1.74 crore including surcharge.

After this was pointed out in December 2003, the assessing officer stated in July 2004 that reassessment proceedings had been initiated against the dealer.

The matter was brought to the notice of Government in February 2004; their reply was awaited (December 2004).

2.6 Irregular exemption of Central Sales Tax

Under the provisions of the CST Act, goods which are generally exempted from tax under the State Act are exempted from tax under the CST Act. In case of goods which are conditionally exempted from tax under the OST Act, inter-state sales can be exempted only if a specific notification for the purpose has been issued under the CST Act. Cement and asbestos are taxable at the rate of 12 *per cent*.

¹¹

(i) State of Andhra Pradesh Vs. Gromor Chemicals PVT Ltd.-79-STC-42 (AP)
(ii) South India Voscose Ltd. Vs. State of Tamilnadu 48-STC-232 (SC)
(iii) Govindan Engineering Foundry Vs. State of Tamilnadu 128 STC 579 (Madras)

2.6.1 Scrutiny of assessment records of Sambalpur II circle revealed that the assessing officer while finalising the assessments in March 2001, August 2001 and March 2003 respectively for the years 1997-98 to 1999-2000 of a dealer engaged in manufacture and sale of cement, allowed exemption of inter-State sales of cement of Rs.8.21 crore. Since cement manufactured by the unit was conditionally tax free under OST Act, exemption under CST Act without issue of a specific notification was irregular. This resulted in short-levy of CST of Rs.1.13 crore including surcharge.

After this was pointed out in audit in September 2003, the assessing officer stated in August 2004 that demand of Rs.84.70 lakh was raised for the years 1998-99 and 1999-2000 and the reassessment for the year 1997-98 has been initiated. Further report was awaited (December 2004).

2.6.2 Scrutiny of assessment records of Dhenkanal circle, Angul revealed in January 2004 that while finalising the assessment for the years 1998-99 to 2000-2001 of a dealer engaged in manufacture of asbestos, the assessing officer incorrectly allowed exemption of inter-state sales of Rs.4.58 crore. Since asbestos manufactured by the unit was conditionally tax free under the OST Act, exemption under the CST Act without issue of a specific notification was irregular. This resulted in short levy of Rs.63.27 lakh including surcharge.

After this was pointed out in audit in January 2004, assessing officer stated in August 2004 that extra demand of Rs.63.27 lakh was raised on completion of reassessment. Further report was awaited (December 2004).

The matter was reported to the Government in February 2004; their reply had not been received. (December 2004).

2.7 Under-assessment of tax due to application of lower rate

A registered dealer is entitled to purchase goods at concessional rate of tax against declarations under the CST Act or free of tax under OST Act provided these goods are exigible to tax when sold by him. A works contractor can also make use of such forms to purchase materials for use in execution of works which is exigible to tax at the rate of eight *per cent*.

Scrutiny of assessment records in Sambalpur I circle revealed in March 2004 that a works contractor purchased goods at concessional rate of tax/free of tax and utilised the same in a works contract during 1999-2000. The assessing officer while completing the assessment in November 2002 incorrectly applied rate of four *per cent* on a sale turnover of Rs.21.54 crore instead of eight *per cent*. This resulted in under-assessment of tax of Rs.99.10 lakh including surcharge.

The assessing officer sent the assessment record in July 2004 to the Asst. Commissioner, Commercial Taxes Sambalpur Range for initiation of suo-motu revision. Further progress in case was awaited (December 2004).

The matter was reported to Government in March 2004; their reply was awaited (December 2004).

2.8 Under-assessment of tax due to contravention of declaration

Under the OST Act, where a registered dealer purchases goods of the class or classes specified in his Certificate of Registration (R.C) intended for use within the State of Orissa by him at concessional rate of tax or free of tax, after furnishing a declaration but utilises the same for any other purpose, he shall pay the difference in tax or the tax as the case may be. While disposing a revision case, the Commissioner of Commercial Taxes disallowed¹² the purchase of Liquefied Petroleum Gas (LPG) cylinders purchased at concessional rate since the cylinders are not sold with LPG.

Scrutiny of assessment records of Balasore circle in August 2003 revealed that a dealer engaged in bottling of LPG, purchased cylinders valued Rs.9.64 crore at concessional rate of four *per cent* against declarations during the years 1999-2000 and 2000-01. Since the cylinders were not sold along with the gas as specified in the R.C., allowance of concessional rate of tax by the assessing officer was incorrect. This resulted in short levy of tax of Rs.88.69 lakh including surcharge.

After this was pointed out in audit in October 2003, the assessing officer raised extra demand of Rs.88.69 lakh in November 2003. Further report on recovery was awaited (December 2004).

The matter was reported to Government in March 2004; Government confirmed in June 2004 the fact of raising of extra demand. However, report on recovery was awaited (December 2004).

2.9 Excess grant of exemption

Under OST Act, a Medium Scale Unit set up under Industrial Policy Resolution (IPR) 1992 in Zone-A¹³ and a Small Scale Industrial (SSI) unit under IPR 1996 in Zone-C¹⁴ are eligible from sales tax exemption on purchase of raw materials, machineries, spare parts, packing materials and sale of finished products, subject to a ceiling limit of 100 per cent of Fixed Capital Investment (FCI) during a period of five year from the date of Commercial Production. Government has clarified in March 1999 that for the purpose of calculation of tax exemption, appropriate rate of tax as provided under the Act would be applicable.

¹² Commissioner of Commercial Taxes, Orissa, Cuttack, Order dated 06.06.1991 in the revision case No. BA.724/1990-91.

¹³ Zone-A Bonai Sub-division.

¹⁴ Zone-C Bargarh

2.9.1 Scrutiny of assessment records of Rourkela-I circle revealed in August 2003 that the assessing officer while calculating exemption of tax notionally on purchases for the period between 1996-97 and 1999-2000, applied a lower rate of four *per cent* on purchase turnover of iron ore and dolomite of Rs.4.82 crore, instead of applying the appropriate rate of 16 *per cent*. This resulted in grant of excess exemption of tax of Rs.57.89 lakh.

After this was pointed out in audit in August 2003, the assessing officer stated in July 2004 that the assessment for the year 1996-97 and 1997-98 would be transmitted for suo-motu revision and the cases for the rest period would be reopened. Further report was awaited (December 2004).

The matter was reported to Government in April 2004; their reply had not been received (December 2004).

2.9.2 Scrutiny of assessment records in Sambalpur-II circle revealed that exemption limit of a dealer engaged in manufacture and sale of PVC pipes and fittings was Rs.1.14 crore i.e. 100 *per cent* of fixed capital investment against which the assessing authority allowed sales tax exemption of Rs.1.87 crore during 1999-2000 to 2001-2002. This resulted in excess exemption of tax of Rs.80.09 lakh including surcharge.

After this was pointed out in audit in September 2003, the assessing officer stated that the reassessment proceedings were initiated. Further reply was awaited (December 2004).

The matter was brought to the notice of the Government in February 2004; their reply had not been received (December 2004).

2.10 Under-assessment of tax due to grant of inadmissible deduction

Under the OST Act, "Sale price" means the amount payable to a dealer as consideration for the sale or supply of any goods, less any sum allowed as cash discount according to ordinary trade practice, but including any sum charged for anything done by the dealer in respect of the goods at the time of or before delivery thereof. It has been judicially held¹⁵ that as the sale price is arrived at after deducting the trade discount, no question of deduction from the sale price of any sum by way of trade discount arises. Further, when the venue of sale was the place of buyer and the time of sale was the point of delivery, the delivery charges charged from the purchaser would be part of the sale price.

2.10.1 Scrutiny of assessment records in Sambalpur-III circle revealed that a dealer engaged in manufacture of cement, during the year 2001-02 claimed deduction towards trade discount which could not be treated as a cash discount

¹⁵ Deputy Commissioner of Sales Tax (Law) Vs. M/s. Advani Oerliken (P) Ltd. (1980)-45-STC-32(SC).

paid in ordinary trade practice. While finalising the assessment the assessing officer incorrectly allowed a deduction for Rs. 4.73 crore towards trade discount, which resulted in under assessment of tax of Rs. 62.42 lakh including surcharge.

After this was pointed out in audit in September 2003, the Department stated in July 2004 that extra demand of Rs.62.42 lakh was raised in February 2004 out of which the dealer had paid Rs.20 lakh in June 2004 and gone in appeal. Further reply was awaited (December 2004).

The matter was intimated to Government in December 2003; while confirming the fact of raising of demand of Rs.62.42 lakh, Government stated in August 2004 that the assessee has paid Rs.20 lakh and balance amount is stayed till the disposal of the 1st appeal.

2.10.2 Scrutiny of assessment records of Balasore circle revealed in August 2003 that the assessing officer while finalising the assessment of a registered dealer dealing in supply of ballast and stone dust, in June 2001 and June 2002 respectively for the year 2000-2001 and 2001-2002, allowed deduction of Rs.4.43 crore towards transportation charges for the supplies made to the South Eastern Railways. As per terms stipulated in the supply order, the venue of sale was the place of buyer and hence allowance of deduction for transportation charges was irregular. This resulted in under-assessment of tax amounting to Rs.59.72 lakh including surcharge.

After this was pointed out in August 2003, Government stated in May 2004 that extra demand of Rs.59.90 lakh was raised and Rs.5.50 lakh was realised. Further report on recovery was awaited (December 2004).

2.11 Irregular grant of exemption

Under the OST Act, and IPR 1989, sale of finished products to the extent of increased commercial production of an existing SSI unit over and above the existing installed capacity is exempted from tax for a period of seven years from the date of commercial production provided that the expansion/modernization/diversification (E/M/D) is undertaken on the basis of a separate project report duly appraised by a financial institution/ District Industries Centre (DIC) which is mandatory. Edible oil is taxable at the rate of four *per cent* under OST Act.

Scrutiny of assessment records of Cuttack-II circle revealed in November 2003 that while finalising the assessments of a registered dealer manufacturing edible oil for the years 1998-99 and 1999-2000, the assessing officer allowed exemption of tax on 4219.866 MT of edible oil valued at Rs.20.03 crore. The installed capacity of the unit was 1,200 MT per annum and the unit undertook expansion in December 1994, raising its installed capacity to 5,700 MT per annum. Cross verification of records of DIC, Jagatpur in December 1999 revealed that although E/M/D of the unit was undertaken by self finance, the project was not appraised either by any financial institution or DIC. Therefore,

issue of eligibility certificate by DIC for grant of sales tax exemption in excess of installed capacity of 1,200 MT of edible oil was incorrect. Allowance of excess exemption on 2,619.87 MT valued at Rs. 12.34 crore resulted in excess exemption of sales tax of Rs. 56.78 lakh including surcharge.

After this was pointed out in audit in November 2003, the assessing officer in reassessment proceeding raised a demand of Rs.56.94 lakh in July 2004. Further report on recovery was awaited (December 2004).

The matter was referred to Government in March 2004; their reply had not been received (December 2004).

2.12 Short levy of tax due to misclassification of supply contract as works contract

Transfer of property in goods used in the performance of a contract is not sufficient to constitute a sale, there must be an agreement relating to the sale of goods¹⁶.

Scrutiny of assessment records of Jagatsinghpur circle revealed in February 2004 that a registered works contractor had entered into an agreement for supply of four Converter Heat Exchangers for Rs.5.70 crore and received payment during 1999-2000. While finalising the assessment the assessing officer incorrectly treated the contract as works contract and applied eight per cent as applicable to works contract instead of 16 per cent as applicable to sale of machinery. This resulted in short levy of tax of Rs.52.44 lakh including surcharge.

The matter was reported to the Department in February 2004 and to the Government in April 2004; their reply had not been received (December 2004).

2.13 Under-assessment of tax due to concealment of taxable turnover

Under the OST Act, every registered dealer shall keep a true account of the value of goods bought and sold by him and maintain an annual stock of goods depicting the opening and closing stocks. If the assessing officer, while finalising the assessment, detects any concealment of purchases or sale, he shall reject the books of account of the dealer and complete the assessment to the best of his judgement. If the escapement is due to the dealer having concealed particulars of his turnover, assessment proceedings has to be reopened and the dealer is liable to pay penalty, in addition to tax assessed, a sum equal to one and a half times. "Medicine" was taxable at the rate of six

16 Commissioner of Sales Tax, MP Vrs. Purusottam Premji 1970 SC (STC 26/Page-38)

per cent from 19 August 1995 to 17 February 2000 and at the rate of eight *per cent* thereafter. Country liquor is taxable at the rate of 20 *per cent*.

2.13.1 Scrutiny of assessment records and books of accounts of a dealer for the years 1998-99 to 2001-02 revealed that a registered dealer of Cuttack-I West Circle had received medicines valued at Rs.14.13 crore. The dealer disclosed Rs.0.47 crore as closing balance as on 31 March 2002. The assessing officer assessed a taxable turnover of Rs.11.89 crore. Thus there was under assessment of sale turnover of Rs.1.77 crore, which resulted in non-levy of tax of Rs.35.57 lakh, including penalty.

After this was pointed out in audit in December 2003, the assessing officer re-opened the case in January 2004 for re-assessment. Further progress in the case was awaited (December 2004).

2.13.2 Scrutiny of assessment records of Bolangir-I circle revealed in July 2003 that the assessing officer while assessing three registered dealers dealing in outstill liquor¹⁷, for the year 2001-02 accepted the turnover of Rs.1.58 crore declared by the dealers. Cross verification of the assessments with the records maintained in the Excise Department revealed that the turnover of outstill liquor actually worked out to Rs.2.28 crore taking into account the cost of mohua flower, consideration money etc. including profit margin of minimum 10 *per cent*. Thus suppression of taxable turnover of Rs.0.70 crore resulted in short levy of tax of Rs.11.10 lakh and surcharge and penalty of Rs.16.64 lakh.

After this was pointed out in audit in July 2003, the assessing officer stated in August 2004 that the case would be re-examined. Further progress was awaited (December 2004).

The matter was reported to Government in March 2004; their reply had not been received (December 2004).

2.14 Short levy of tax due to grant of excess deduction

Under the OST Act, the taxable turnover (TTO) in respect of works contract shall be deemed to be the gross value received or receivable by a dealer for carrying out such contract, less the amount of labour and service charges incurred on execution of the contract. In case of incomplete accounts, the assessing officer may adopt a certain percentage for deduction towards labour and service charges¹⁸ to arrive at the TTO. For structural work such charges have been fixed up at 30 *per cent* and five *per cent* respectively.

During audit of assessment records of Bhubaneswar-II circle in December 2003, it was noticed that a works contractor received gross amount

17 Outstill liquor is liquor manufactureed from Mohua flower.

18 Gannon Dunkerley & Co. and others Vrs. State of Rajasthan and Others, 88 STC Page 204.

of Rs.8.87 crore for the year 1999-2000 on account of structural/ construction work but did not maintain proper books of accounts. The assessing officer while finalising the assessment allowed deduction of Rs.5.50 crore at 62 *per cent* instead of 35 *per cent* towards labour and service charges. This had resulted in excess deduction of Rs.2.40 crore which led to short levy of tax of Rs.22.05 lakh including surcharge.

After this was pointed out in audit in December 2003, the assessing officer stated in July 2004 that extra demand of Rs.22.05 lakh was raised after completion of reassessment proceedings.

The matter was reported to Government in March 2004; Government confirmed in August 2004 the fact of raising of extra demand.

2.15 Non-levy of surcharge

Under the CST Act, on inter-State sales of goods (other than declared goods) which are not covered by prescribed declaration, tax is leviable at the rate of 10 *per cent* or at the rate applicable on sale of such goods within the State whichever is higher. Under the OST Act, surcharge at the rate of 15 *per cent* is also leviable on the amount of tax payable by the dealer where, in any year his gross turnover exceeds Rs. one crore.

2.15.1 Scrutiny of assessment records of Balasore circle revealed in August 2003, that the assessing officer while finalising the assessments of two assesses for the year 1999-2000, assessed the inter-State sale turnover of Rs.5.75 crore not covered by declaration in form 'C' at the rate applicable on the sale of such goods within the State without levying surcharge. This resulted in non-levy of surcharge of Rs.10.36 lakh.

After this was pointed out in audit in August 2003, the assessing officer issued corrigendum orders and levied surcharge (August 2003).

The matter was reported to Government in December 2003. Government in February 2004 confirmed the fact of raising extra demand of Rs.10.36 lakh against the dealers.

2.15.2 Scrutiny of assessment records of Keonjhar circle revealed in August 2003 that the assessing officer while finalising the assessment for the year 1997-98, did not levy surcharge on the assessed tax of Rs.41.40 lakh on the sale turn over of Rs.2.59 crore. This resulted in under-assessment of surcharge of Rs.6.21 lakh.

After this was pointed out in August 2003 the assessing officer raised demand of Rs.6.21 lakh.

The matter was reported to Government in February 2004; Government confirmed in August 2004 the fact of raising demand.

2.16 Short levy of tax due to incorrect acceptance of declaration in Form-IV

Under the OST Act, sale of goods of the class or classes specified in the RC of the registered purchasing dealer for use in manufacture or processing of goods for sale is taxable at a concessional rate of four *per cent* subject to production of true declaration in the prescribed Form-IV. This concession was not available to unregistered dealers. Iron ore is taxable at the rate of 16 *per cent* under the Act.

Scrutiny of assessment records of Keonjhar Circle in July 2003 revealed that the assessing officer while finalising the assessment of a registered dealer (registered on 25 July 2000) dealing in mineral ore, for the year 2000-2001, allowed a concessional rate of tax at four *per cent*, on the sale of Rs.61.15 lakh against declaration. Since the sales were made to an un-registered dealer during the period 1 April 2000 to 24 July 2000, allowance of concession of four *per cent* instead of 16 *per cent* was irregular. Application of lower rate resulted in short levy of tax of Rs.8.44 lakh including surcharge.

After this was pointed out in audit in July 2003, the Department in reassessment proceedings raised demand of Rs.8.44 lakh in May 2004. Further progress made was awaited (December 2004).

The matter was reported to Government in February 2004; Government confirmed in July 2004 the fact of raising of demand.

2.17 Under-assessment of tax due to allowance of excess deduction

Government of Orissa, Food Supplies and Consumer Welfare Department in their order of December 1994 prescribed at 19 *per cent* in case of roller flour mills. Atta, Maida and Suji are taxable at the rate of four *per cent* under OST Act.

Scrutiny of assessment records of Sambalpur-II circle, Bargarh revealed in September 2003 that the assessing officer while completing the assessments between October 2000 and November 2002, for the years 1998-99 to 2001-02 of a registered dealer operating a roller flour mill, allowed deduction towards wheat bran (fodder) at 24 - 26 *per cent* against the fixed norm of 19 *per cent*. This resulted in excess allowance of deduction and consequential short levy of tax of Rs.6.53 lakh including surcharge.

After this was pointed out in audit in September 2003, the Department stated in August 2004 that reassessment proceedings were initiated against the dealer. Further progress made was awaited (December 2004).

The matter was reported to Government in March 2004; their reply had not been received (December 2004).

ENTRY TAX

2.18 Non-levy of penalty

Under the Orissa Entry Tax (OET) Act 1999, every registered dealer is to file a return to the assessing authority within the specified period along with satisfactory proof of payment of full amount of tax payable by him on the basis of such return. If return submitted by the dealer is not within the specified time or incorrect, the assessing authority may assess the dealer to the best of his judgement and direct the dealer to pay in addition to the tax assessed, a penalty not exceeding one and a half times the tax.

Scrutiny of assessment records of Cuttack III circle, Jajpur Road revealed in June 2003 that two dealers had submitted incorrect and incomplete returns for the assessment year 2000-2001 after the specified period. The assessing officer while rejecting the dealers' returns determined the taxable goods at Rs.139.89 crore and assessed entry tax of Rs.2.59 crore without imposing penalty as required under the Act. This resulted in non-levy of penalty of Rs.3.88 crore.

The matter was brought to the notice of Government in February 2004; the Government stated in July 2004 that a demand of Rs.3.88 crore was raised against the concerned dealers. Report on realisation was awaited (December 2004).

2.19 Non-levy of Entry Tax

Under the OET Rules, 1999, as amended in 2000, scheduled goods brought into the Gram Panchayat areas for use as raw materials in manufacture are exigible to entry tax at the rate of 50 *per cent* of the rate applicable to such goods with effect from 6 November 2000. Textile product is exigible to entry tax at the rate of two *per cent*. In case of non-disclosure of amount of tax due, penalty not exceeding one and a half times of tax due is also leviable in addition to entry tax.

Scrutiny of assessment records of Balasore circle revealed in August 2003 that the assessing officer while finalising the assessment of a registered dealer engaged in manufacture of tyres, tubes and flaps, for the year 2000-2001, did not levy entry tax on the proportionate purchase value of tyre cord fabrics, a textile product, valued at Rs.40.80 crore brought into a Gram Panchayat Area between 6 November 2000 and March 2001. This resulted in non-levy of entry tax of Rs.1.02 crore including penalty of Rs.61.20 lakh.

The matter was reported to Government in December 2003; Government stated in July 2004 that the initiation of reassessment proceedings were stayed by Hon'ble High Court of Orissa. Further progress of the case was awaited (December 2004).

2.20 Under-assessment of Entry tax due to irregular application of concessional rate

Under the OET Rules, coal is exigible to entry tax at the rate of one *per cent*. Coal is a fuel and not a raw-material as such concessional rate is not admissible to it.

Scrutiny of assessment records of Sambalpur III circle, Jharsuguda revealed in September 2003 that the assessing officer levied entry tax at 0.5 *per cent* instead of one *per cent* on sale turnover of coal worth of Rs.110.11 crore for the year 2001-02 treating coal as raw material for generation of electricity. This resulted in under-assessment of entry tax of Rs.55.06 lakh.

After this was pointed out in audit in September 2003, the CCT, Orissa stated in May 2004 that after finalisation of reassessment proceedings extra demand of Rs.55.06 lakh was raised against the assessee. Further progress made in recovery has not been received (December 2004).

The matter was reported to the Government in December 2003; Government confirmed in June 2004 the fact of raising of extra demand of Rs.55.06 lakh. Report on realisation was awaited (December 2004).

2.21 Non-levy of entry tax

Under OET Act, every manufacturer of scheduled goods registered under the Sales Tax Act is liable to collect entry tax, in respect of sale of its finished products made to a buying dealer inside the state, and pay the tax so collected into the Government Treasury. "Tobacco product" is exigible to entry tax at the rate of one *per cent*.

Scrutiny of assessment records of Sambalpur-I circle revealed in February 2004 that the assessing officer while assessing a registered dealer engaged in manufacture of *Biri*, a tobacco product, for the years 1999-2000 to 2001-2002, did not levy entry tax on *Biris* worth Rs.29.17 crore sold inside the state. This resulted in non-levy of entry tax of Rs.29.17 lakh.

After this was pointed out in audit in February 2004, the Department stated in August 2004 that reassessment proceedings were completed in July 2004 raising extra demand of Rs.29.17 lakh. Further progress in the case was awaited (December 2004).

The matter was reported to the Government in April 2004; Government in August 2004 confirmed the fact of raising demand. Report on realisation was awaited (December 2004).

CHAPTER-III : TAXES ON MOTOR VEHICLES

3.1 Results of Audit

Test check of records relating to assessment, collection and refunds of motor vehicles tax in the office of the State Transport Authority, Orissa and the Regional Transport Offices, conducted during 2003-04 revealed under-assessment of tax and loss/blocking of revenue amounting to Rs.51.88 crore in 28,441 cases which may broadly be categorised as under:

(Rupees in crore)

Sl. No.	Categories	No of cases	Amount
1.	Non-levy/Non-realisation of motor vehicles tax/additional tax and penalty	15,302	30.93
2.	Blocking of revenue due to non-disposal of Vehicle Check Reports	7,692	4.33
3.	Non/Short realisation of composite tax and penalty	2,455	15.07
4.	Short realisation/ Short-levy of motor vehicles tax/additional tax	1,133	1.12
5.	Non/short realisation of compound, permit, reservation and driving licence fees etc.	1,782	0.40
6.	Non/short realisation of Trade Certificate tax/fees	53	0.02
7.	Other irregularities	20	0.005
8.	Non/short accountal of revenue receipts	4	0.005
Total		28,441	51.88

During the year 2003-04, the Department accepted under-assessment etc. of tax and penalty of Rs.27.38 crore in 18,205 cases. The Department had recovered Rs.1.73 crore in 3,216 cases in earlier years and Rs.1.45 crore in 940 cases pointed out during the year 2003-04.

A few illustrative cases highlighting important audit observations involving Rs.36.47 crore are discussed in the following paragraphs.

3.2 Non/short realisation of motor vehicles tax/additional tax

Under the Orissa Motor Vehicles Taxation Act (OMVT Act),1975, tax due on motor vehicles should be paid in advance within the prescribed period at the rates prescribed in the Act unless exemption from payment of such tax is allowed for the period covered by off-road declarations. Penalty is to be charged at double the tax due, if tax is not paid within two months of the expiry of the grace period, i.e. 15 days. Regional Transport Officers (RTOs) are required to issue demand notices for realisation of unpaid tax within 30 days from the expiry of the grace period (15 days) for payment of tax.

Test check of records of 20 regions¹⁹ between May 2003 and March 2004 revealed that the motor vehicles tax/additional tax of Rs.9.63 crore in 14,567 cases was either not realised or realised short for the period between April 2001 and March 2003. This resulted in non-realisation of government revenue of Rs.28.91 crore including penalty of Rs.19.28 crore as detailed below:

(Rupees in crore)

Sl. No	No. of regions Nature of irregularities	Period	No. of vehicles	Non-realisation of tax	Short realisation of tax	Total	Penalty leviable
1.	<u>18</u> Non realisation of motor vehicles tax/additional tax from goods vehicles	April 2001 and March 2003	7,296	6.50	-	6.50	13.00
Remarks:- The Department recovered tax and penalty of Rs.1.05 crore in 490 cases and raised demand of Rs.10.20 crore in 3587 cases. Final reply in other cases was not received (December 2004).							
2.	<u>19</u> Non realisation of motor vehicles tax/additional tax in respect of contract carriages	April 2001 and March 2003	2,463	1.61	-	1.61	3.23
Remarks:- The Department recovered tax and penalty of Rs.0.11 crore in 87 cases and raised demand of Rs.1.79 crore in 1036 cases. Final reply in other cases was not received (December 2004).							
3.	<u>20</u> Non realisation of motor vehicles tax from tractor-trailor combination	April 2001 and March 2003	4,360	1.19	--	1.19	2.39
Remarks:- The Department recovered tax and penalty of Rs.0.11 crore in 158 cases and raised demand of Rs.2.00 crore in 2492 cases. Final reply in other cases was not received (December 2004).							
4.	<u>20</u> Non/short realisation of motor vehicles tax/additional tax in respect of stage carriages	April 2002 and March 2003	448	0.27	0.06	0.33	0.66
Remarks:- The Department recovered tax and penalty of Rs.6.58 lakh in 34 cases and raised demand of Rs.26.83 lakh in 136 cases. Final reply in other cases was not received (December 2004).							
TOTAL			14,567	9.57	0.06	9.63	19.28

¹⁹ Angul, Balasore, Bargarh, Bhadrak, Bhubaneswar, Bolangir, Chandikhol, Cuttack, Dhenkanal, Ganjam, Kalahandi, Keonjhar, Koraput, Mayurbhanj, Phulbani, Puri, Rayagada, Rourkela, Sambalpur and Sundargarh.

The matter was brought to the notice of Transport Commissioner/ Government in April 2004. The Transport Commissioner stated in August 2004 that Rs.1.34 crore had been recovered in 769 cases and demand of Rs.14.26 crore raised in 7,251 cases; final reply in other cases had not been received (December 2004).

3.3 Non-realisation of revenue for non-disposal of vehicle check reports (vcrs)

In exercise of powers conferred by Section-200 of Motor Vehicles (MV) Act, 1988, Government of Orissa, Commerce and Transport (Transport) Department in their notification dated 29 September 1995 empowered specific officers of Orissa Motor Vehicles Department to exercise check and realise compounding fees from all motor vehicles committing offences under various sections of the Act *ibid*. Transport Commissioner, Orissa issued directives/instructions from time to time for expeditious disposal of pending vehicle check reports (vcrs).

Test check of records of STA, Orissa and 24 regions²⁰ revealed that 74,984 vcrs remained undisposed as of March 2003. Of these, scrutiny of 7,689 vcrs relating to period between April 1999 and March 2003 revealed that no action was taken to dispose of these reports involving Rs 4.33 crore. Consequently there was non-realisation of Government revenue to that extent.

After this was pointed out in audit, the Department raised demand of Rs.0.55 crore in 1,038 cases and recovered 0.08 crore in 136 cases. Final reply in other cases was not received (December 2004).

The matter was brought to the notice of the Transport Commissioner/ Government in April 2004; their replies had not been received (December 2004).

3.4 Short realisation of one time tax on advalorem basis

Under Section-4A of OMVT Act, read with Government notification of February 2003, the owner of every motor vehicle (being a motor car) covered under the Schedule-I appended to the Act, is liable to pay one time tax on advalorem basis at five *per cent* of the cost of the vehicle at the time of initial registration. In addition, the vehicle owner, in case of default is

20 Angul, Balasore, Bargarh, Bhadrak, Bhubaneswar, Bolangir, Chandikhol, Cuttack, Dhenkanal, Gajapati, Ganjam, Jagatsinghpur, Jharsuguda, Kalahandi, Keonjhar, Koraput, Nawarangapur, Nuapada, Phulbani, Puri, Rayagada, Rourkela, Sambalpur and Sundargarh.

liable to pay penalty of double the tax due for the period of delay beyond two months.

Test check of records of 14 regions²¹ between September 2003 and February 2004 revealed that one time tax of Rs.12.09 lakh as against Rs.49.45 lakh in respect of 309 vehicles registered between 13 February 2003 and 31 March 2003, was realised resulting in short realisation of tax of Rs.37.36 lakh due to non levy of appropriate rate by RTOs. Besides, penalty of Rs.74.72 lakh was also leviable.

After this was pointed out in audit between September 2003 and February 2004, all the taxing officers accepted the audit observation and raised demand of Rs. 38.67 lakh in 105 cases in August 2004. However, the taxing officer, Puri stated in October 2003 that due to late receipt of Government notification one time tax was not realised on advalorem basis.

The matter was brought to the notice of the Transport Commissioner/ Government in April 2004; their replies had not been received (December 2004).

3.5 Non/short realisation of motor vehicles tax/additional tax in respect of stage carriages plying without permits

Under the OMVT Act, as amended, motor vehicles tax and additional tax in respect of a stage carriage is leviable on the basis of the number of passengers (including standees) which the vehicle is permitted to carry and the total distance to be covered in a day as per the permits. If such a vehicle is detected plying without a permit, the tax/additional tax payable is to be determined on the basis of the maximum number of passengers (including standees) which the vehicle would have carried reckoning the total distance covered each day as exceeding 320 kilometers i.e. at the highest rate of tax as per taxation schedule. In case of default, penalty of double the tax due is leviable.

Test check of records of 19 regions²² revealed between June 2003 and February 2004 that 128 stage carriages were detected plying without permit between April 2001 and March 2003. Motor vehicles tax/additional tax from these vehicles was either not collected or was collected at lesser rates resulting in non/short realisation of tax amounting to Rs.13.71 lakh. Besides, penalty of Rs.27.42 lakh was also leviable.

21 Angul, Bargarh, Bhubaneswar, Bolangir, Chandikhol, Cuttack, Dhenkanal, Ganjam, Kalahandi, Keonjhar, Koraput, Puri, Rourkela, and Sambalpur.

22 Angul, Bargarh, Bhadrak, Bhubaneswar, Bolangir, Chandikhol, Cuttack, Dhenkanal, Ganjam, Jharsuguda, Kalahandi, Keonjhar, Koraput, Mayurbhanj, Phulbani, Puri, Rayagada, Rourkela and Sambalpur.

After this was pointed out in audit, the Department recovered tax and penalty of Rs. 0.43 lakh in one case and raised demand of Rs 23.48 lakh in 71 cases. Final reply in other cases was not received.

The matter was brought to the notice of the Transport Commissioner/Government in April 2004; their replies had not been received (December 2004).

3.6 Non/short realisation of motor vehicles tax/additional tax from stage carriages plying under reciprocal agreement on inter-state routes having permits

Where, in pursuance of any agreement between the Government of Orissa and Government of any other State, a stage carriage plies on a route partly within the State of Orissa and partly within other State, such stage carriage is liable to pay tax/additional tax calculated on the total distance covered by it, on the approved route in the State of Orissa, at the rates and in the manner specified under the OMVT Act, as amended, and rules made thereunder. In case tax is paid beyond two months after the grace period, penalty is to be charged at double the tax due.

Test check of records of STA, Orissa, Cuttack and six regions²³ revealed that motor vehicles tax/additional tax in respect of 56 stage carriages authorised to ply on inter-state routes under reciprocal agreement were not realised in full. It was further revealed that out of 56 stage carriages 19 did not pay tax for the last 12 months between April 2002 and March 2003. Thus there was non/short realisation of motor vehicles tax/additional tax of Rs.12.73 lakh and penalty of Rs.25.45 lakh was also leviable for non-payment of dues.

After this was pointed out in audit between May 2003 and February 2004, the Department raised demand of Rs 6.90 lakh in nine cases. Final reply in other cases was not received (December 2004).

This was brought to the notice of the Transport Commissioner/Government in April 2004; their replies had not been received (December 2004).

3.7 Non-realisation of composite tax for goods vehicles under reciprocal agreement

Under the provisions of the OMVT Act, when a goods vehicle enters the State under the terms of any agreement between the Government of Orissa and Government of any other State, it is liable to pay additional tax for each entry into the State at the prescribed rates. Government of Orissa

23 Balasore, Bhadrak, Cuttack, Ganjam, Keonjhar and Rourkela

decided in February 2001 that goods vehicles belonging to Andhra Pradesh authorised to ply in Orissa under the reciprocal agreement were required to pay composite tax of Rs.3,000 per vehicle per annum. The tax was payable in advance in lump sum on or before 15 April every year by crossed bank drafts, to the STA, Orissa. In case of delay in payment, penalty of Rs.100 for each calendar month or part thereof was also leviable in addition to composite tax.

Test check of records of STA, Orissa, revealed in May 2003 that out of 1,410 goods vehicles registered in the State of Andhra Pradesh authorised to ply in Orissa under reciprocal agreement during 2002-03, composite tax for 806 goods vehicles amounting to Rs.24.18 lakh was not realised due to lack of pursuance by STA, Orissa. Besides penalty of Rs.9.67 lakh was not levied.

After this was pointed out in audit in May 2003, STA, Orissa stated in May 2003 that steps would be taken to realise the dues. Further report on recovery was not received (December 2004).

The matter was referred to the Government of Orissa in February 2004; their reply had not been received (December 2004).

3.8 Non/short levy of penalty on belated payment of motor vehicles tax and additional tax

Under the OMVT Act, as amended and the rules made thereunder, penalty ranging from 25 to 200 *per cent* of the tax shall be leviable if a vehicle owner has not paid tax and additional tax in respect of his vehicle within the specified period.

Test check of records of 22 regions²⁴ between May 2003 and February 2004 revealed that in 223 cases, no penalty was levied by the taxing authorities though taxes were paid belatedly. Further in 183 cases, penalty was short levied. Demand notices for realisation of penalty in these cases were not issued by RTOs. This resulted in non/short levy of penalty of Rs.33.41 lakh for the period between April 1999 and March 2003.

After this was pointed out in audit, the Department recovered penalty of Rs 1.27 lakh in 22 cases and raised demand of Rs 15.70 lakh in 214 cases. Final reply in other cases was not received (December 2004).

The matter was brought to the notice of the Transport Commissioner/ Government in April 2004; their replies had not been received (December 2004).

24 Angul, Balasore, Bargarh, Bhadrak, Bhubaneswar, Bolangir, Chandikhol, Cuttack, Dhenkanal, Ganjam, Jagatsingpur, Kalahandi, Keonjhar, Koraput, Mayurbhanj, Nawarangpur, Phulbani, Puri, Rayagada, Rourkela, Sambalpur and Sundargarh.

3.9 Non-realisation of motor vehicles tax/additional tax from motor vehicles which violated off-road declaration

Under the OMVT Act, as amended, motor vehicles tax/additional tax shall be levied on every motor vehicle used or kept for use in the State of Orissa unless prior intimation of non-use of the vehicle is given to the Taxing Officer on or before the date of expiry of the period for which tax has been paid, specifying inter alia, the period of non-use and the place where the motor vehicle is to be kept during such period. If, at any time, during the period covered by such off-road declaration, the vehicle is found to be plying on the road or not found at the declared place, it shall be deemed to have been used throughout the said period. In such case, the owner of the vehicle is liable to pay tax and penalty at double the tax due for the entire period for which it was declared off-road.

Test check of records of 12 regions²⁵ between June 2003 and February 2004 revealed that 30 motor vehicles under off-road declarations for the periods between April 2001 and March 2003, were either detected plying or not found at the declared places by the enforcement staff during the period covered by such off-road declarations. No action was taken by the Taxing officers to realise the tax and levy penalty for violation of off-road declaration. This resulted in non-realisation of tax and additional tax of Rs.18.00 lakh including penalty.

After this was pointed out in audit, the RTOs recovered tax and penalty of Rs 0.08 lakh in one case and raised demand of Rs 10.08 lakh in 12 cases. Final reply in other cases was not received.

This was brought to the notice of the Transport Commissioner/Government in April 2004; their replies had not been received (December 2004).

3.10 Non-realisation of revenue due to acceptance of time barred bank drafts

As per the procedure laid down under the National Permit Scheme, the owner of a vehicle belonging to other States/Union Territories opted to ply in Orissa has to pay composite tax in shape of bank drafts to primary permit issuing authorities for onward transmission to the STA, Orissa, Cuttack.

Test check of records in the office of the Transport Commissioner, Orissa, Cuttack in May 2003 revealed that 372 time barred bank drafts of Rs.11.52 lakh towards payment of composite tax were received at border check

²⁵ Bargarh, Bhadrak, Bhubaneswar, Bolangir, Chandikhol, Ganjam, Keonjhar, Mayurbhanj, Phulbani, Puri, Rayagada and Rourkela.

post. The time barred bank drafts were sent to different banks of respective states for revalidation during the period between April 1998 and January 2001 but were not revalidated and deposited into Government account as of March 2004. Due to lack of pursuance by the STA, Orissa, composite tax could not be collected in time. Besides there was loss of interest of Rs.3.66 lakh as on 31 March 2003.

After this was pointed out in audit in May 2003, the Transport Commissioner stated in June 2003 that reminders were issued for revalidation. However, final action has not been received (December 2004).

The matter was reported to Government in February 2004; their reply had not been received (December 2004).

3.11 Non-realisation of differential tax from private vehicles plying on hire or reward

Under Section 2(22) of MV Act, "maxi cab" meaning any motor vehicle constructed or adapted to carry more than six passengers, but not more than 12 passengers excluding the driver, plying for hire or reward is to be taxed depending upon the potential nature of use of the vehicle as per circular of 1996 of STA, Orissa. If the vehicle is used privately, an undertaking to that effect in the form of an affidavit before the Registering Authority in the manner prescribed is to be submitted by the owner stating that if at any time, the vehicle is found to be used in contravention, the owner shall be liable to pay tax under relevant section of OMVT Act. Besides penalty extending upto double the tax is leviable.

Test check of registration records, together with the vcrs reports in five regions²⁶ revealed between June 2003 and December 2003 that 37 vehicles having seating capacity of more than six passengers but not more than 12 passengers excluding the driver, registered on the strength of affidavit were detected between June 2001 and March 2003 by the enforcement staff as plying for hire or reward in contravention of the said undertaking. Even after detection by enforcement staff, no action was taken by the RTOs to realise the differential tax of Rs.5.42 lakh. Besides, penalty of Rs.10.84 lakh was also leviable.

After this was pointed out in audit, the Department raised demand of Rs 5.30 lakh in 11 cases. Final reply in other cases was not received (December 2004).

This was brought to the notice of the Transport Commissioner/ Government in April 2004; their replies had not been received (December 2004).

²⁶ Bargarh, Bolangir, Cuttack, Mayurbhanj and Koraput.

3.12 Short realisation of composite tax under National Permit Scheme

As per Government of Orissa Notification dated February 1999, composite tax for goods carriages belonging to other State/Union Territories plying in Orissa under the National Permit Scheme will be payable at the rate of Rs.5,000 per annum per vehicle in advance in one instalment. In case of delay in payment, penalty of Rs.100 for each calendar month or part thereof is also leviable.

Test check of records of STA, Orissa revealed that composite tax for 219 goods carriages belonging to the operators of other States authorised to ply in Orissa during 2002-2003 under National Permit Scheme was realised short by Rs.5.12 lakh as the vehicle operators did not pay composite tax in one instalment. Besides penalty of Rs.2.63 lakh was also leviable due to default in full payment of composite tax. This resulted in short realisation of Government revenue by Rs.7.75 lakh.

After this was pointed out in audit in May 2003, the Transport Commissioner, Orissa stated in May 2003 that action would be taken for realisation of dues. Further reply was awaited (December 2004).

The matter was brought to the notice of Government in November 2003; their reply had not been received (December 2004).

3.13 Non-realisation of differential tax in respect of stage carriages issued with special contract carriage permits

Under the OMVT Act, as amended, when a vehicle in respect of which motor vehicles tax/additional tax for any period has been paid as per registration is proposed to be used in a manner as to cause it to become a vehicle in respect of which higher rate of motor vehicles tax/additional tax is payable, the owner of the vehicle is liable to pay the differential tax. In case of default in payment on due date, penalty of double the tax due is also leviable for the period of delay beyond two months.

Test check of records of 13 regions²⁷ revealed between April 2002 and March 2003 that 81 stage carriages were permitted to ply temporarily as contract carriage on which higher rate of tax was applicable. Even though differential tax was not paid in advance, RTOs did not take any action to send demand for the same. This resulted in short realisation of motor vehicles tax/additional tax of Rs.2.08 lakh. Besides, penalty of Rs.4.17 lakh was also leviable.

²⁷ Balasore, Bhadrak, Bhubaneswar, Bolangir, Chandikhol, Cuttack, Ganjam, Kalahandi, Keonjhar, Koraput, Phulbani, Puri and Sambalpur.

After this was pointed out in audit, the RTOs recovered tax and penalty of Rs 0.15 lakh in five cases and raised demand of Rs 1.40 lakh in 28 cases. Final reply in other cases was not received (December 2004).

The matter was brought to the notice of the Transport Commissioner, Orissa/Government in April 2004; their replies had not been received (December 2004).

3.14 Non-realisation of Trade Certificate tax/fees

Under the OMVT Act, read with Central Motor Vehicles, Rules 1989, as amended, dealers in motor vehicles are required to obtain trade certificate from the registering authorities by paying the requisite tax/fees annually in advance. Under the MV Act, dealer includes a person who is engaged in building bodies on the chassis or in the business of hypothecation, leasing or hire purchase of motor vehicles.

Test check of records of three regions²⁸ between September 2003 and March 2004 revealed that in respect of 46 dealers, trade certificate tax and fees for the period between 2001-02 and 2002-03 were not realised. This resulted in non-realisation of tax and fees amounting to Rs.1.49 lakh.

After this was pointed out in audit, the concerned RTOs raised demand of Rs 0.51 lakh in 17 cases. Final reply in other cases was not received (December 2004).

This was brought to the notice of the Transport Commissioner/ Government in April 2004; their replies had not been received (December 2004).

CHAPTER-IV: LAND REVENUE, STAMP DUTY AND REGISTRATION FEES

4.1 Results of Audit

Test check of records relating to assessment and collection of land revenue and stamp duty and registration fees conducted during the year 2003-2004 revealed non-collection, non/short assessment and blocking of revenue amounting to Rs.114.98 crore in 45,296 cases which may be broadly categorised as under.

(Rupees in crore)			
Sl. No	Subject	No of cases	Amount
LAND REVENUE			
1.	Non-collection of premium etc. from land occupied by Local Bodies/Private parties	30	23.79
2.	Non-lease/irregular lease of Sairat sources	429	20.19
3.	Non-realisation of revenue due to delay in finalisation of OEA cases	5,824	2.72
4.	Blockade of Government revenue due to non finalisation of OLR cases	2,058	1.95
5.	Miscellaneous/other irregularities	62	1.64
6.	Non-assessment/short assessment and short collection of water rates	37	0.47
7.	Non-realisation/short realisation of royalty on Minor Minerals	349	0.20
Total		8,789	50.96
STAMP DUTY AND REGISTRATION FEES			
1.	Review on Stamp duty	1	21.45
2.	Blockage of Government revenue due to non clearance of 47-A cases	35,144	39.91
3.	Short levy of stamp duty and registration fees due to under valuation/change of Kissam of documents	1,102	1.78
4.	Irregular exemption and other irregularities of stamp duty and registration fees	230	0.77
5.	Short realisation due to irregular/misclassification of deeds	30	0.11
Total		36,507	64.02
Grand total		45,296	114.98

During the course of the year 2003-04, the Department accepted under assessment etc. of Rs.53.31 crore in 12,306 cases out of which Rs.46.19 crore in 5,618 cases has been pointed out by audit in 2003-04. The Department recovered Rs.3.86 crore in 4,399 cases of which Rs.1.29 crore in 816 cases relating to earlier years and Rs.2.57 crore in 3,583 cases in 2003-04.

A few illustrative cases highlighting important audit observations and findings on a review on **stamp duty** involving of Rs.70.12 crore are discussed in the following paragraphs.

4.2 Non-raising of demand for premium etc.

According to the provisions of Orissa Government Land Settlement Act, 1962 and rules made thereunder, read with Government orders of October 1961, May 1963 and February 1966, Government land can be leased out to State and Central Government Departments, Public Sector Undertakings etc. on payment of premium²⁹, ground rent³⁰ and cess³¹. Any area occupied by any person (company) not covered by any act passed by the legislature is to be treated as an unauthorized occupation. Further, the Land Revenue Act provides for regularization of the unauthorised occupation on payment of premium, rent etc. from the date of occupation.

Scrutiny of lease files and other records of the Tahasildar, Talcher revealed that Government land of AC 291.355 covering 16 villages was occupied by Mahanadi Coal Field (MCL), Talcher without any sanction/permission from the Revenue Department or Government. The land occupied unauthorisedly was neither got evicted nor was it got regularized by the Department. Though assessment of Rs. 15.69 crore on account of premium was done by the Tahasildar, no demand was raised against the MCL. Inaction on the part of Revenue Department resulted in non-eviction/non-realisation of revenue of Rs. 37.95 crore towards premium, ground rent, cess and interest up to 2002-03. There was nothing on record to show that the matter was brought to the notice of higher authority/Government.

After this was pointed out in audit in May 2003 and February 2004 Tahasildar, Talcher stated in February 2004 that MCL was in unauthorized occupation of Government land of AC 291.355 and also stated that demand for premium etc. as well as interest will be raised. However no reply was furnished about the regularization of the land (December 2004).

The matter was reported to Government in March 2004. Government stated in October 2004 that above demand was raised by Tahasildar, Talcher.

4.3 Non-levy of interest

Under the provisions of the Orissa Agricultural Year (Amendment) Act, 1992 and Orissa Cess (Amendment) Act, 1992 and in accordance with notification of February, 1966 interest on belated payment is payable from the date of occupation of the Government land for default in payment of land revenue. The rate of interest was raised from six per cent to 12 per cent per annum with effect from 28 November 1992.

29 Premium is fixed on the basis of market value of the land

30 Ground rent i.e. one per cent of the market value.

31 Cess i.e. 50 per cent of the ground rent upto 1990-91 and 75 per cent there after.

Test check of records of Tahasildar, Talcher revealed (January 2004) that Government land measuring AC.420.95 was acquired by MCL, Lingaraj area for mining operation of Kaniha Open Cast project. As against the demand of Rs.7.32 crore towards premium for the land raised in December 1999, only Rs.6.32 crore was paid on different dates after the date of occupation. Balance premium of Rs.1.00 crore remained unpaid as of March 2004. Besides, interest of Rs. 3.44 crore as on March 2003 was payable, for which no demand was raised against MCL.

After this was pointed out in audit in January 2004, the Tahasildar, Talcher stated in February 2004 that action would be taken for realisation of government dues including interest.

The matter was reported to Government in April 2004. Government in October 2004 confirmed that the Tahasildar, Talcher raised demand against MCL towards premium and interest. Report on realisation was awaited.

4.4 Non-realisation due to delay in finalisation of alienation cases

According to Government orders of October 1961, May 1963 and February 1966, Government land can be leased out to Local Bodies, Public Sector Undertakings, Educational and Charitable Institutions, State and Central Government Department etc. on payment of premium fixed on the basis of market value of land plus annual ground rent at one *per cent* of the market value. Similarly cess at 50 *per cent* of the ground rent up to 1993-94 and 75 *per cent* thereafter is leviable. In accordance with Government order of May 1987, revenue authorities are empowered for sanction of advance possession.

Test check of records of four Tahasil Offices³² between March 2002 and December 2003 revealed that in four cases occupation of Government land measuring AC.290.135 was not regularized and interest was not levied from the date of occupation. The Department did not take any action either to initiate encroachment cases to vacate the land or to regularise the possession of land by granting lease. No time limit has been fixed to finalise the alienation cases. There was no follow up and the Tahasildars were unaware of the results of cases forwarded to the higher authorities. All these factors indicated that there was lack of effective monitoring and pursuance. Delay in regularisation of alienation cases resulted in non-realisation of Government revenue of Rs.2.55 crore towards premium, ground rent, cess and interest as detailed below.

32 Kujang, Jatni, Sundargarh and Athamallik.

(Rupees in lakh)

Sl. No	Name of Tahasil	Name of occupants	Year of occupation	Area (in Acre)	Present position	Govt. dues remained unrealised					Total
						Premium	Ground rent	Cess	Paid	Interest not assessed	
1.	Jatni	Jatni Municipal Council	1977	6.285	Tahasildar recommended for sanction of lease	40.85	10.62	--	--	97.14	148.61
The municipality applied for alienation on 31 March 2000 i.e. after a lapse of 23 years. The case was sent by the Tahasildar to Sub-Collector on November 2000. Thereafter there was nothing on record that the same has been sent to Government. Thus delay in sanction of alienation cases resulted in non-realisation of Government revenue.											
2.	Sundergarh	Orissa State Housing Board	1988	6.150	Lease sanctioned	36.29	3.62	--	5.00	32.49	67.40
The lease was sanctioned on 16 April 2002 after a lapse of 14 years. The demand notice for interest of Rs. 32.49 lakh was not issued by the Tahasildar.											
3.	Sundergarh	M/s. Bharat Petroleum Corporation	1978	0.130	Sanctioned	5.85	1.46	1.10	--	12.40	20.81
The lease period allotted to the corporation expired in 1977-78; thereafter the corporation applied for lease on 19 December 1998 i.e. after a lapse of 20 years. However, the lease was sanctioned on 11 December 2002. There was nothing on record to show that the lessee had been asked for renewal of the lease deed or for eviction during the period of unauthorized occupation. The demand for Rs. 20.81 lakh was also not raised.											
4.	Athamallik	CE, Construction SE Railway, Cuttack.	1991	277.570	Not sanctioned	-	--	--	-	18.03	18.03
The lessee was in possession of Government land since 30 September 1991 though premium was paid, interest on capitalised value up to 26 March 2003 was not paid.											
Total				290.135		82.99	15.70	1.10	5.00	160.43	254.85
											Say Rs.2.55 crore

The matter was referred to Government in April 2004. The Department stated in October 2004 that Rs.11.85 lakh (Rs.0.41 lakh, Rs.5.59 lakh and Rs.5.85 lakh in respect of Sl. No. 1,2 and 3 respectively) was realised. Further report on realisation was awaited.

4.5 Non-realisation of premium and ground rent for conversion of agricultural land

The Orissa Land Reform (Amendment) Act, 1993 and the rules made thereunder provide that agricultural land leased out by the Government can not be utilised for non-agricultural purpose. However, on an application made by lessee in the prescribed form such land can be resettled on lease basis on payment of premium at the prescribed rate plus ground rent of one *per cent* of premium per annum.

Test check of records of five³³ Tahasils revealed that 287 applications for use of agricultural land for non-agricultural purposes involving 85.527 acres of agricultural land were received by Tahasildars during 2002-03. Though these cases were initiated for settlement of conversion of agricultural land for non-agricultural purposes during the same year, no final settlement was done. All these cases remained pending in Tahasils and resulted in non-realisation of Rs. 1.02 crore towards premium and ground rent.

³³ Bhubaneswar, Berhampur, Bhadrak, Nawarangpur and Rayagada.

After this was pointed out in audit between September 2003 and January 2004, the Tahasildars accepted audit observation and stated that necessary action would be taken for realisation of dues. Final action has not been received (December 2004).

The matter was referred to Government in April 2004. Government stated in October 2004 that Rs.13.55 lakh was realised after disposal of cases. The report on further realisation was awaited.

B STAMP DUTY AND REGISTRATION FEES

4.6 Review on Stamp Duty

Highlights

- ◆ **Despite huge closing balances of stamps, annual purchases of stamps varied from 182 to 435 per cent of the closing balance.**
- ◆ **Nodal points for collection of bulk supply of stamped papers from Indian Security Press, Nasik were not created.**

{Para: 4.6.6}

- ◆ **Cross verification of stamped papers sold by treasuries with the stamped papers utilised in registering offices revealed that there was excess utilisation of stamped papers worth Rs.15.22 crore in execution of documents in eight districts.**

{Para: 4.6.10}

- ◆ **Provision of the rules regarding deposit of sale register of vendors with the licencing officer were not enforced, highlighting failure of internal controls.**
- ◆ **Test check of 15 vendors in Jajpur, Sambalpur and Jhursuguda revealed that vendors issued stamped paper valuing Rs.22.48 lakh for execution of documents in excess of stamped paper received from Treasuries.**

{Para: 4.6.11}

- ◆ **Non inspection of sale register of vendors by Sub-Registrar/ District Sub-Registrars and Additional District Magistrates indicated serious internal control failure leading to possible use of fake stamped paper.**
- ◆ **Test check of 20 vendors in Puri and Khurda districts confirmed sale of stamped papers worth Rs.54.13 lakh in excess of the purchases made by vendors. The source from which these were purchased was not available in the records of the vendors.**

{Para: 4.6.12}

- ◆ **Despite adequate stock in local treasuries, irregular purchase of Rs.4.45 crore of insurance policy stamps were made by LIC from unauthorised private sources outside the State.**

{Para: 4.6.15}

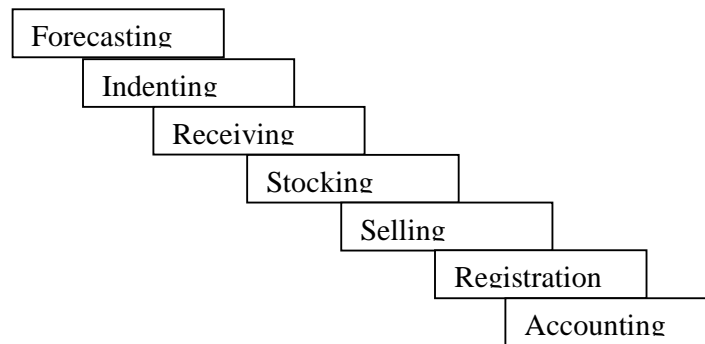
Introduction

4.6.1 The levy of stamp duty on registration of instruments is regulated under the Indian Stamp Act, 1899 as adopted by the Government of Orissa and amendments made thereto from time to time. In addition to this, the Orissa Stamp Rules, 1952 deals with description of stamps, use of stamps and levy and assessment of duty. The process of supply and sale of stamps and stamped papers is regulated by the Orissa Supply and Sale of Stamps and Stamped Papers Rules (OSSSP Rules), 1990.

Orissa Stamp (Amendment) Rules, 1997 has authorised use of franking machine for making impression on instruments chargeable with duties, indicating payment of duty payable on such instruments.

Stamps are of two types- impressed stamps and adhesive stamps. Adhesive stamps are mainly of four types: a) Special Adhesive stamps, b) Insurance Policy Stamps, c) Insurance Agency Stamps, d) Share Transfer Stamps. Stamps are procured from India Security Press (ISP), Central Stamp Depot (CSD), Nasik and Security Printing Press (SPP), Hyderabad by Treasury/Sub-Treasury who sell them to the licensed vendors and other private parties.

The entire process of collection of stamp duty involves following stages:- Forecasting, Indenting, Receiving, Stocking, Selling, Registration and Accounting.



A flow chart showing the entire process of indent, receipt and sale of stamps and stamped papers and collection of stamp duty in registering offices is given in the Annexure-A:

Organisational set up

4.6.2 The Inspector General of Registration (IGR) under Revenue Department is the administrative head of Registration Wing and is designated as the Chief Revenue Controlling Authority. He is assisted by a Joint Inspector General, three Deputy Inspectors General and 30 District Sub-Registrars (DSR) at the district level and 146 Sub-Registrars (SR) at the unit level. He is also entrusted with the duty of Superintendent of Stamps with effect from January 1999. In so far as licence for purchase and sale of stamps and stamped papers are concerned the licences are issued by the Collectors including

Additional District Magistrate (ADM) and Sub-Collectors to stamp vendors. The treasuries are under the control of Director of Treasuries and Inspection (DTI) under Finance Department.

Audit objectives

4.6.3 With a view to evaluating the efficacy of the Departmental machinery in collection of revenue through non-judicial stamps and stamped papers as well as to assess the weakness of the system encompassing the entire process of procurement, sale, registration and accounting of stamped paper. A review was conducted:

- to ascertain how demand for supply of stamps was projected & budget estimates in respect of revenues from stamp duty was prepared;
- to ascertain whether action was taken to ensure adequate supply of stamp papers to/from various treasuries;
- to examine flaws in the system of assessment of requirement, indenting, accountal of stock, sale, accountal of sale proceeds etc which could enable fraud; and
- to ascertain leakage of revenue under stamp duty.

Scope of Audit

4.6.4 The review was conducted between February 2004 and July 2004, covering the period 1993-94 to 2002-03. Records of IGR., Orissa, 42 treasuries out of 78 stamps selling treasuries and 20³⁴ DSRs (alongwith SRs.under them) out of 30 DSRs were test checked. Statistical data were collected for five years from 1998-99 to 2002-03 to assess the extent of variation between value of stamped paper sold by treasuries and those utilized in registering offices.

Trend of Revenue

4.6.5 The position of estimates and actuals of revenue collection under stamp duty during last five years is given below:

34 Angul, Balasore, Bargarh, Bolangir, Bhadrak, Cuttack, Dhenkhal, Ganjam, Jagatsinghpur, Jajpur, Jharsuguda, Kalahandi, Kendrapara, Keonjhar, Khurda, Mayurbhanj, Nayagarh, Phulabani, Puri and Sambalpur.

(Rupees in crore)

Year.	Budget estimate	Actual receipts	Variation Increase (+) Shortfall (-)	Percentage of shortfall
1998-99	81.85	68.52	(-)13.33	16
1999-00	91.54	74.78	(-)16.76	18
2000-01	113.00	91.75	(-)21.25	19
2001-02	124.60	90.46	(-)34.14	27
2002-03	145.00	112.76	(-)32.24	22

It would be seen from the above that the actual receipts against budget estimates was less in all the years and the shortfall ranged between 16 per cent to 27 per cent. The IGR attributed the variation to reduced registration of documents during the period 1998-99 to 2001-02. For 2002-03 reduction in the rate of stamp duty was stated to be the reason.

4.6.6 Forecasting, Indenting and supply of stamps

As per the Orissa Supply and Sale of Stamps and Stamped papers Rules, 1990 (OSSS Rules) the Treasury Officers of district and special treasuries shall furnish a forecast of requirement of stamps and stamped papers to IGR by the 31 March for the year commencing on the 1 August and ending on the 31 July of the following calendar year. In making the forecasts, Treasury Officers shall take into account the average annual consumption based on actual consumption figures during three preceding years and balance in hand on first day of April of preceding year and also include the requirements of Sub-Treasuries under them. The IGR., Orissa shall send in duplicate a consolidated forecast to the Deputy Controller of Stamps, CSD, Nasik before 15 June each year.

It was seen during audit that no consolidated forecast had been worked out and sent to the Deputy Controller of Stamps, CSD, Nasik during 1993-94 to 2002-03 by the IGR, Orissa. The forecast received from various treasuries and special treasuries were sent to CSD, Nasik after countersignature by the IGR. In this connection it was noticed that necessary records regarding receipt of forecast from treasury, their details and onward transmission to Nasik were not maintained at the IGR office.

- **Indenting**

The OSSS Rules provide that all indenting treasury officers who receive their supply of stamps and stamped papers direct from the CSD, Nasik shall send their indents in duplicate to the IGR. who shall scrutinize the indent, pass the quantity and forward it to Deputy Controller of Stamps within three weeks of receipt from the indenting officer.

During the course of audit it was noticed in the office of the IGR that records containing details of receipts of indents from treasury officers and their onward transmission to CSD, Nasik during the entire period covered under review were not available. Consequently the total stamps indented during a particular year/period was not available with IGR. In absence of these details, the correctness of plus and minus memorandum/necessity of further indents, could not be verified/ascertained by audit.

After this was pointed out in audit IGR stated in July 2004 that information in this regard would be furnished after collecting details from the treasuries and sub-treasuries. This indicates that there was lack of monitoring at the level of IGR in the procurement of stamps and stamped papers.

- ***Supply, Receipt and Stocking***

Stamps and stamped papers are to be supplied by the printing press by Railway consignment or Postal parcels. As per the orders of Government of India of May 1988, all the States are required to create nodal points for collection of bulk supply of stamped papers from ISP, Nasik and to escort wagons carrying heavy quantity of stamps and the stamped papers.

Upon receipt, the Treasury officers should compare with the invoices received and take them into stock immediately. The details of the stamp and the stamped papers received should be entered with quantity, amount and the value of each denomination in the “Double Lock Register”.

In this connection audit has observed the following weaknesses in the system.

- ***Non-creation of nodal points for collection of bulk supply of stamped papers from ISP, Nasik***

As per Government of India orders of May 1988, all the States had to create nodal points for collection of bulk supply of stamped papers from ISP, Nasik. No such nodal points have been created in the State of Orissa and all indenting treasuries received stamped papers directly from ISP, Nasik.

As the supply of stamps and stamped papers was received directly by different treasuries and sub-treasuries, receipt was not monitored either by DTI or by the IGR even though there was huge mismatch between indent and supply as discussed in the succeeding paragraphs.

- ***Mismatch between indent and receipt***

Test check of records of 24 treasuries out of 34 indenting treasuries revealed that on many occasions there had been either nil supply against the indent or much less than indented quantity, whereas there were instances of supply much in excess than indented quantity or supply even without indent. No comparison between indent and receipt was made by the Treasury officers and no action was taken to bring the discrepancy between indent and receipt to the notice of IGR/DTI/ISP, Nasik. Though copy of indents for stamped papers and invoices received against them from the Press were sent to IGR/DTI by the indenting treasuries, no action for investigating the mismatch was taken by IGR/DTI.

- ***Heavy stock of non-judicial stamped paper***

Test check of 24 treasuries out of 34 treasuries indenting stamped paper revealed that heavy balances of non-judicial stamped papers in stock at the end of each year as detailed below:

(Rupees in crore)

Year.	Opening balance	Purchase	Sale	Closing balance	Closing balance as percentage of sale
1998-99	167.34	72.15	44.80	194.69	435
1999-00	194.69	30.09	57.98	166.80	288
2000-01	166.78 ³⁵	58.88	60.20	165.46	275
2001-02	165.46	40.85	59.93	146.38	244
2002-03	146.38	49.95	69.58	126.75	182

It would be seen from the above that the closing balance of stock as compared to annual requirement varied from 182 *per cent* to 435 *per cent* which indicated lack of monitoring by IGR. It was further seen that although physical verification of stock was conducted at the end of each month, the Treasury Officers took no action to minimize the accumulated closing balance. After this was pointed out in audit, the treasury officers admitted accumulation of huge stock and agreed to reduce the heavy stock by way of placing nil indents.

- ***Supply through Road Transport***

As per OSSS Rules, stamps are to be received by Railways or by post. It was noticed that SPP, Hyderabad was supplying stamps and stamped papers through private trucks instead of R.R. (Rail)/Post as prescribed giving scope for intervention/substitution enroute as discussed in the succeeding para.

- ***Excess receipt of stamped paper against invoices***

It was seen that in two districts³⁶ stamped papers were received in excess of the quantity supplied by Nasik/Hyderabad Press as per their invoices, as detailed below:

(Rupees in lakh)

Name of the treasury	Invoice No. and date	From where received	Amount as per invoice	Actual receipt	Excess
District Treasury, Bargarh	NP/G/ORS/060 dated 18.8.97	C.S.D, Nasik Road	75.00	750.00	675.00
District Treasury, Angul	SPP/C/NJS/99-2000/663 dated 22.5.1999	SPP, Hyderabad	32.24	33.00	0.76

It was further seen that when the Treasury took up the matter with the ISP, Nasik, Asst. Controller of Stamps of Nasik Press, regularized the excess value of stamped papers by stating that the excess was due to oversight in invoicing. This not only indicated lack of proper internal control at ISP, Nasik but also raised doubts against the genuineness of stamped paper since the stamped papers were received much in excess of the indented quantity. When audit enquired about the excess supply of stamped papers by the SPP, Hyderabad, DTO, Angul stated that the actual position would be intimated after obtaining reply from the Press.

35 Reason for less is reflected in Other irregularities

36 Bargarh and Angul

- ***Other irregularities***

Treasury officers did not take prompt action for accounting and disposal of stamped papers in the following cases.

- In Jajpur district treasury, non-judicial stamped papers worth Rs.1 crore received on 13 May 1998 was taken to stock register on 30 August 2000.
- In Puri District Treasury, non-judicial stamped papers worth Rs. 50 lakh was declared damaged on 30 December 1998. However, after a lapse of four years the DTI during his inspection declared them fit for sale.
- In Dhenkanal District Treasury, the opening balance of non-judicial stamped papers as on 1 April 2001 was shown less by Rs.1.45 lakh while carrying forward the balance from 1999-2000. Reasons for short accountal were not investigated.

Sale of stamp and stamped papers

4.6.7 As per OSSS Rules, stamps both judicial and non-judicial and whether impressed or adhesive shall be sold to the public through ex-officio or licenced vendors. No person who has been convicted of a criminal offence involving moral turpitude shall be granted a licence and while granting the licence to any person to sell stamps and stamped papers within the premises of any Government office, the licencing authority should invariably obtain the recommendation of the concerned head of office about the need for such sale. The vendor shall submit the register of sale of stamped paper to the licencing authority or to an officer authorised by him on his behalf at the end of each quarter of a calendar year for examination and at the end of the year the licensed vendor shall deposit the register with the licencing authority.

Audit scrutiny of records relating to issue of licenses revealed the following.

- Licenses to six stamp vendors were granted in Jajpur and Puri districts without verification of criminal background. After this was pointed out in audit, the licencing authorities stated that criminal background of the stamp vendors will be ensured henceforth.
- Licenses were granted to two stamp vendors in Puri district where the concerned Head of the office had adversely recommended against grant of new licenses. After this was pointed out in audit, it was stated that no comment can be offered at this stage as the cases were old.

Non-authentication of stamped papers by the Treasury officers

4.6.8 As per OSSS Rules, stamps and stamped papers shall be sold only at treasury, special treasury and sub-treasuries. All the treasury officers/special treasury officers, sub-treasury officers shall be ex-officio vendors. Hence they are required to sign on the back of the stamped papers at the time of sale.

During scrutiny of records of Cuttack and Puri Treasury it was noticed that the above provisions were not followed, thus, making it impossible to differentiate between authorised stamped papers and fake stamped papers, if any, used in registering offices.

After this was pointed out in audit the concerned Treasury officers replied that the provision of putting signature on the back of stamped papers was being followed from the year 2003. The detection of use of fake stamped paper became difficult due to non-observance of prescribed procedure.

Non-forwarding of list of licenced vendors

4.6.9 The OSSS Rules provides that every licencing authority shall forward in January of each year a list indicating the names of licenced vendors, their licence numbers and the period for which each licence is valid to the concerned treasury.

It was noticed that list of licensed vendors was not forwarded by the licencing authority to the Treasury officers. As a result Treasury officers had no means of cross-verifying the authorised vendors who were procuring stamps from a particular treasury as mentioned in their licences.

Non reconciliation between treasury figures and Registration Office figures of Stamp Duty

4.6.10 As per OSSS Rules, the sale position of stamps and stamped papers by treasuries was received by the IGR in form of plus, minus memorandum and also DSRs/SRs are providing annual reports on total value of stamp duty collected.

But no reconciliation at the level of IGR was being done thereby loosing away any chance of detecting transactions of fake stamped paper. Cross verification of the value of stamped papers sold by treasuries in 13³⁷ districts with the value of stamped paper registered in registering offices revealed that there was difference of Rs 15.22 crore between the sale of stamped papers by the treasuries and value of documents registered by the registering offices in eight districts as detailed below:

37 Balasore, Bhadrak, Cuttack, Ganjam, Jagatsinghpur, Jajpur, Jharsuguda, Kendrapara, Khurda, Mayurbhanj, Phulabani, Puri and Sambalpur.

(Rupees in lakh)				
Name of the district	Year	Stamp papers sold by treasuries	Value of documents registered by registering offices	Excess
(1)	(2)	(3)	(4)	(5)-(4-3)
Khurda	1998-99	779	908	129
	1999-00	863	1,015	152
	2000-01	1,212	1,335	123
	2001-02	1,144	1,290	146
	2002-03	1,334	1,417	83
Total		5,332	5,965	633
Jajpur	1998-99	159	263	104
	1999-00	114	201	87
	2000-01	149	225	76
	2001-02	148	224	76
	2002-03	169	279	110
Total		739	1,192	453
Sambalpur	2000-01	207	225	18
	2001-02	192	240	48
	2002-03	201	286	85
	Total		600	751
Puri	2001-02	303	362	59
	2002-03	323	401	78
Total		626	763	137
Jagatsinghpur	1998-99	130	174	44
	1999-00	149	162	13
Total		279	336	57
Kendrapara	1998-99	136	140	04
	2001-02	163	181	18
	2002-03	204	211	07
Total		503	532	29
Balasore	1998-99	390	400	10
	1999-00	408	410	2
	2001-02	530	544	14
	2002-03	694	707	13
Total		2,022	2,061	39
Jharsuguda	1998-99	57	80	23
Total		57	80	23
Grand Total		10,158	11,680	1,522

Since the stamped paper sold is used for both registered and non-registered documents, the difference would further increase if the value of un-registered documents is taken into account. After this was pointed out in audit ADM, DSRs, Treasury officer concerned stated that the matter will be investigated and results thereof will be intimated to audit.

Non-submission of sale register by the stamp vendors

4.6.11 As per OSSS Rules, the stamp vendors are required to deposit their sale register with the licencing authority at the end of each year and the sale register are required to be preserved by the licencing authorities for 10 years.

A test check of records in Sambalpur, Jajpur, Kendrapara and Jharsuguda districts revealed that the vendors did not deposit the sale registers with the licencing authorities. It was further noticed that the Licencing authority also failed to ensure deposit of these sale register and did not take necessary action

to cancel the licence of the vendors as per conditions stipulated in the licenses. Due to the failure on the part of the Licencing and Registering authority, the opportunity to identify the genuineness of the vendors who might have sold the fake stamped papers was lost. Government admitted the fact of non-submission of sale register by stamp vendors in December 2004.

- During the course of audit it was noticed that 15 vendors purchased stamp papers valued at Rs.24.93 lakh from five treasuries. However, cross verification of records of these vendors with the copies of the documents registered in the registering offices revealed that the vendors utilised stamp papers valued at Rs.47.41 lakh. Thus there was excess utilisation of stamped papers of Rs.22.48 lakh as detailed below:

(Rupees in lakh)					
District	Name of the Vendors	Month	Stamped papers received from Treasury	Stamped papers utilized in registration of documents	Excess
Sambalpur	1.P. Hassan	Mar 01	2.10	3.63	1.53
		Feb 02	0.45	1.26	0.81
		Jan 03	0.63	2.07	1.44
	2.P.L. Naik	Mar 01	1.72	3.23	1.51
		Feb 02	1.66	3.43	1.77
	3.M.R. Behera	Mar 01	3.62	4.49	0.87
		Jan 03	1.04	2.48	1.44
	4.G.S. Supkar	Feb 02	0.78	1.83	1.05
		Jan 03	0.54	1.53	0.99
	5.S.N. Behera	Jan 03	0.14	0.69	0.55
	6.A.K. Bohidar	Mar 01	1.38	2.74	1.36
	Total			14.06	27.38
Jajpur	7.B.K. Mallick	Feb 02	1.45	2.23	0.78
		Mar 01	-	0.63	0.63
	8.D.B. Pattnaik	Feb 02	0.22	0.56	0.34
		Jan 03	-	0.69	0.69
	9.G.B. Sahu	Feb 02	-	0.35	0.35
	10.S. Sahu	Feb 02	-	0.39	0.39
	11.H. Khan	Dec 98	0.86	1.17	0.31
		Feb 02	1.27	1.74	0.47
Jan 03	1.34	2.89	1.55		
Total			5.14	10.65	5.51
Kendrapara	12. Md..A. Kadir	Dec 98	0.01	0.72	0.71
		Feb 02	0.28	1.04	0.76
		Jan 03	0.80	2.12	1.32
	13.Sk. Saffautulla	Dec 98	-	0.15	0.15
		Jan 03	0.08	0.23	0.15
	14. Sk. Usman	Feb 02	0.85	1.02	0.17
		Jan 03	0.72	0.86	0.14
Total			2.74	6.14	3.40
Jharsuguda	15. S. Pradhan	Dec 98	2.99	3.24	0.25
Total			2.99	3.24	0.25
Grand Total			24.93	47.41	22.48

Non-inspection/verification of sale register of stamp vendors

4.6.12 As per OSSS Rules, every licensed vendor shall submit their sale register to the Licencing authority (ADM) or to an officer authorised by him on his behalf i.e Tahasildar, DSR, SR at the end of each quarter of a calendar year for examination.

In course of review, it was noticed in all the districts of the State, that no such inspection had ever been conducted during the period of review either by the Licencing authority or by the officers authorised. This indicated that the prescribed checks under rules had not been exercised by the authorities

concerned leaving the field open for malpractices including use of fake stamped paper.

A test of check registers of 20 stamp vendors in two districts revealed that the vendors had sold stamp papers valued at Rs.54.13 lakh in excess of what had been purchased from the treasuries. The source from which these were purchased was not available in the records of vendors.

(Rupees in lakh)

Name of the district	Vendors licence No.	Month	Opening Balance	Receipt from the treasury by the Vendor	Total	Balance at the end of the month	Sale of stamped paper	Actual ³⁸ Sale	Excess	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) [(6) - (7)]	(9)	(10) [(9) - (8)]	
Puri	L. No. 20/92	Feb. 2002	3.00	0.81	3.81	2.53	1.28	2.30	1.02	
	L. No. 1/92	Feb 02	3.65	1.66	5.31	3.59	1.72	1.88	0.16	
		Jan 03	2.60	1.39	3.99	3.05	0.94	1.36	0.42	
	L. No. 2/92	Feb 02	0.45	0.23	0.68	0.53	0.15	2.08	1.93	
	L. No.-26/94	Jan. 03	2.00	2.40	4.40	1.81	2.59	2.82	0.23	
	L. No.-35/99	Jan. 03	0.18	0.02	0.20	0.17	0.03	0.43	0.40	
L. No.-23/93	Jan.03	1.19	0.13	1.32	1.18	0.14	0.43	0.29		
Khurda	L. No. 2/95	Mar 01	0.27	5.81	6.08	0.20	5.88	7.66	1.78	
	L. No. 3/96	Dec 98	2.16	0.78	2.94	1.36	1.58	2.64	1.06	
		Mar 01	4.02	3.30	7.32	5.53	1.79	3.38	1.59	
		Jan 03	0.34	0.55	0.89	0.44	0.45	0.88	0.43	
	L. No. 4/92	Dec 98	0.81	4.16	4.97	1.25	3.72	8.88	5.16	
		Mar 01	1.24	8.13	9.37	1.33	8.04	11.78	3.74	
		L. No.- 6/94	Dec 98	6.17	8.70	14.87	5.68	9.19	9.50	0.31
			Nov 99	2.69	3.66	6.35	0.57	5.78	6.22	0.44
	Mar 01		0.77	11.45	12.22	1.25	10.97	12.49	1.52	
	Feb 02		0.17	6.62	6.79	0.65	6.14	6.96	0.82	
	Jan 03	1.58	6.11	7.69	0.51	7.18	7.51	0.33		
	L. No.-32/92	Dec 98	0.90	1.60	2.50	0.55	1.95	13.32	11.37	
		Nov 99	1.32	1.32	2.64	1.16	1.48	3.25	1.77	
		Mar 01	0.13	5.30	5.43	0.31	5.12	9.01	3.89	
	L No.- 32/92B	Nov 99	1.32	2.24	3.56	1.16	2.40	4.18	1.78	
		Mar 01	0.45	8.83	9.28	0.30	8.98	9.36	0.38	
	L. No.-14/92	Dec 98	0.12	0.90	1.02	0.01	1.01	1.64	0.63	
		Mar 01	7.60	1.37	8.97	8.42	0.55	1.06	0.51	
		Feb 02	6.93	0.01	6.94	6.42	0.52	1.21	0.69	
	L. No. 4/97	Dec 98	2.31	3.21	5.52	2.10	3.42	5.03	1.61	
Nov 99		2.75	1.22	3.97	3.22	0.75	1.38	0.63		
Jan 03		0.30	1.74	2.04	1.15	0.89	2.26	1.37		
L. No. 12/92	Feb 02	0.01	2.62	2.63	0.23	2.40	3.19	0.79		
	Jan 03	0.97	3.22	4.19	1.02	3.17	4.35	1.18		
L.No.33/92	Dec 98	3.22	3.39	6.61	1.40	5.21	6.09	0.88		
	Nov 99	1.59	0.95	2.54	2.18	0.36	0.71	0.35		
L. No. 1/92	Nov 99	1.23	1.14	2.37	1.69	0.68	0.91	0.23		
	Mar 01	3.99	5.92	9.91	3.31	6.60	8.41	1.81		
L. No 22/92	Mar 01	0.07	2.86	2.93	0.39	2.54	3.15	0.61		
L.No.2/97	Mar 01	0.19	2.46	2.65	1.14	1.51	1.86	0.35		
	Feb 02	0.48	0.25	0.73	0.69	0.04	0.85	0.81		
L.No.3/95	Jan 03	0.39	1.50	1.89	0.65	1.24	2.10	0.86		
Total			69.56	117.96	187.52	69.13	118.39	172.52	54.13	

³⁸ Actual sale based on the sale value of stamped paper used in registration supplied by the vendor during the month, excluding stamped paper sold during the month but not registered during the same month.

After this was pointed out by audit, the Government admitted the fact of non-submission and non-inspection of sale registers of the vendors and instructed all registering authorities to follow the provision of inspection of sale registers. However, final reply relating to excess utilisation of the stamps was not received (December 2004).

Collection of stamp duty through franking machine

4.6.13 The Orissa Stamp Rules, 1952 were amended vide Gazette notification of June 1998 providing for use of stamping or perforating machine including franking machine for making impressions on instruments chargeable with duties to indicate payment of duty payable on such instruments and when so authorised any such impression on an instrument shall have the same effect as if the duty of an amount equal to the amount indicated in the impression has been paid in respect of and such payment has been indicated on, such instruments by means of stamps.

Test check of records relating to collection of Stamp Duty (SD through franking machine) revealed that although the order for installation of franking machine was issued in June 1998, the machines were actually installed in September 1999. Since then franking machines have been installed in 85 registering offices. However, the objectives for which the franking machine was introduced, like to check the use of fake stamped papers, avoidance of artificial scarcity, break the monopoly of licensed vendors etc. have not been achieved because the use of franking machine is hardly four to 10 per cent of the total stamp duty collected as detailed below.

(Rupees in Crore)

Year.	Name of the DSR	Total SD realised	SD realised through franking	Percentage of franking SD
2000-01	Cuttack	2.64	0.12	4.54
	Puri	1.65	0.10	6.06
	Balasore	2.38	0.16	6.72
	Kendrapara	0.50	0.04	8.00
2001-02	Kendrapara	0.59	0.04	6.77
	Balasore	2.62	0.17	6.48
	Puri	1.76	0.12	6.81
	Cuttack	2.41	0.17	7.05
2002-03	Kendrapara	0.66	0.03	4.54
	Puri	1.96	0.15	7.65
	Balasore	3.87	0.31	8.01
	Cuttack	5.96	0.62	10.40

Also in some SRs like Pipili, Balipatna, Kholikote and Kabisuryanagar the use of franking machines were negligible. Moreover, the use of franking machine has not been made mandatory.

After this was pointed out, the IGR stated that due to non-acceptability by public the percentage of use of franking machine was very low.

Discrepancy in reporting by DSRs

4.6.14 Annual reports compiled on the basis of basic records like fees books, rough drafts etc. in DSRs offices are sent to IGR. A test check of records in Cuttack, Balasore and Angul DSR offices revealed discrepancies between the actual value of stamped papers utilized in registration of documents and the figures of stamp duty reported to IGR/Government as detailed below:

(Rupees in crore)

Name of the DSR	Year	Reported figure to IGR	Actual figure	Difference
D.S.R, Cuttack	2000-01	2.49	2.52	(-) 0.03
	2001-02	2.18	2.24	(-) 0.06
	2002-03	5.08	5.34	(-) 0.26
D.S.R, Balasore	1999-2000	1.74	1.83	(-) 0.09
	2000-01	2.31	2.22	(+) 0.09
	2002-03	3.45	3.56	(-) 0.11
D.S.R, Angul	1998-99	0.84	0.87	(-) 0.03
	1999-2000	0.90	0.88	(+) 0.02
	2000-01	1.50	1.47	(+) 0.03
	2001-02	1.79	1.50	(+) 0.29
	2002-03	2.53	2.38	(+) 0.15

After this was pointed out in audit, the DSRs confirmed the discrepancy and accepted the actual figures as worked out by audit. This indicates that reporting mechanism is faulty and there is no cross verification/reconciliation by the IGR.

Unregistered documents

4.6.15 The Indian Registration Act, 1908 provides for optional registration of certain specified documents. There is no checking/internal control in respect of sale of stamped papers for unregistered documents. Although this is a potential area, IGR, as the Superintendent of Stamps does not exercise any check in the case of unregistered documents. In fact no checks are prescribed in the rules on documents which are to be registered optionally. As a result use of fake stamps/loss of duty in such cases cannot be ruled out as noticed in audit during checking of records of Life Insurance Corporation (LIC). The Central office of LIC of India had issued instructions in March 2001 to procure insurance policy stamps from the treasury only.

Despite the above directive it was noticed that the LIC Divisional Offices at Sambalpur, Berhampur and Cuttack purchased insurance policy stamp amounting to Rs.4.45 crore during 1994-95 to 2002-03 from the following stamp vendors operating outside the state of Orissa which includes stamps worth Rs.2.61 crore purchased after March 2001.

(Rupees in crore)

Sl. No.	Name of the Vendors	Amount
1.	Stampex India, Jamshedpur	3.32
2.	R.K. Chandra, Calcutta.	1.03
3.	Amol Enterprises, Pune	0.10
Total :		4.45

A review of the records at the LIC divisional offices revealed following irregularities.

LIC purchased stamps of Rs.3.32 crore from Stampex (India), Jamshedpur during the period 1996-97 to 2002-03. But licence number/copy of licence, were not produced in favour of Stampex (India), rather LIC produced copies of licences in favour of two individuals who were said to be the partners of Stampex. It was further revealed that no licence for sale of stamps was issued in favour of Stampex India (Jamshedpur) by the Deputy Collector, Stamps, Jamshedpur. Thus it was evident that stamps worth Rs.3.32 crore were purchased from un-authorised vendor.

Insurance stamps worth Rs. 1.13 crore was purchased by LIC, Berhampur and Cuttack Division from R.K. Chandra, Calcutta and Amol Enterprises, Pune. But neither licence number nor copy of licence was produced in favour of the above two vendors. As such, the genuineness of the vendor could not be verified in audit.

A cross check of treasury records for the last five years at District Treasury Office, Bhubaneswar, Cuttack, Berhampur (Special Treasury) and Sambalpur revealed that their respective LIC Divisional Offices procured insurance stamps from out-station vendors despite the fact that stamps were available in the concerned treasuries as detailed below.

(Rupees in crore)

Year.	Amount of insurance stamps procured from out-station vendors/parties	Availability of insurance stamps in Bhubaneswar, Cuttack, Sambalpur and Berhampur Treasuries				
		Cuttack	Bhubaneswar	Berhampur	Sambalpur	Total
1998-99	0.21	0.64	6.05	0.51	0.38	7.58
1999-00	0.19	0.33	5.94	0.33	0.19	6.79
2000-01	0.95	2.14	6.80	0.24	0.08	9.26
2001-02	1.44	2.06	6.76	0.23	0.08	9.13
2002-03	1.16	1.84	5.95	0.23	0.12	8.14

This indicated that LIC did not make sincere efforts to procure insurance stamps from treasuries within the State.

Recommendations

4.6.16 The State Government may consider taking following steps to plug the shortcomings/deficiencies in the procurement, sale, registration of stamps.

- IGR being the Superintendent of Stamps should function as central nodal agency for monitoring all activities relating to procurement, sale, utilisation and accounting of stamp and stamped papers as well as regular reconciliation with stamped papers registered in registering offices should be got done. IGR should also ensure coordination between different functionaries like Licencing authority, Treasury officers and Registering officers.

- The use of franking machine for impressed stamps may be made mandatory particularly in case of instruments which are to be registered compulsorily under Indian Registration Act, 1908.
- The shape, size and look of the impression generated by franking machine which, at present, looks like a small postal franking stamp may be modified to look similar to the printed stamped papers to enhance their public acceptance.
- Collection of stamp duty through other Government agencies like post office or banks may be considered.
- Inspection of vendor's accounts as prescribed must be conducted by the appropriate authority. Licencing authority, registering authority and revenue authority should be made responsible for any lapse on this account.
- Necessary amendments to Acts/Rules may be considered for carrying out checks on payment of stamp duty in respect of instruments whose registration is optional under the Registration Act.
- After this was pointed out between April 2004 and August 2004, the Government stated in December 2004 that instructions were being issued for use of franking machines by the registration offices and for wide publication for such franking of non judicial stamps without any extra cost. It also stated that suitable amendments would be made in the provisions of Acts/Rules for payment of stamp duty and registration fees in shape of bank drafts/challans.

4.7 Short realisation of stamp duty

The IGR issued guidelines (September 1993) for determination of value of land. The highest sale price of a land during the last three years preceding the year of execution should be taken as value of land for the purpose of levy of stamp duty and registration fees. In September 2002, Government modified the referability under Section 47(A) of Indian Stamp Act, 1899 (IS Act), according to which the highest rate sale instance of land preceding the month in which the document in question is presented for registration will be taken into consideration. While such highest sale is taken, care has to be taken that value of comparable land adjacently located, is taken into consideration. For the purpose of proper valuation the SR/DSR are required to be provided with copy of the finally published village maps and Records of Right (ROR) as per IGR, Orissa circular of November 1993. In the absence of any documentary evidence to verify value of the adjacent plots, the Registering Officers should go for the highest sale price of land during the last three years preceding either the year of execution or the month of execution for the purpose of levy of stamp duty and registration fees.

A test check of records in 18 Offices³⁹ revealed that 860 documents were registered between 2001 and 2003 at a lower rate as compared to the highest sale value of land. No reference was made to village maps, RORs and valuation register for proper valuation of documents. Thus violation of IGR guidelines/Government orders resulted in undervaluation of land and consequent short levy of stamp duty and registration fees of Rs.1.43 crore. A few instances are given below:-

A. Non-adherence to I.G.R. guidelines

(Rupees in lakh)

Docu-ent No/ Date	Area (in Acre)	Consideration money as per Govt. notification	Consideration money as per document	Stamp duty <u>leviable</u> Levied	Registration fee <u>leviable</u> Levied	Differential Stamp Duty/ Differential Registration Fees	Total short levy
S.R, Basudevpur							
Referral Doc No. 2091/2000 Ac.0.5/8, Rs.21,875. Kisam - Sa-2, Rate/Acre- Rs.35,00,000							
<u>161</u> 19.1.02	1.19	4.65	1.05	<u>6.95</u> 0.17	<u>0.83</u> 0.02	<u>6.78</u> 0.81	7.59
<u>734</u> 2.4.02	0.31	10.85	0.30	<u>1.81</u> 0.05	<u>0.22</u> 0.01	<u>1.76</u> 0.21	1.97
SR, Sohella							
Referral Doc. No.1165/28.5.2001, Ac0.05, Rs.50,000, Kisam-Aa.u, Rate/Acre - Rs.10,00,000							
<u>1669</u> 19.7. 02	0.09	9.00	0.54	<u>0.96</u> 0.06	<u>0.18</u> 0.01	<u>0.90</u> 0.17	1.07
<u>1668</u> 19.7.02	1.05	10.96	1.08	<u>1.17</u> 0.11	<u>0.21</u> 0.02	<u>1.06</u> 0.19	1.25
SR, Khandapara							
Referral Doc. No.1103/ 9. 5. 01, Ac.0.09 - Rs.30,000, Kisam- Sa-do-2, Rate/Acre - Rs.3,33,333							
<u>1319</u> 22.6.02	1.56	5.20	1.09	<u>0.76</u> 0.16	<u>0.10</u> 0.01	<u>0.60</u> 0.09	0.69

B. Non-adherence to Government order of 2002

SR, Khandagiri							
Referral Doc. No.2046/29.4.02 Ac.0.180 Rs.12,00,000 Kisam-GB-2 (Rate/Acre 66,67,000)							
<u>4277</u> 7.10.02	0.072	4.80	2.30	<u>0.85</u> 0.41	<u>0.09</u> 0.04	<u>0.44</u> 0.05	0.49
SR, Basudevpur							
Referral Doc. No.2179/10.7.02 Ac0.11, Rs.19,250 Kisam-Sa-1 (Rate/Acre Rs.17,50,000)							
<u>2967</u> 28.12.02	2.85	4.99	--	<u>0.53</u> 0.15	<u>0.09</u> 0.02	<u>0.38</u> 0.07	0.45
SR, Jaipatna							
Referral 1359/21.9.02 Ac.0.03 Rs.13,500 Kisam- At.um. (Rate/Acre Rs.4,50,000)							
<u>1508</u> 12.12.02	1.000	4.50	0.56	<u>0.48</u> 0.06	<u>0.09</u> 0.01	<u>0.42</u> 0.08	0.50

After the omission was pointed out between July 2002 and December 2003, the IGR, Orissa intimated in May 2004 that in 192 cases action has been initiated for realisation of deficit amount of stamp duty. Further progress made has not been received (December 2004).

The matter was referred to Government in April 2004; their reply was awaited (December 2004).

³⁹ Basudevpur, Balikuda, Bhatli, Dharmagarh, Hatadiha, Jaipatna, Keonjhar, Khandagiri, Khandapara, Lakhanpur, Loisinga, Madanpur Rampur, Nayagarh, Nuapara, Odogaon, Paikmal, Sohella and Titlagarh.

4.8 Short-realisation of Stamp Duty and Registration Fees due to change of Kisam of land

The Indian Stamp Act, 1899, provides that facts and circumstances should be fully and truly set forth in the instruments presented before the Registering Officer for assessment of stamp duty and registration fees. Any person, who intends to defraud Government, shall be punishable with fine, which may extend up to five thousand rupees. He shall also be liable to pay the deficit amount of stamp duty and registration fees.

Cross verification of records maintained in three DSRs⁴⁰ and 27 SRs⁴¹ with those of concerned Tahasil Offices revealed that Kisam of land in 397 documents was incorrectly set forth in the documents registered. These were undervalued due to change in kisam of land, which resulted in short realisation of stamp duty and registration fees of Rs.65.56 lakh. In addition, a fine of Rs.19.85 lakh was also leviable.

After this was pointed out between April 2002 and March 2004, the DSRs agreed to realise the deficit stamp duty and registration fees after verifying the documents. Further reply was awaited (December 2004).

The matter was brought to the notice of IGR/Government in April 2004. The IGR, Orissa stated in May 2004 that instructions were issued for verification of 100 *per cent* ROR. Further it was stated that in 264 out of 397 cases, action was initiated for realisation of the deficit amount of stamp duty and registration fees.

4.9 Irregular exemption of stamp duty and registration fees

Under Orissa Development Authority (ODA) Act, 1982 no duty shall be imposed on any deed of transfer of immovable property either by or in favour of the authority. Stamp duty and registration fees shall be payable in other cases.

4.9.1 Scrutiny of records of DSR, Cuttack revealed that 20 documents were executed involving consideration money of Rs.1.28 crore. These documents were executed for transfer of buildings by a builder to individual allottees. Exclusive right over the plot of land was given by the Cuttack Development Authority to the builder. Hence, the building constructed belong to builder. Thus, the documents were eligible to stamp duty and registration fees. However, the Registering Authority incorrectly allowed the exemption resulting in loss of revenue of Rs.22.72 lakh on account of stamp duty and registration fees.

40 DSR- Bhadrak, Jagatsinghpur and Nayagarh.

41 SR- Bari, Basudevpur, Bonth, Barapalli, Banapur, Bheden, Barchana, Buguda, Ballikuda, Jaleswar, Khaira, Khandapara, Kujanga, Khandagiri, Khurda, Mahanga, Mansada, Padamapur, Paikamala, Raghunathpur, Rasgobindapur, Ranapur, Salipur, Sohella, Soro, Tirtol and Tigiria.

After this was pointed out in audit in April 2002, DSR, Cuttack accepted in February 2004 the audit observations and reopened the case for realisation of deficit stamp duty and registration fees.

The matter was referred to IGR/Government in April 2004. The IGR stated in June 2004 that all the deeds were processed for levy of the deficit stamp duty and registration fees. Further reply was awaited (December 2004).

4.9.2 As per Government order of July 1994, read with order of December 1997, stamp duty and registration fees is exempted under different IPR and remission of stamp duty is allowed in full in respect of deed executed for transfer of Industrial units to a new owner/management under the provision of State Financial Corporation Act, 1951.

During the course of audit of DSR Cuttack, it was noticed that while executing a sale deed there was no mention of the fact as to transfer of the industry to a new owner/management. However, the DSR incorrectly exempted the deed valued at Rs 1.41 crore from payment of stamp duty and registration fees. In another case, it was noticed that a deed registered under IPR was not supported by the recommendation of the General Manager of the district that was necessary for claiming exemption from payment of stamp duty and registration fees. But DSR while registering the document incorrectly exempted the deed valued at Rs 0.11 crore from payment of stamp duty and registration fees. Thus incorrect exemption in these two cases resulted in short realisation of government dues of Rs.20.11 lakh.

After this was pointed out in audit in June 2003, DSR, Cuttack accepted in February 2004 the audit observations and reopened the case for realisation of deficit stamp duty and registration fees.

The matter was referred to IGR/Government in April 2004. The IGR stated in May 2004 that the cases were initiated to realise deficit stamp duty and registration fees and DSR, Cuttack was directed to institute certificate cases against the lessees.

CHAPTER-V: STATE EXCISE

5.1 Results of Audit

Test check of records in the offices of the Excise Commissioner, Deputy Commissioners of Excise and Superintendents of Excise conducted during 2003-2004 revealed non/short realisation and loss of revenue amounting to Rs.52.86 crore in 757 cases which may broadly be categorised as under:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1	Non/short realisation of duty/licence fee	632	41.77
2	Other irregularities	63	10.01
3	Loss of revenue due to delay in granting, issue of licence	62	1.08
Total		757	52.86

During the course of the year 2003-2004, the Department accepted under-assessment etc. of duty amounting to Rs.5.24 crore in 322 cases out of which Rs.1.53 crore in 72 cases were pointed out in Audit in 2003-04. The Department had recovered Rs.1.95 crore in 138 cases including Rs.1.53 crore in 72 cases of 2003-04.

A few illustrative cases highlighting important audit observations involving Rs.45.15 crore are discussed in the following paragraphs.

5.2 Short-realisation of Excise duty due to application of incorrect rates

As per the Excise Policy of Government of Orissa, Excise Department for the year 2001-02 and 2002-03, the rate of excise duty on whisky made from imported base was Rs.200 per London Proof Litre (LPL) while the excise duty of same brand of other India made whisky was at the rate of Rs.90 per LPL for 2001-02 and Rs.120 and Rs.92 per LPL for 2002-03. Sales tax is also leviable on excise duty.

During the audit of records of Superintendent of Excise, Khurda it was noticed that M/s. Orissa State Beverages Corporation (OSBC) procured 24,68,099.5398 LPL of whisky made from imported base from manufacturers during the years 2001-02 and 2002-03. The Corporation was liable to pay excise duty at the rate of Rs.200 per LPL. However, excise duty was paid at lower rates applicable to whisky manufactured from non-imported base whisky. This resulted in short levy of excise duty of Rs.25.82 crore as detailed below:

Year	Cases of IMFL procured	Qty in LPL	Differential duty realisable (Rs)			Total duty (Rs.)
			200-90 @ 110/-	200-120 @ 80/-	200-92 @ 108/-	
2001-02	1,53,265.8327	10,16,848.7042	11,18,53,357	-	-	11,18,53,357
2002-03	2,19,308.7802	14,51,250.8356	-	2,95,64,957	11,68,22,398	14,63,87,355
Total	3,72,574.6129	24,68,099.5398	11,18,53,357	2,95,64,957	11,68,22,398	25,82,40,712 Say Rs.25.82 crore

In addition, there was loss of Rs.5.68 crore towards sales tax including surcharge on excise duty of Rs.25.82 crore.

After this was pointed out in audit in August 2003, Superintendent of Excise stated in August 2003 that the matter was brought to the notice of Excise Commissioner, Orissa/ Government in September 2003. There was failure to levy duty at the applicable rate although the labels⁴² registered by the Excise Commissioner, Orissa and affixed on the bottles bear testimony of the imported base and the clear provision in the Excise Policy of the Government.

The matter was reported to Excise Commissioner/ Government of Orissa in February 2004; the Excise Commissioner in August 2004 moved the Government for clarification. Further reply was awaited (December 2004).

42 Royal Stag Deluxe Whisky, Blender's Pride Whisky, Oaken Glow Whisky, Signature Whisky, 8 PM Whisky, Aristocrat Black Whisky, Bagpiper Gold Premium Whisky, Bagpiper Whisky, Mc Dowell's Diplomat Whisky, No.1 Mc Dowell Whisky, Imperial Blue Whisky, Mc Dowell's No.1 Reserve Whisky, Black and Gold Rare Whisky, Royal Challenge Whisky, White hall classic Deluxe Whisky and Royal Arms Real Whisky.

5.3 Non-realisation of excise duty on short drawn MGQ

As per the Orissa Excise (Exclusive Privilege) Foreign Liquor (Amendment) Rules 1998, every licensee of India-made foreign liquor (IMFL)/Beer shall guarantee the sale of minimum guaranteed quantity (MGQ) of foreign liquor as fixed by the Excise Commissioner, Orissa, before obtaining the licences. In case of default, the excise duty to the extent of deficit amount shall be collected with the licence fee of the succeeding months. In case of further deficit, the amount will be collected at the end of the year with 10 *per cent* fine on the deficit amount or as arrear of land revenue under the provisions of Orissa Public Demands Recovery (OPDR) Act, 1962.

Test check of records of eight⁴³ District Excise Offices revealed between July 1998 and December 2003 that demand of Rs.8.90 crore was raised at the instance of audit against 136 licensees towards excise duty and fine for default in drawing MGQ of IMFL and beer from April 1998 to March 2001. No action was taken by the Superintendents of Excise to recover the same as arrears of land revenue. This resulted in non-realisation of excise duty of Rs.8.90 crore as detailed below:

(Rupees in crore)

Sl. No.	Year	No. of cases	Excise duty	Fine at 10 <i>per cent</i> of ED	Total
1.	1998-99	50	2.48	0.25	2.73
2.	1999-00	49	3.12	0.31	3.43
3.	2000-01	37	2.49	0.25	2.74
	Total	136	8.09	0.81	8.90

After this was pointed out in audit between May 2003 and October 2003, the Excise Commissioner, Orissa stated in August 2004 that excise duty of Rs.14.44 lakh and Rs.0.74 lakh have been realised in respect of Jagatsinghpur and Keonjhar districts. In other districts, realisation was under process. Further action taken has not been received (December 2004).

The matter was referred to Government in March 2004; their reply had not been received (December 2004).

5.4 Non-realisation of Excise duty at enhanced rate

Government of Orissa vide their Notification of March, 2002 revised the excise duty on IMFL and beer with effect from 1 April 2002. The rate of excise duty of beer was revised from Rs.10 to Rs.14 per BL while the rate of IMFL was revised from Rs.90 to Rs.120 per LPL with effect from 1 April 2002. As per provision of above notification the excise duty recovered by a unit in excess of the duty paid by him at the time of purchase is required to be deposited into the Government account.

43 Balasore, Cuttack, Dhenkanal, Jagatsinghpur, Koraput, Nayagarh, Sundargarh and Keonjhar

Test check of records of Superintendent of Excise, Khurda revealed in July 2003 that the closing stock of beer and IMFL as on 31 March 2002 in respect of six depots of the OSBC was 89,23,010 BL and 31,76,547 LPL respectively which was procured on pre-payment of duty at the rate of Rs.10 per BL and Rs.90 per LPL. The Corporation collected excise duty from the retailer licensees of the state at the enhanced rate but deposited only Rs. 1.4 crore towards excise duty as against Rs.4.83 crore which should have been deposited. Demand for the differential duty of Rs.3.43 crore was neither raised by the Superintendent of Excise nor was it paid by the Corporation.

After this was pointed out in audit in August 2003, Superintendent of Excise, Khurda accepted audit observation and raised the demand of Rs.3.43 crore in August 2003 and further stated in December 2003 that Rs.0.11 crore was realised. Report on recovery has not been received (December 2004).

The matter was reported to Excise Commissioner/Government of Orissa in November 2003; their replies were awaited (December 2004).

5.5 Loss of revenue due to temporary closure of distillery

Under the provisions of Bihar and Orissa Excise Act, 1915, (OE Act) the authority who granted exclusive privilege, license, permit or pass under the Act may cancel or suspend it. It is judicially held⁴⁴ that the State Government being the exclusive owner of those privileges, the power to suspend any exclusive privilege granted under Section 22 of the Act finally rests with the State Government. Further, as per the executive instruction of May 1973 from Excise Commissioner to all Collectors, no cancellation or suspension of any license granted for any exclusive privilege shall be made without obtaining prior orders of Government.

During the test check of records of Superintendent of Excise, Dhenkhal, it was noticed that a shortage of 37,539.2 LPL of rectified spirit was detected by the Excise Department on 31 December 2002. The Excise Commissioner suspended the production of the distillery from 31 December 2002 though no orders from the Government were obtained. In the meantime, the Superintendent of Excise, Dhenkhal raised a demand of Rs.45 lakh towards excise dues for this shortages and the case was sent to the Government. However, the Government did not approve the proposal and directed the Excise Commissioner on 10 February 2003 to allow the distillery to resume its production on payment of Rs.10 lakh and take final decision within three months. The distillery restarted its production on 14 February 2003 after paying Rs.10 lakh. Since then the case has been pending with the Excise Commissioner. Consequently, the demand of Rs.35 lakh after adjusting Rs.10 lakh paid by the distillery remained unrealised.

The matter was reported to Excise Commissioner/Government in March 2004; their reply was awaited (December 2004).

44 State of Orissa Vrs. Harinarayan Jaiswal OJC No 93/73 and AIR 1972-SC-1816.

5.6 Loss of revenue due to delay/non confirmation of IMFL Off Shops

Under OE Act read with rules made thereunder licenses for the whole sale or retail vend of intoxicants may be granted for each financial year. Government of Orissa in their Excise Policy for 2002-2003 decided in March 2002 that all the IMFL off shops that remained unsettled would be settled afresh through process of auction followed by tender and negotiation. In case the bid/negotiated amount does not reach the reserve price, confirmation of Government may be obtained for settlement of vend.

Test check of records of three Excise Superintendents, between June 2003 and December 2003 revealed that after provisional settlement in auction sale, proposal for confirmation of 14 IMFL off shops were sent to Government in 2002-03. Out of 14 IMFL off shops, two off shops of Angul district were not confirmed by the Government, while 10 IMFL off shops of Sambalpur district were confirmed on 21 June 2002 after a lapse of 28 days and two IMFL off shops of Rayagada district on 5 September 2002 after a lapse of 73 days. Due to non-confirmation and delay in confirmation, revenue of Rs.45.45 lakh was foregone in shape of licence fee and MGQ duty. A few instances are given below:

(Amount in rupees)

Sl. No.	Name of the shop	Date of provisional settlement	Date of submission to Government	Date of approval by Government	Time taken	Loss of revenue.
1.	Talcher-II Angul district.	24.9.2002	24.9.2002	Not approved	-	16,29,936
2.	Badakera Angul district.	6.6.2002	6.6.2002	Not approved	-	6,56,208
3.	Ramanguda Rayagada district	24.6.2002	24.6.2002	5.9.2002	73 days	1,64,365
4.	10 shops of Sambalpur district	23.5.2002	23.5.2002	21.6.2002	28 days	13,17,811

The matter was reported to Government in March 2004; their reply was awaited (December 2004).

5.7 Loss of revenue

Excise policies indicating the levy of the excise dues are prescribed by the Government of Orissa. The Board of Revenue is empowered to make/amend the rules for carrying out policies. The notification is issued by the Excise Commissioner by the order of the Board of Revenue.

Government of Orissa, Excise Department on 1 August 2002 modified the Excise Policy for the year 2002-2003 to include franchise fee of Rs. two per BL of beer produced by any manufacturing company. However the Board of Revenue, Orissa issued notification amending the Board's Excise Rules 1965 for levy of franchise fee on beer only on 16 September 2002. Delay in issue of

notification to levy franchise fee on beer resulted in loss of revenue of Rs.27.51 lakh on 13,75,420.800 BL of beer produced by a unit of East Coast Breweries during 1 August 2002 to 15 September 2002.

The matter was referred to Excise Commissioner/ Government of Orissa in February 2004; their replies were awaited (December 2004).

5.8 Short realisation of transport fee on mohua flower

As per Orissa Excise Mohua Flower Rules, 1976 as amended in June 2000, rate of fee in respect of a transit pass for transporting mohua flower within the State shall be Rs.10 per quintal payable prior to the grant of the pass.

Test check of records of eight District Excise Offices⁴⁵ in June-December 2003 revealed that pass fees were not collected prior to grant of transport pass for transporting mohua flower. For manufacture of outstill liquor, 270 outstill liquor licensees procured 1,31,774.33 quintals of mohua flower in the year 2002-2003 on which transport fee of only Rs.0.52 lakh was collected as against Rs.13.18 lakh due. No demand to realise the balance amount was raised which resulted in short realisation of transport fee of Rs.12.66 lakh.

After this was pointed out between June and August 2003 four⁴⁶ Superintendents of Excise, stated between June and August 2003 that they would take action to raise demand and realise the balance amount. Superintendent of Excise, Bargarh stated in April 2004 that Rs.3.15 lakh was realised and Superintendent of Excise, Bolangir stated in October 2003 that demand was raised. Further reply was awaited (December 2004).

Superintendent of Excise, Kalahandi stated in December 2003 that since the licensees had themselves collected mohua flowers and stored them for distillation of O.S. liquor, no transport fee was leviable. The reply is not tenable since the licensees procured mohua flower on valid permits. Non-realisation of pass fee prior to grant of transit pass indicated non-adherence to the Acts/Rules. Excise Commissioner, Orissa confirmed that Superintendents of Excise, Gajapati and Nuapada realised Rs.0.26 lakh and Rs.0.92 lakh in August 2004 respectively.

The matter was referred to Government in March 2004; their reply was awaited (December 2004).

45 Bargarh, Sonapur, Bolangir, Nuapada, Sundargarh, Gajapati, Phulbani, Kalahandi.

46 Nuapada, Sonapur, Sundargarh and Bolangir

5.9 Loss of revenue due to non-affixing of Excise Adhesive Labels

Under the Bihar and Orissa Excise Act, 1915 and rules made there under, Excise Adhesive Labels (EALs) shall be affixed on each bottle/can of IMFL/Beer and on each pouch/container of country spirit. Further, the OSBC should ensure that no bottle/can is received from outside the State without affixture of EALs. The Board of Revenue, Orissa prescribed a fee of Re.0.20 paise for each EAL to be charged for each bottle/can irrespective of size from the manufacturer.

Test check of records in District Excise Office Cuttack revealed in September 2003 that 53,24,676 bottles of beer were imported in OSBC depot Manguli during the year 2002-2003 from out side the State without affixture of EALs causing a loss of revenue of Rs.10.65 lakh to the Government.

The matter was reported to Excise Commissioner/ Government in March 2004; their replies were awaited (December 2004).

CHAPTER- VI : FOREST RECEIPTS

6.1 Results of Audit

Test check of records maintained in various Forest Divisions conducted during the year 2003-2004 revealed non/short levy of interest, loss of revenue etc. of Rs.33.51 crore in 3,877 cases, which may broadly be categorised as under:

(Rupees in crore)			
Sl. No.	Category	No. of cases	Amount
1	Loss of revenue due to short delivery/shortage of forest produce	193	11.83
2	Non/short levy of interest on belated payment of royalty	1,444	9.96
3	Non-realisation of royalty	75	9.53
4	Other Irregularities	2,165	2.19
Total		3,877	33.51

During the course of the year 2003-04, the Department accepted under-assessment etc. of Rs.4.84 crore in 1,991 cases, out of which Rs.1.76 crore in 1,934 cases had been pointed out in audit in 2003-04. Of these, the Department recovered only Rs.0.15 crore in six cases.

A few illustrative cases highlighting important audit observations involving Rs.29.78 crore are discussed in the following paragraphs.

6.2 Loss of revenue due to non working of Bamboo coupes

Under the provisions of Orissa Forest Produce (Control of Trade) Act, 1981 the Orissa Forest Development Corporation Limited (OFDC) had been appointed as the agent for extraction of and trade in bamboo with effect from 1 October 1988 in the state of Orissa, on payment of purchase price as fixed by the Government from year to year. The agent has to extract bamboo from Government forests and pay royalty to the Government on the basis of annual agreement executed as provided under Orissa Forest produce (Control of Trade) Rules, 1983. The annual working (extraction) of bamboo is regulated as per prescription of working plan approved by Conservator of Forests (Central) to ensure scientific management of forest. The bamboo coupes are to be operated in a cycle of four years.

Test check of records of Principal Chief Conservator of Forests (PCCF), Orissa in January 2004 revealed that last operation for extraction of bamboo in different coupes was done in 1998-99 in 23 divisions and the next operation was due in 2002-03. A perusal of the records revealed that the coupes of 21 divisions were not operated at all while two divisions were operated partly. This resulted in loss of bamboo production of 1,72,810.70 sale units (SU) valued at Rs 11.23 crore based on the average three crop years' production in the shape of royalty.

After this was pointed out in audit in January 2004, PCCF stated in August 2004 that the extraction could not be done due to non-approval of working plans in 14 divisions, while in nine divisions the operations were suspended due to revocation of working plans by Government of India. The reply was not tenable as the Government of India in pursuance of Supreme Court orders of September 2000 had directed the state Government in November 2000 to furnish particulars regarding the forest area to be worked/regenerated within four weeks which was not furnished by the State. The Government of India vide order of January 2002 reiterated to furnish the information within 30 days, non-submission of which would result in revocation of working plans. State Government furnished the information in August 2003 after suspension of working plans in October 2002 by Government of India. Thus delay on the part of the state Government in sending the information resulted in revocation of working plans and consequential loss of revenue of Rs.11.23 crore.

The matter was reported to Government (March 2004); their reply had not been received (December 2004).

6.3 Loss of interest due to non-recovery of cost of bamboo

As per the agreement entered by Government of Orissa with the OFDC under Orissa Forest Produce (Control of Trade) Rules, 1983, any amount recoverable from the corporation shall be recovered as arrears of land revenue. Interest is recoverable at the rate of six *per cent* per annum upto 27 November 1992 and 12 *per cent* per annum thereafter on the arrears declared as arrears of land revenue.

Test check of records of PCCF revealed that OFDC had not paid the purchase price of bamboo since 1988-89. The amount outstanding against the corporation was Rs 13.77 crore as on 31 March 2003. The Department had not declared the dues as arrears of land revenue. Consequently interest could not be levied. This resulted in loss of revenue of Rs.7.05 crore for the period between 1998-99 and 2002-03.

After this was pointed out in January 2004, PCCF accepted the audit observation. Further reply was awaited (December 2004).

The matter was referred to Government in April 2004; their reply had not been received (December 2004).

6.4 Non-realisation of cost of Silviculture operation

Under the provisions of the Orissa Forest Produce (Control of Trade) Act 1981, the OFDC has been appointed as the agent for extraction of and trade in bamboo with effect from 1 October 1988. The agent is liable to pay purchase price and cost of silviculture operation as fixed by Government. As per Government of Orissa, Forest and Environment Department order of November 1994, the agent will deposit the amount in advance due for silviculture operation direct into Treasury.

Test check of records of PCCF, Orissa revealed that demand for cost of silviculture operation was not raised in advance by the Department against OFDC. It raised a demand of Rs.6.79 crore for the period from 1994-95 to 1999-2000 in 2000-2001, while demand of Rs.5.39 lakh for the period 2000-01 to 2002-03 was not raised at all. The Corporation did not deposit any amount in to the government account. Thus there was non-realisation of Rs.6.84 crore.

After this was pointed out in audit in January 2004, PCCF accepted audit observation (August 2004). Further reply was awaited (December 2004).

The matter was brought to the notice of Government in March 2004; their reply had not been received (December 2004).

6.5 Non-levy of interest on belated payment of royalty on timber

Under Orissa Forest Contract Rules, 1966, if a contractor fails to pay any instalment of royalty for sale of forest produce by the due date, he is liable to pay interest at the rate of 6.25 *per cent* per annum on the instalment of default. These provisions are also applicable to the OFDC which acts as a contractor.

Test check of records of 22 Forest Divisions⁴⁷ between February 2003 and January 2004 revealed that Divisional Forest Officers (DFOs) did not levy interest of Rs.1.44 crore on belated payment of royalty for the period 1998-99 to 2001-02 by OFDC. The delay in payment of royalty beyond the due date ranged between three and 59 months as follows.

(Rupees in lakh)		
Period	No of lots	Amount
3 to 12 months	364	16.46
1 to 2 years	475	34.80
2 to 5 years	655	92.79
Total	1,494	144.05

After this was pointed out in audit between February 2003 and January 2004, all the DFOs raised demand of Rs.1.44 crore in all the cases between July 2003 and July 2004. Report on recovery was awaited (December 2004).

The matter was brought to the notice of Government in March 2004; their reply had not been received (December 2004).

6.6 Blocking of revenue due to non-disposal of timber and poles

Government of Orissa, Forest & Environment Department in their order of July 1989 issued instructions for early disposal of timber seized in undetected (UD) forest offence cases, either by prompt delivery to the OFDC or by public auction in order to avoid loss of revenue due to deterioration in quality and value on account of prolonged storage.

During test check of records of 28 Forest Divisions⁴⁸ it was noticed that 2,184 UD forest offence cases involving 6,632 cft of timber and 2,867 poles were registered in the Department between 1998-99 and 2002-03. These cases were not disposed of by the respective DFOs. Besides, the forest produce valued at Rs.1.23 crore was neither delivered to the OFDC nor sold by auction. The inaction on the part of the Department resulted in non-realisation of government revenue to that extent.

47 Athagarh, Athamalik, Baripada, Bolangir, Bonai, Bamra, Dhenkanal, Deogarh, Ghumsur (N), Ghumsur (S), Jeypore, Karanjia, Keonjhar, Kalahandi, Nayagarh, Nawarangapur, Mahanadi (W.L.), Phulbani, Rairakhol, Satkosia (W.L.), Sambalpur and Sundergarh

48 Athagarh, Athamalik, Angul, Baripada, Bamra, Bolliguda, Bonai, Boudh, Bolangir(W), Deogarh, Dhenkanal, Ghumsur(N), Ghumsur(S), Jeypore, Kalahandi, Keonjhar, Khairar, Karanjia, Mahanadi (WL), Nayagarh, Nabarangapur, Phulbani, Paralakhemundi, Rayagada, Rairakhol, Sambalpur, Sundergarh and Satkosia (WL)

After this was pointed out between February 2003 and December 2003, DFOs stated in July 2004 that 24,513.82 cft of timber and 170 poles worth Rs.32.14 lakh were delivered to OFDC. Further position was awaited (December 2004).

The matter was reported to Government in March 2004; their reply had not been received (December 2004).

6.7 Loss of revenue due to low yield of cashew nuts

As per project report of the OFDC for cashew plantation duly approved by the Government of Orissa in Forest and Environment Department (March 1978), the norm for annual yield of cashew nuts was fixed as two kilograms per tree for trees of age 16 to 20 years, 2.5 kg for trees of age 21 to 25 years and three kg for trees of age 26 to 30 years.

Test check of records of DFO, Khurda in January 2004 revealed that an amount of Rs.1.16 crore was realised in auction sale of cashew nuts obtained from 1,29,944 trees during the years 1999-2000 to 2001-2002 against Rs.2.35 crore worked out on the basis of norms for annual yield of cashew nuts fixed in the project report. This had resulted in loss of revenue of Rs.1.19 crore.

After this was pointed out in January 2004, the DFO stated in January 2004 that the plantation was of 1973-74 and had lost potentiality of well fruiting and also plantation were left uncared for years together. The reply is not tenable since all the trees were in their productive age as per the norms fixed by the Department itself and approved by the Government. As regards, the plantation being left uncared the Department should ensure the safeguard of the plantation to save the government from recurring loss.

The matter was reported to Government in March 2004; their reply had not been received (December 2004).

6.8 Blocking of revenue due to non-finalisation of royalty

Under the Orissa Forest Department Code, no lease of coupes should be granted without prior fixation of royalty by the appropriate authority. The dateline for fixation of royalty is 31 October each year. Royalty is to be realised before the expiry of original lease period or within the currency of the financial year in case of irregular lots.

Test check of records of DFO Keonjhar in May 2003 revealed that 3,614.36 unit of timber in 10 irregular lots were delivered to the OFDC during 2000-01 to 2002-03 without finalising the royalty. Demand of royalty of Rs.80.43 lakh as worked out by DFO was neither raised against OFDC nor recommendation for settlement of royalty was made to higher authority. This resulted in blocking of revenue of Rs.80.43 lakh.

After this was pointed out in audit in May 2003, the PCCF confirmed in August 2004 raising demand of Rs.21.13 lakh towards royalty against OFDC and that fixation of royalty in other cases is on process. Further reply was awaited (December 2004).

The matter was brought to the notice of the Department in May 2003; their reply had not been received (December 2004).

CHAPTER - VII: MINING RECEIPTS

7.1 Results of audit

Test check of records maintained in the office of the Deputy Director of Mines and Mining Officers during 2003-04 revealed non/short levy of royalty, dead rent, interest and other irregularities of Rs.315.93 crore in 70 cases which may broadly be categorised as under:

(Rupees in crore)

Sl. No	Subject	No of cases	Amount
1	Review, Assessment, collection and recovery of mining dues from major minerals	1	313.42
2.	Non/short levy of royalty/dead rent	34	1.56
3.	Irregularities of miscellaneous nature	29	0.89
4.	Non/short recovery of interest and non levy of interest	6	0.06
Total		70	315.93

During the course of the year 2003-04, the Department accepted under assessment etc. of Rs.0.26 crore involving 18 cases which had been pointed out in earlier years, out of these the Department recovered only Rs.0.05 crore in eight cases.

The findings of a review “**Assessment, collection and recovery of mining dues from major minerals**” involving Rs.313.42 crore are discussed in the following paragraphs.

7.2 Review on Assessment, collection and recovery of mining dues from major minerals

Highlights

◆ **Non-raising of demand for royalty and cost of ore for unauthorised removal of mineral ores resulted in loss of Rs. 267.95 crore.**

{Para: 7.2.10}

◆ **Charging of royalty on processed mineral instead of on unprocessed mineral led to loss of revenue of Rs. 8.28 crore.**

{Para: 7.2.11}

◆ **Delay in renewal of mining lease led to non-execution of lease deeds and consequent loss of stamp duty and registration fees of Rs. 2.09 crore.**

{Para: 7.2.12}

◆ **Non-realisation of interest of Rs. 2.47 crore on delayed payment of royalty.**

{Para: 7.2.15}

◆ **Cross-verification of stock as per the Books of lessee with that of the return submitted to Mining Department revealed evasion of royalty of Rs.2.33 crore on suppressed quantity of coal.**

{Para: 7.2.16}

◆ **Blocking of Government revenue of Rs. 5.93 crore due to non-disposal of minor minerals.**

{Para: 7.2.17}

Introduction

7.2.1 Orissa holds a pre-eminent place amongst the states in India in mineral resources with large deposits of chromite, coal, iron ore, bauxite, dolomite, manganese, limestone and graphite. The grant of concessions and leases for prospecting, mining or extraction of major minerals is governed by the Mines and Minerals (Development and Regulation) Act 1957 (MM(DR) Act) enacted by the Parliament and the Mineral Concession Rules, 1960 (MC Rules) framed thereunder. The administration of major minerals vests with the State Government and receipts realised from mines and minerals are credited to the Consolidated Fund of the State. As per the provisions of the MM(DR) Act the details of opening balance, production, consumption and closing stock of the ores/minerals are required to be exhibited in Form 'A'. It is required to be submitted by the lessee every month to the Deputy Director of Mines/Mining

Officer incharge of the mining circle under whose jurisdiction the lessee operates. Based on this return, the assessment of royalty and other dues is done by the incharge of the circle, a copy of which is also forwarded to the Director of Mines.

Organisational set up

7.2.2 The regulation and development of mines and minerals, grant of mineral concession, assessment, levy and collection of mining dues are administered by the Steel and Mines Department of the State with the Principal Secretary as its head at the Government level and Director of Mines as the Head of the Department. The Director of Mines is assisted by seven Deputy Directors of Mines and seven Mining Officers incharge of the circles who are assisted by Senior Inspector of Mines.

Audit objectives

7.2.3 Detailed analysis of records was conducted with a view to :

- evaluate the efficacy of the system in ensuring timely assessment and collection of royalty, dead rent etc and in ensuring compliance with the provisions of Act and Rules made thereunder;
- identify weakness in the system leading to-
 - inadequate inspection of mines;
 - incorrect depiction of the accounts;
 - unauthorised/illegal mining and recoveries therefrom;
 - non levy of stamp duty under IS Act.
- ascertain effectiveness of the internal control mechanism for realisation of the dues.

Scope of audit

7.2.4 A review of relevant records pertaining to years 1998-99 to 2002-03 was conducted in eight⁴⁹ circles out of 14 and Director of Mines, Orissa between October 2003 and March 2004. The findings are contained in the succeeding paragraphs.

49 Bhawanipatna, Jajpur Road, Joda, Keonjhar, Koira, Rourkela, Sambalpur and Talcher

Trend of Revenue

7.2.5 As per the instructions issued by the Finance Department from time to time, the Budget estimates in respect of mining receipts should be prepared on the basis of previous years production and likely level of production during the year. A comparison of budget estimates along with actual receipts during the years 1998-99 to 2002-03 revealed as under:-

(Rupees in crore)				
Year.	Budget Estimate	Actuals as per Finance Accounts	Variations increase (+) decrease (-)	Percentage of variation
1998-99	379.05	314.05	(-) 65.00	(-) 17.15
1999-00	346.09	320.09	(-) 26.00	(-) 7.51
2000-01	350.00	360.33	(+) 10.33	(+) 2.95
2001-02	367.57	378.56	(+) 10.99	(+) 2.99
2002-03	385.28	443.88	(+) 58.60	(+) 15.20

It would be seen from the above that there was wide variation between the budget estimates and actual receipts during the years 1998-99 and 2002-03. No details showing trend of mineral dispatched and projected production of major revenue earning minerals, production of previous year were made available either by the Director of Mines, Orissa, Bhubaneswar or Finance Department.

It was also observed from the trend of mining revenue during the years 1998-99 to 2002-03 that the budget estimates for 2001-02 and 2002-03 were hardly two *per cent* above the actuals of the relevant previous years. It is evident that the instructions of the Finance Department were not followed.

Lack of Monitoring

7.2.6 As per the instruction dated 22 July 1987 issued by the Director of Mines, Orissa, the Deputy Director of Mines/ Mining Officers are required to inspect all the working leases at least once in six months and non-working leases once in a year and large mines at least once in each quarter. The inspection reports should reach the Directorate by 15th of the following month. A quarterly review was required to be made by the Directorate and a copy thereof was to be forwarded to the Government.

In eight circles test checked, it was observed that the inspection was not conducted in accordance with the prescribed norms by the Deputy Directors/ Mining Offices. Only 147 mines were inspected out of 1,696 mines. The percentage of non-inspection ranged between 87.50 to 96.23 *per cent* as of 31 March 2003 as indicated below.

Year.	No. of working/ non-working mines	No. of mines inspected	Percentage of non-inspection
2000	424	43	89.86
2001	424	53	87.50
2002	424	35	91.75
2003	424	16	96.23
Total	1696	147	

Neither quarterly review reports were made by the Director nor was any report sent to the Government during the period covered under review. Thus, non-submission of reports led to failure in monitoring and internal control mechanism at all levels.

7.2.7 A register called 18 Mines register (Register of daily receipts) is maintained by each circle office. This register contains the details of remittances made into treasury through challans.

A review of the register of five circles⁵⁰ revealed that the registers were incomplete and did not contain necessary details such as remittances of arrears and current dues. As per information furnished by the Director, Rs.31.12 crore were stated to have been collected between April 2003 and June 2003 in respect of these five circles. However, a cross verification of remittances with the challans made available to audit by these circles revealed remittances of Rs.23.04 crore.

After this was pointed out in November 2003, the Department reconciled the figures and stated that actual remittances were only Rs.27.53 crore. Thus, it was seen that there is a need for greater emphasis on reconciliation of remittances made into treasury for correct depiction of the accounts.

7.2.8 A review of the internal audit system in the office of the Director of Mines, Orissa, Bhubaneswar revealed that though the periodicity of internal audit was annual, no audit for the accounting year 2001-02 had been conducted in seven circles as on 31 March 2003. It was further revealed that 444 audit paragraphs in 43 Inspection Reports issued by the internal audit wings of the Department were pending without follow up action as of 31 March 2003 as detailed below.

Year.	No. of Audit Reports issued	No. of paras	No. of paras settled	Paras outstanding	Percentage of disposal
1999-2000	10	171	59	112	34.50
2000-2001	12	199	30	169	15.07
2001-2002	14	147	24	123	16.32
2002-2003	7	43	3	40	6.97
	43	560	116	444	

7.2.9 It was seen that though the assessment orders were forwarded by Mining Officers/Deputy Director of Mines to Director of Mines regularly, Director of Mines had not pointed out any irregularity or suggested any re-assessment even on a single occasion.

The above facts indicated that there was lack of monitoring and internal control system which resulted in substantial loss of revenue to the state exchequer as discussed in the following paragraphs.

⁵⁰ Bolangir, Joda, Kalahandi, Koida and Rourkela.

Unauthorised extraction/removal of mineral

7.2.10 The MM(DR) Act provides that no person shall undertake any mining operation in any area, except under and in accordance with the terms and conditions of a mining lease. Whenever any person extracts without any lawful authority, any mineral from any land, the Government may recover from such person the price of mineral so raised, or where such mineral has already been disposed of, the price thereof and royalty may be realised.

As per the records of the Deputy Director of Mines, Sambalpur, a company extracted coal unauthorisedly on 4.094 hectares of Government land without surface right permission and 59.569 hectares of forest land without forest clearance of Central Government for the period from 1 April 1998 to 1 February 2001. The company had extracted 68,28,491.558 MT of coal upto 1 February 2001 valued at Rs.216.46 crore.

Scrutiny of records revealed that no inspection of the leased area where illegal extraction took place was conducted by the Deputy Director of Mines, Sambalpur from August 1991 to February 2001. Consequently, illegal extraction was not detected. The price of the mineral amounting to Rs.216.46 crore was recoverable from the company. However no action was taken to raise the demand. Besides royalty of Rs.34.14 crore was also recoverable from the company.

After this was pointed out between February 2004 and March 2004, the Deputy Director of Mines stated that Director of Mines was approached to move the Government for initiating action against the lessee. The reply of the Department as regards action for raising of demand was not tenable as it was within the purview of the assessing officer and it should have been raised as soon as illegal extraction was noticed.

The matter was reported to Director of Mines/Government in May 2004; their reply had not been received (December 2004).

- As per MC Rules, if an application for renewal of a mining lease is not disposed of by the State Government before the date of expiry of the lease, the period of that lease shall be deemed to have been extended by a further period till the State Government passes order thereon. As per Forest Conservation Act, 1980, non-forest activities such as (Mining operation) in forest area cannot be undertaken without prior approval of the Central Government, even in case of renewal of mining lease.

Test check of records of Keonjhar Mining circle revealed that a mining lease for iron ore over an area of 1,590.867 hectare expired on 10 July 2000 and the lessee applied for renewal of mining lease on 1 July 1999. The Divisional Forest Officer, Keonjhar directed the lessee on 15 July 2000 not to undertake mining operation without forest clearance from Central Government. A copy of the same was forwarded to Mining Department. Based on this the lessee stopped the Mining operation but resumed it again from 1 May 2001 which was illegal. The lessee was liable to pay cost of the ore of 6,39,127 MT valued at Rs.17.24 crore extracted illegally from 1 May 2001 to 30 November 2003.

Besides royalty of Rs.11.34 lakh was also payable on 47,600.610 MT of iron ore on 30 November 2003. However, no demand was raised by the Mining Officer of the circle. Besides, no action was taken by the Department to stop the illegal operation.

After this was pointed out in January 2004, the Mining Officer, Keonjhar stated that the lessee was asked in December 2003 to re-submit de-reservation proposal for use of forest land for non-forest purposes as the original one was incomplete. Action taken to raise the demand had not been intimated.

The matter was reported to Director of Mines/Government in May 2004; their reply had not been received (December 2004).

Non/short realisation of royalty on high grade Iron Ore.

7.2.11 Government of India, Ministry of Mines in their notification of 25 September, 2000 amended the MC Rules and inserted a new provision according to which in case of processing of run-of-mine⁵¹ mineral carried out within the lease hold area, the royalty shall be chargeable on the processed mineral removed from the lease hold area. Prior to that royalty was chargeable on unprocessed mineral i.e. mineral extracted from the seam. A return Form A(1) is required to be furnished by the lessee to the Mining Officer/Deputy Director of Mines of the concerned circle. This shows the quantity of iron ore fed to the beneficiation plant and quantity recovered from the beneficiation plant. Under MC Rules, in case of belated payment of mining dues, simple interest at the rate of 24 *per cent* per annum is chargeable from the sixtieth day of the expiry of the due date till the default continues.

- Test check of records revealed that M/s. TISCO⁵² submitted monthly returns in November 2003 in Form A (1) for the period from 1994-95 to September 2000. As per the returns, 114.42 lakh MT of iron ore were received by the beneficiation plant from March 1994 to 24 September 2000. Accordingly royalty of Rs.19.39 crore was payable on unprocessed mineral. But assessing officer incorrectly assessed royalty of Rs.12.32 crore on 69.28 lakh MT of minerals recovered from the beneficiation plant i.e. on processed ore. This resulted in short levy of royalty of Rs.7.07 crore.

After this was pointed out in audit in January 2004, the Deputy Director Mines, Joda stated in January 2004 that action would be taken after verification of records.

51 The blasted materials containing ore with other foreign materials brought to the crushing plant ore.

52 Tata Iron and Steel Company.

- Test check of the assessment records of 10 lessees⁵³ for the period between October 2000 and March 2003 revealed that mines of 10 lessees were not run-of-mines. However the royalty was levied by the Assessing Officers on the processed minerals instead of unprocessed minerals. This resulted in loss of Rs.1.21 crore as detailed below.

(Figure in crore)

Name of the circle	Grade of ore	Total quantities fed to beneficiation plant (in MT)	Royalty due from fed quantities (Amount)	Quantities recovered from plant (MT)		Royalty on processed ore (Amount)	Loss of royalty Col. (4-6)
1	2	3	4	5		6	7
1. Joda (Nine Mines)	(+)-65 (lump) (-)- 65 (lump)	55,69,143.211	15.13	(+) 65 (lump)	42,33,865.103	13.94	1.19
		10,26,348.890		(-) 65 (lump)	5,32,998.600		
				(+) 65 (fine)	13,77,332.648		
				(-) 65 (fine)	4,50,974.360		
2. Keon-jhar (one mine)	(+)-65 (lump)	83,146	0.20	(+) 65 (lump)	56,585	0.18	0.02
				(+) 65 (fine)	26,561		
		66,78,638.101	15.33		66,78,316.711	14.12	1.21

After this was pointed out between December 2003 and January 2004, Deputy Director, Mines, Joda accepted the audit observation in October 2003 and stated that the Director of Mines, Orissa would be approached for raising of demand. Final reply is awaited (December 2004).

Non-realisation of stamp duty and registration fees

7.2.12 As per Indian Registration Act, 1908, a mining lease for a period exceeding one year is required to be executed on payment of prescribed stamp duty and registration fees on estimated annual royalty in consideration of the lease deed. Further under MC Rules, after 26 September 1994, the period of renewal of lease shall be deemed to have been extended by a further period till the State Government passes orders thereon. The Principal Secretary to Government, Department of Steel and Mines issued instructions in November 2000 that application for renewal of mining lease received up to 31 August 2000 should be disposed of by 31 March 2001. The instructions also laid down that applications received after 31 August 2000 should be disposed of by the Government within two months from the date of receipt from the Director.

⁵³ Khadabandha Iron Mines M/s. TISCO Ltd., Thakurani Iron Mines M/s. Bharat Processing Mechanical Engineering Ltd., B.P.J. Mines M/s. O.M.C. Ltd., Joruri Iron Mines, M/s. Kalinga Mining Corporation, Nuagaon Iron Mines, M/s. K.J.S. Alluwallia, Khadabandha Iron M/s. O.M.C. Ltd., Jilling Longilotta Iron Mines M/s. E.M.I. Ltd., Jajang Iron Mines M/s. Rungta & Sons, Joribatal Iron Mines M/s. Patnaik Minerals, Putulipani Iron Mines (M/s Gandhamardan Sponge Industries Ltd.)

Test check of records of four⁵⁴ mining circles between November 2003 and March 2004 revealed that 32 cases of extension of mining lease were pending for finalisation before the State Government. These cases were forwarded by the Mining Department between 1998 and 2003. The State Government did not take a decision either for renewal or for revocation of the mining lease despite lapse of period ranging upto six years. In the absence of any renewal order from the Government, no formal lease deed could be executed resulting in non-levy of stamp duty and registration fees amounting to Rs. 2.09 crore as indicated below:

(Rupees in crore)						
Sl. No.	Name of the Mining circle	No. of cases deemed extension	Assessable value	Stamp duty at the rate of 8 per cent	Registration fee at the rate of 2 per cent	Total of stamp duty and registration fee
1.	Jajpur Road	2	7.66	0.62	0.16	0.78
2.	Joda	10	6.91	0.55	0.14	0.69
3.	Koira	17	0.85	0.07	0.02	0.09
4.	Rourkela	3	5.35	0.43	0.10	0.53
		32	20.77	1.67	0.42	2.09

Thus it would be seen from the above that the Government was not following the norms prescribed by itself and there is a need for making a provision in the Act fixing the time limit within which a lease should be renewed.

Introduction of advalorem rate of royalty on chromite

7.2.13 As per Government of India, Ministry of Mines notification dated 17 February 1992 the rate of royalty on different grades of chromite ore were Rs.255, Rs.135, Rs.90 and Rs.23 per MT for high grade, medium grade, low grade and below low grade respectively. Government of India, Ministry of Mines vide notification of 11 April 1997 revised the rate of royalty on all grades of chromite ore and fixed it at 7.5 per cent of sale price on advalorem basis.

- ***Irregular adjustment of excess payment of royalty***

There is no provision in the MM (D&R) Act and MC Rules to refund or adjust the royalty against any future dues.

Test check of records of Deputy Director of Mines, Jajpur Road revealed that nine lessees paid royalty at pre revised rates from April 1997 to March 2003. The Deputy Director of Mines while assessing royalty adjusted the excess payment of royalty of Rs. 7.06 crore against the dues of 2002-03, which was incorrect. The excess royalty paid by the lessees was already realised from the customers/buyers at the time of sale of minerals. Therefore any refund/adjustment would result in undue benefit to the lessee.

After this was pointed out in audit in February 2004 it was stated in February 2004 that comment would be issued after thorough examination of the issue.

54 Jajpur Road, Joda, Koira and Rourkela.

• **Short realisation of royalty from non-captive mines**

Rate of royalty on captive mines⁵⁵ is based on cost production while rate of royalty in case of non-captive mines is based on ex-mines or domestic sale price. The royalty payable by the non-captive mines is more than the captive mines.

Test check of the assessment records of two mining circles⁵⁶ revealed that in case of five non-captive mines royalty was computed on cost of production incorrectly instead of on ex-mine sale price. This resulted in short realization of royalty of Rs. 3.98 crore as detailed below.

(Rupee in crore)							
Sl. No.	Name of the mine	Period	Quantity all grades used for captive purpose in MT	Sale value	Royalty due @ 7.5 per cent	Royalty paid	Royalty payable
1.	Sukinda Chromite Mine of M/s TISCO	25.9.2000 to 31.3.2003	2,91,910.420	57.88	4.34	1.46	2.88
2.	Ostapal chromite mine of M/s FACOR	- do -	1,05,254.420	9.55	0.72	0.61	0.11
3.	Tailangi Chromite Mine of M/s IDC ⁵⁷ Ltd.	- do -	57,293.98	8.57	0.64	0.35	0.29
4.	Chingudipal Chromite M/s. IMFA	-do-	17,291.425	3.13	0.23	0.16	0.07
5.	Nuasahi Chromite Mine M/s. IMFA ⁵⁸ Ltd., Keonjhar	11.4.98 to 31.3.2003	1,11,698.240	22.12	1.66	1.03	0.63
Total			5,83,448.485	101.25	7.59	3.61	3.98

After this was pointed out between October 2003 and January 2004 the Deputy Director Mines, Jajpur Road stated in October 2003 that clarification from the Director of Mines, Orissa would be obtained for differentiating the mines under captive category. The reply is not tenable as information regarding names of captive mines located in his circle was available with his office.

• **Loss of revenue due to sale of chrome ore at lower rate**

As per the guidelines issued by the Central Government in April 1997, sale price means the amount payable to a dealer as consideration for sale of any goods.

A test check of records revealed that a lessee of Jajpur Road Mining Circle holding two leases one for captive and other for non-captive, sold 2.88 lakh M.T of chromite ore of various grades to an industry from his captive mine. Comparison of sale invoices of the two mines revealed that sale value of chromite supplied to the industry from his captive mine was less than the sale

55 Captive mine means a mine leased out for supply of raw material to the lessee's own industry.

56 Jajpur Road, Keonjhar.

57 Industrial Development Corporation.

58 Indian Metal & Ferro Alloys Limited.

value of chromite supplied by the lessee from his non-captive mine. This resulted in loss of royalty of Rs.0.90 crore as detailed below.

(Rupees in crore)

Name of the Mine	Year	Quantity sold from captive mine in MT	Sale value of ore with reference to non-captive rate	Royalty payable @ 7.5 per cent	Royalty assessed	Differential royalty to be realisable
Kaliapani Chromite M/s. IMFA	1999-2000	26,671.400	5.40	0.41	0.40	0.01
	2000-2001	1,06,385.620	19.30	1.44	1.06	0.38
	2001-2002	83,931.165	11.78	0.88	0.67	0.21
	2002-2003	70,923.450	11.09	0.83	0.53	0.30
TOTAL		2,87,911.635	47.57	3.56	2.66	0.90

After this was pointed out in audit in November 2003, the Deputy Director Mines, stated in November 2003 that the difference of sale price in respect of two mines held by the lessee would be examined on receipt of clarification from the lessee.

• **Short realisation of royalty due to incorrect allowance of discount**

MM (D&R) Act does not provide for any deduction of royalty towards discount. MC Rules provides the guidelines for computation of royalty on chromite ore of all grades on advolorem basis.

A test check of records of Jajpur Road mining circle for the years 1998-99 to 2002-03 revealed that five lessees⁵⁹ were irregularly allowed moisture discount and volume discount while assessing the royalty by the assessing officer. This resulted in short realisation of royalty of Rs. 6.02 crore as detailed under.

Name of the mine	Year	Nature of sale	Quantity of moisture/ volume discount (quantity in lakh MT)	Value of Qty. allowed as discount (Rupees in crore)	Royalty payable on discount quantity @ 7.5% (Rupees in crore.)
1	2	3	4	5	6
'A'	1998-99 to 2002-03	Export	1.63	30.99	2.32
	1999-2000 to 2001-02	Domestic	Moisture and volume discount allowed as sales discount	7.10	0.53
'B'	1998-99 to 2002-03	Export	1.63	36.66	2.75
'C'	1998-99 to 2002-03	-do-	0.12	2.32	0.17
'D'	1998-99 to 2002-03	-do-	0.78	1.81	0.14
'E'	2000-01 to 2002-03	-do-	0.13	1.47	0.11
			4.29	80.35	6.02

After this was pointed out between October 2003 and November 2003, Deputy Director Mines, Jajpur Road stated in October 2003 that the matter would be taken up with Director of Mines, Orissa. The reply is not tenable as the Act does not provide any deduction of royalty towards discount and the same should not have been allowed at all.

59 M/s. Orissa Mining Corporation Ltd., M/s. Tata Iron and Steel Company Ltd., M/s. Mishrilal, M/s. Industrial Development Corporation Ltd., M/s. Ferro Alloys Corporation.

• *Short realisation of royalty on shortages of ore*

MM (D&R) Act does not provide for deduction for payment of royalty on minerals found short during physical verification. Further as per the provision of the Act, royalty is payable before it is removed from the leased area.

Test check of the records of Jajpur Road mining circle pertaining to five mines⁶⁰ revealed that two lessees claimed a deduction of 1.03 lakh MT of chrome ore found short at Paradeep Port during physical verifications carried by the lessees. The assessing officer while finalising the assessment incorrectly allowed deductions on shortages and levied royalty of Rs.1.22 crore instead of Rs.1.88 crore. This resulted in short realisation of Rs.0.66 crore as detailed below:-

(Rupees in crore)										
Sl. No	Name of the Mine/ lessee	Year	Total quantity (in lakh MT)	Quantity sold/export (in lakh MT)	Closing book balance (in lakh MT)	Actual physical balance (in lakh MT)	Shortage quantity (in lakh MT)	Royalty due on shortages	Royalty assessed	Royalty payable on shortage
1.	'X'	1998-99 to 2002-03	13.92	11.96	1.96	1.41	0.55	0.97	0.46	0.51
2.	'Y'	1998-99 to 2002-03	16.37	12.45	3.92	3.54	0.38	0.67	0.52	0.15
Total			30.29	24.41	5.88	4.95	0.93	1.64	0.98	0.66

After this was pointed out in audit in November 2003, the Deputy Director Mines, Jajpur Road stated in November 2003 that compliance would be sent after verification of records.

Loss of revenue due to non-working of mines

7.2.14 As per MM (D&R) Act, the holder of a mining lease shall pay to the State Government every year dead rent for all the areas included in the instrument of the lease. He shall also be liable to pay royalty on the mineral extracted or the dead rent of that area which ever is greater. As per MC Rules, as amended on 10 February 1987, where mining operation is discontinued for a continuous period of two years after commencement of such operation, the State Government shall by an order declare the mining lease as lapsed and communicate the decision to the lessee.

60 Sukinda Chromite Mines (M/s Tata Iron and Steel Company Ltd.) 2. Kaliapani, 3. South Kaliapani, 4. Sukarangi, 5. Kalarangi Chromite Mines (M/s Orissa Mining Corporation Ltd.)

Test check of the records of five mining circles⁶¹ revealed that lessees of 23 mines had not operated the mines for a period of more than two years and were paying only dead rent. This resulted in potential loss of revenue of Rs.5.18 crore worked out on the basis of expected output per month less dead rent paid during the period of non-working. A few instances are given below:-

(Rupees in crore)

Sl. No.	Name of the mining circle	Name of the mines/lessee	Name of mineral	Period of non-working for the last five years	Nature of observation	Loss of revenue involved (Rupees)
1.	Joda	Paralipada M/s OMC Ltd.	Manganese	1998-99 to 2002-03	Non-submission of De-reservation proposal. Lapsing proposal submitted in August 2002	0.51
2.	Joda	Sidhamatha M/s OMC Ltd.	- do -	-do-	-do-	0.41
3.	Joda	Roida-D block M/s OMC Ltd.	- do -	-do-	-do-	0.29
4.	Joda	Kasia Barapada M/s TB Lal & Co	Iron	-do-	-do-	0.11
5.	Joda	Unchabali M/s EMI Ltd.	Iron & Manganese	-do-	Lack of interest of the lessee. Lapsing proposal submitted in August 2002	0.13
6.	Joda	Bolani M/s SAIL Ltd.	Iron	-do-	-do-	0.92
7.	Koira	Kasira M/s OMC	Iron	-do-	Non-submission of De-reservation Proposal..	0.15
8.	Koira	Kulijhar M/s JKKP Jhunjunwala	Quartz	-do-	Lack of interest of the lessee.	0.02
9.	Bolangir	Dhandamunda M/s. R.K. Agrawala	Graphite	-do-	-do-	0.03
10.	-do-	Baramula P.P. Vyas	-do-	-do-	-do-	0.22
11.	-do-	Banjhepalli M/s. R.K. Agrawala	-do-	-do-	-do-	0.02
12.	Bhawani-patna	Karangini Padar P.K. Panda	-do-	-do-	-do-	0.09
13.	-do-	Gaidar S.K. Mund	-do-	-do-	-do-	0.04
14.	-do-	Khairamala K.R. Patnaik	Quartz	-do-	-do-	0.02
15.	-do-	Kamargaon K.R. Patnaik	Quartz	-do-	-do-	0.02

After this was pointed out between December 2003 and March 2004 the Deputy Directors/Mining Officers of concerned mining circles stated that the mines could not be operated due to lack of interest of the lessees and non/delay in submission of de-reservation proposal. The reply was not tenable as the mines had remained inoperative for a period exceeding two years and their lease should have been declared as lapsed after expiry of two years and new proposal for throwing open the same mines should have been sought.

61 Bhawanipatna, Bolangir, Joda, Koira, Rourkela.

Non-realisation of interest

7.2.15 Under the MC Rules as amended w.e.f April 1991, in case of belated payment of royalty or other mining dues simple interest at the rate of 24 *per cent* per annum on the amount in default is chargeable from the 60th day of expiry of the due date till default continues.

Test check of records of two mining circles⁶² revealed (December 2003) that interest amounting to Rs. 2.47 crore on belated payments of royalty made during the period between April 1999 and March 2003 was not levied by assessing officers from seven lessees.

After this was pointed out in audit in December 2003, the Deputy Director of Mines of the circle concerned stated in December 2003 that action would be taken to raise the demand for realisation of dues after verification of records. Government stated in September 2004 that demand of Rs.0.16 crore was raised against M/s. Steel Authority of India Limited in July 2004.

Suppression of stock of coal led to evasion of royalty

7.2.16 As per the MC Rules and the orders of the State Government, the details of opening balance, production, consumption and closing stock of the ores/minerals were required to be exhibited in Form-‘A’ submitted by the lessee every month to the mining circle along with other documents for the purpose of assessment of royalty. Form-‘A’ served as the basic record for determination of royalty by the assessing officer.

Test check of the records of Sambalpur Mining circle for the year 2002-03 revealed that the stock figure as per books of accounts of a lessee in respect of six collieries⁶³ as on 31 March 2003 was 9.66 lakh MT of coal. However the closing stock figures as furnished in Form-‘A’ as on 31 March 2003 was 6.10 lakh MT. The assessing officer had made no efforts to cross verify the figure in the Form-‘A’ with that of the books of accounts of the lessee available with him. This resulted in suppression of 3.56 lakh of MT of coal involving royalty of Rs. 2.33 crore.

After this was pointed out in audit in March 2004, the Deputy Director of Mines, Sambalpur stated in March 2004 that compliance will be sent after verification of records and receipt of clarification from the lessee.

62 Joda and Koira.

63 1. Belpahar, 2. Hingir Rampur, 3. Hirakhand Bundia, 4. Lajkura, 5. Orient Mines-III, 6. Samaleswari OCP (M/S. Mahanadi Coal field Ltd.)

- **Non levy of royalty on shortage of minerals**

Test check of records of two mining circles Talcher and Rourkela between February 2002 and March 2002 revealed that the lessee "M/s. MCL" disclosed audited stock of 33,42,080 MT of different grade coal at mine site as on March 2000. However the closing stock figure as furnished in form A return by the lessee was 34,02,791.990 MT of coal. This resulted in non-levy of royalty of Rs.30.60 lakh on shortage of 60,711.990 MT of coal. Besides the lessee was liable to pay interest of Rs.26.08 lakh on default in payment of royalty.

After this was pointed out between February 2002 and March 2002 Deputy Director Mines, Talcher and Rourkela raised demand of Rs.27.57 lakh on account of royalty and Rs.3.03 lakh as interest in April 2002. Further report on recovery and levy of interest is awaited (December 2004).

The matter was reported to Government in February 2004; their reply was awaited (December 2004).

Blocking of revenue due to non-disposal of mineral

7.2.17 As per the provision of MM (D&R) Act, any person authorized by the Central or State Government may inspect any mine and take measurement of stocks of mineral lying at mine. Further as per the provision of Orissa Minor Mineral concession rules, the royalty shall be leviable on minor minerals removed from the leased area.

Test check of records of Rourkela Mining circle revealed that a lessee did not dispose of 1.19 crore cum of lime stone rejects- a minor mineral from its Biramitrapur lime stone mines resulting in blocking of royalty of Rs.5.93 crore as on March 2003 taking into account the lowest rate of royalty at the rate of Rs.5 per cum as detailed below:-

(Rupees in crore)					
Name of the mines/lessee	Name of minor mineral	Period from which lying in stock	Quantity of mineral lying undischosed of (in Cum)	Rate of royalty per Cum (in Rs.)	Royalty amount involved. (in Rs.)
Biramitrapur Limestone M/s. BSLCO Ltd.	Rejected limestone.	3/2001	1,20,13,048.63	Rs. 5	6.00
		3/2002	1,19,73,263.29	Rs. 5	5.99
		3/2003	1,18,62,302.70	Rs. 5	5.93

No physical verification was conducted by the Deputy Director of Mines to ascertain the exact quantity of limestone pending disposal in the mine. In absence of this verification, the actual quantity of the stone could not be ascertained. Besides non-sale of this lime stone resulted in blocking of royalty.

After this was pointed out in audit (March 2004), the Deputy Director Mines, Rourkela stated that there was no scope for physical verification of stock and selling of rejected limestones depends on the market utility. The contention of Department is not correct. As the minerals are lying in the stock without any

physical verification since a very long time, the possibility of loss of revenue due to shortages cannot be ruled out.

Recommendations

7.2.18 It would be seen from the above that the Department had failed in ensuring timely and correct assessment and collection of mining revenue. Further the monitoring system at the apex level was weak. The State Government may consider taking following steps to improve the effectiveness of the system.

- review and strengthen the existing system for ensuring correctness of royalty paid by lessee in respect of mineral extracted;
- ensure compliance with the requirement of Act, Rules as regards maintenance of basic records, assessment and recovery of royalty etc., so as to fully protect the state revenue;
- ensure that the areas leased out are exploited without any delay and a provision for fixing a time limit for renewal of leases is made in the Act.

CHAPTER- VIII : OTHER DEPARTMENTAL RECEIPTS

8.1 Results of audit

Test check of assessment records and other connected documents pertaining to Departmental Receipts in the Department of Home, General Administration, Food supplies and Consumer Welfare, Cooperation, Energy, Works, Textiles and Handloom and Fisheries & Animal Resources Development Department during 2003-2004 revealed non-realisation of revenue, non/short levy of duties/fees amounting to Rs.65.90 crore in 1,09,004 cases which may be broadly categorised as under.

(Rupees in crore)

Sl. No	Category	No of cases	Amount
1.	Non-realisation of revenue	1,705	13.59
2.	Assessment, levy and collection of cost of police guards	1	29.32
3.	Non-realisation of principal and interest on co-operative societies	1	6.63
4.	Non/short levy of revenue	53,370	10.34
5.	Other irregularities	53,927	6.02
Total		1,09,004	65.90

During the year 2003-2004 the concerned Departments raised demand of Rs.9.39 crore in 82,077 cases pointed out in 2003-04 of which Rs.0.77 crore was realised in two cases.

A few illustrative cases highlighting important audit observations involving Rs.43.61 crore are discussed in the following paragraphs.

8.2 Assessment, Levy and Collection of Cost of Police Guards

Orissa Police Rules provide for deployment of State Police personnel to different organizations/establishments of the Union/State Government on the basis of reimbursement of the deployment charges by the borrowing agency. As per extant procedure, such claims are to be preferred periodically by the State Government to the borrowing establishment. The system of assessment/collection and accounting of receipts are governed by Orissa Police Manual, 1940, the Police Act, 1861, Rules and regulation made thereunder and Government orders issued from time to time. Cost of police personnel includes pay and allowances and other direct and indirect expenditure incurred on them. Demand for cost of permanent police personnel deployed is raised in arrears while escort charges provided to private individuals are realised in advance before deployment.

8.2.1 Underassessment of police cost due to omission of leave salary contribution

According to the provisions of Orissa Police Manual read with Government of India letter of May 1995, the cost of deployment of Police force deputed to different organisations will include pay, special pay, deputation allowance, supervision and other admissible allowances including leave salary and pension contribution at the prescribed rates applicable from time to time.

Test check of records of Commandant Orissa State Armed Police (OSAP) 1st BN, Charbatia in November 2003 revealed that while assessing the demands for cost of police guard against Aviation Research Centre, Charbatia, the elements of leave salary contribution for the period 1998-99 to 2002-03 was not included in the demand. This resulted in under assessment of leave salary contribution of Rs.1.62 crore as detailed below:

(Rupees in crore)		
Year	Amount of pay and special pay paid	Leave salary contribution at 11 per cent of pay + special pay
1998-99	1.44	0.16
1999-00	4.10	0.45
2000-01	3.13	0.34
2001-02	2.94	0.32
2002-03	3.14	0.35
Total	14.75	1.62

After this was pointed out in audit in November 2003, the Director General (DG) and Inspector General (IG) of Police stated in June 2004 that action would be taken to raise the demands.

8.2.2 No time limit has been fixed for preference of claims under the Act. However, as per the existing procedure, the claims for reimbursement of deployment charges were to be raised on expiry of financial year.

Scrutiny of the records of State Police Headquarters at Cuttack, Superintendents of Police (SP) at Rourkela, Khurda and Jharsuguda revealed that deployment charges of Rs.13.32 lakh against the following organisations were not preferred by the DG & IG of Police, Orissa.

(Rupees in lakh)

Sl. No.	Name of the lending office	Name of the borrowing establishment	Period	Amount
1.	Superintendent of Police, Rourkela	I.D.L. Chemical Limited, Rourkela.	1.10.1999 to 31.3.2003	8.66
2.	Superintendent of Police, Khurda	Punjab National Bank, Bhubaneswar	1.10.2002 to 31.12.2002	1.64
3.	Superintendent of Police, Khurda	Central Bank of India, Jatni	1.1.2003 to 31.3.2003	1.38
4.	Superintendent of Police, Khurda	Doordarshan Kendra, Bhubaneswar	1.10.2002 to 31.12.2002	1.37
5.	Superintendent of Police, Jharsuguda	UCO Bank, Brajarajnagar	1.4.2002 to 31.3.2003	0.27
Total				13.32

After this was pointed out in audit between September 2003 and October 2003, the DG & IG of Police, Orissa stated in June 2004 that Rs.3.02 lakh pertaining to CBI, Jatni, DDK, Bhubaneswar and U.C.O. Bank, Brajarajnagar had been realised. Further position of realisation was awaited (December 2004).

8.2.3 *Non-realisation of reimbursement cost of police personnel*

A test check of records in the office of the DG & IG of Police, Orissa, Cuttack and eight⁶⁴ SP revealed that the cost of police personnel deployed for various authorities/bodies/Central Government was not realised even though demands for recovery of Rs.15.66 crore for the period 1998-99 to 2002-03 were raised from time to time as detailed below.

⁶⁴ Baripada, Cuttack (S), Cuttack (Signal), Jagatsinghpur, Jharsuguda, Khurda, Koraput and Rourkela.

(Rupees in crore)

Sl. No.	Name of Agency/body from whom cost of police is to be recovered	Period of recovery	Arrears outstanding as on 31.03.2003
1.	SE, Railway	1998-99 to 2002-03	10.21
2.	ARC, Charbatia (Government of India)	2002-03	1.72
3.	MSF, (APSEB)	1999-2000 to 2001-02	2.03
4.	Hirakud Dam Security Force	1999-2000 to 2000-01	1.18
5.	All India Radio	2002-03	0.16
6.	Doordarshan Kendra	2001-02 to 2002-03	0.14
7.	Rengali Dam Project	2001-02 to 2002-03	0.09
8.	Balimela Dam Project	1998-99 to 1999-2000	0.06
9.	Postal Stamp Depot, Bhubaneswar	2001-02 to 2002-03	0.05
10.	CIO CIB Bhubaneswar	2002-03	0.01
11.	CID Bhubaneswar	2002-03	0.01
Total			15.66

After this was pointed out in audit the DG & IG of Police accepted the audit observation and stated that Rs.0.33 crore was recovered as of June 2004.

8.2.4 It was also noticed that the cost of Police personnel deployed for various Commercial Banks amounted to Rs.5.54 crore but the Department accounted for only Rs.2.91 crore as outstanding as on 31 March 2003. Thus there was suppression of realisable amount of Rs.2.63 crore as detailed below:-

(Rupees in crore)

Sl. No.	Name of the Bank	Period	Amount actually outstanding as per Audit as on 31 March 2003	Amount shown outstanding as per the Department as on 31 March 2003	Suppression of realisable amount
1.	State Bank India	2000-01 to 2002-03	3.53	1.54	1.99
2.	United Bank of India	2001-02 to 2002-03	0.55	0.50	0.05
3.	Punjab National Bank	2001-02 to 2002-03	0.16	0.12	0.04
4.	Central Bank of India	2001-02 and 2002-03	0.12	0.12	---
5.	Bank of India	2002-03	0.36	0.08	0.28
6.	Andhra Bank	2002-03	0.10	0.05	0.05
7.	Allahabad Bank	2002-03	0.14	0.05	0.09
8.	Bank of Baroda	2002-03	0.06	0.04	0.02
9.	Indian Bank	2002-03	0.04	0.04	--
10.	Reserve Bank of India	2000-01 and 2002-03	0.21	0.21	--
11.	United Commercial Bank	2002-03	0.16	0.16	--
12.	Union Bank of India	2001-02 to 2002-03	0.11	--	0.11
Total			5.54	2.91	2.63

After this was pointed out in audit, the DG & IG of Police accepted the audit objection and stated in June 2004 that Rs.0.41 crore had been realised. Recovery compared to outstanding dues towards cost of deployment charges

was negligible. Lack of proper follow up action and inadequate persuasive measures led to non-recovery of government dues.

8.2.5 It was also noticed from the records of three SP Offices that deployment charges of Rs.2.40 crore in respect of following organisations were not recovered though demand was raised.

Sl. No	Name of the organisation	Name of the lending office	Period of deployment	Amount of deployment charge (Rs. in crore)	Date of issue of demand notice	Remarks
1.	Air Strip, Jeypore	S.P., Koraput	01.03.1990 to 31.03.2003	1.20	23.09.2003	DG & IG, Orissa, Cuttack stated in June 2004 that steps would be taken by the Government either to fix a time limit for payment of the dues or withdrawal of Police Force.
2.	OSWAL Chemicals	S.P., Jagatsinghpur	01.01.2002 to 31.12.2002	0.40	04.04.2003	DG & IG, Orissa, Cuttack stated in June 2004 that inspite issue of repeated reminders no response was received.
3.	Hirakud Security Force	S.P., Signals, Cuttack	01.04.2002 to 31.03.2003	0.80	07.10.2003	DG & IG, Orissa Cuttack stated in June 2004 that demand for Rs.80 lakh was preferred in October 2003, further reply is awaited.

After this was pointed out, the Department confirmed the outstanding dues and stated that matter was being pursued for realisation.

8.2.6 Absence of provisions of interest

There is no provision for realising the interest on the amount remaining outstanding on account of Police cost from Commercial Banks and other agencies. Due to non-realisation of the dues in time and lack of provision for charging of interest, Government had suffered a loss of Rs.2.83 crore *per annum* calculated at 12⁶⁵ *per cent* per annum on arrears of Rs.23.60 crore.

After this was pointed out in audit in March 2004, it was stated that the matter would be referred to Government for taking decision.

8.2.7 Blocking of Government money due to delay in disposal of condemned and unserviceable vehicles

As per provisions of the Procedure for Condemnation and Disposal of Condemned Vehicles Rules, the sale proceeds of condemned and unserviceable vehicles of the Department form a part of the receipts.

Scrutiny of records of the Deputy Inspector General, Technical (PMT), Orissa, Cuttack in March 2004 revealed that 802 vehicles were condemned between March 1998 and February 2003 by the Condemnation Committee and the upset price was fixed at Rs.3.34 crore. Out of these, only 575 vehicles were disposed of by September 2003 and no action was taken to dispose of the balance 227 condemned vehicles involving upset price of Rs.1.14 crore.

65 12 per cent interest is based on the rate applicable to arrears of land revenue

After this was pointed out in audit in September 2003 the DIG (PMT), Orissa, Cuttack stated in July 2004 that the Department had sold 165 vehicles, upset price of which was Rs.0.87 crore and remaining 62 vehicles were not yet disposed of (December 2004).

8.3 Non-realisation of interest from Co-operative Societies

Government of Orissa provides assistance to the Cooperative Societies established under Orissa Cooperative Act, 1962 by way of share capital and loans for their sound functioning. The loans are sanctioned by the respective Administrative Departments with the concurrence of the Finance Department. Recoveries of loan and interest are monitored by Heads of Department. As per the sanction orders, the re-payment of loan and interest has to be completed within the stipulated period. Any default in the payment attracts penal interest.

8.3.1 Non realisation of principal and interest on loan

Textiles and Handloom Department sanctioned and paid a loan of Rs.4.38 crore in August 1993 to Gangpur Weavers Co-operative Spinning Ltd, Kirei, Sundargarh for repayment of Industrial Development Bank of India (IDBI). The repayment was required to be made from September 1996 and to be completed by 2005. The loanee was liable to pay interest 10.5 *per cent* and penal interest at 12.5 *per cent* in case of default. The Director of Textiles, raised demand from time to time but the society did not pay the outstanding dues. The co-operative spinning mill was sold to a private party in 1993. It was also further noticed in audit that interest of Rs.1.42 crore was short levied, as interest was not calculated from the date of receipt of loan amount. Thus there was non-realisation of Rs.9.15 crore towards loan (Rs.3.90 crore) and interest of Rs.5.25 crore as on 31 March 2003. No efforts were made by the Government to take possession/ disposal of mortgaged property of the unit as per the agreement.

After this was pointed out in audit in February 2004 and June 2004 the Director of Textiles and Handloom accepted audit findings and issued demand for short payment of interest of Rs.1.42 crore in June 2004. No outstanding dues were repaid by the society.

8.3.2 Non-finalisation of terms and conditions of loan

Textiles and Handloom Department sanctioned and paid a loan of Rs.1.31 crore to Cooperative Society during November 1994 for repayment of interest dues to IDBI without finalisation of terms and conditions of loan. As a result, demand for recovery of loan and interest could not be raised against the unit. This resulted in non-realisation of principal of Rs. 1.31 crore and interest of Rs. 1.38 crore as on 31 March 2003 calculated on the basis of loan sanction order of earlier loan.

After this was pointed out in audit in February 2004, the Department stated in July 2004 that Government would be requested to fix the terms and conditions

of loan for issue of demand notice. The lapse on the part of Government led to non-realisation of government loans/interest in time.

8.4 Loss of revenue (Stamp duty) due to non-registration of unsecured bond

As per the Indian Stamp Act, 1899 read with the Registration Act, 1908, the instrument of unsecured bond is subject to registration and attracts stamp duty at Rs.21 upto Rs.1,000 and Rs.11 for every Rs.500 or part thereof in excess of Rs.1,000 on the value of instrument. The time limit for registration of such instrument has been fixed as four months from the date of execution under the Registration Act.

Test check of records of Orissa Small Industries Corporation Ltd. (OSIC), revealed in February 2003 that the Corporation had raised working capital of funds for Rs.20 crore during February and March 2000 through private placement of unsecured bond issued on 1 December 1999 backed by Government guarantees. The bonds valued Rs.20 crore had been allotted to 12 subscribers on 16 March 2000. The instruments being unsecured bonds were required to be registered and stamp duty of Rs.44.00 lakh was payable by the company under Indian Stamp (Orissa Amendment) Act, 1986. No such documents were registered in District Sub-Registrar, Cuttack. Non-registration of bonds of OSIC resulted in loss of revenue amounting to Rs.44 lakh.

After this was pointed out in February 2003 the OSIC in June 2004 stated that Government was moved in October 2003 for exemption of stamp duty for non-registration of documents. The reply was not tenable as no exemption was granted by the Government in absence of which demand should have been raised and amount recovered.

The matter was referred to the Government in March 2004; their reply had not been received (December 2004).

8.5 Un-authorized retention of Government revenue

As per the decision of the Government of Orissa in October 1984, the Orissa Bridge and Construction Corporation Limited (OBCC Ltd.) is authorised to collect tolls from 21 toll gates and is responsible for depositing the same into Government account after retaining 12.5 *per cent* towards agency charges.

Scrutiny of records of the office of the OBCC Ltd., Bhubaneswar in January 2004 revealed that out of Rs.11.99 crore collected, OBCC Ltd. retained Rs.4.20 crore towards agency charges as against the authorised agency charges of Rs.1.50 crore, as of March 2004. This resulted in excess deduction of Rs.2.70 crore as agency charges on collection of toll at check gate. The Commissioner-cum-Secretary to Government, Works Department

failed to initiate any action to stop such un-authorised retention of Government dues.

After this was pointed out in audit in March 2004, the Managing Director, OBCC Ltd stated in May 2004 that the Corporation had represented several times to Government to enhance the retention margin from 12.5 *per cent* to 35 *per cent*. The decision of the Government was awaited. The reply was not tenable since Corporation had not been authorised to deduct cost of collection in excess of 12.5 *per cent*.

The matter was brought to the notice of the Government in March 2004; their reply had not been received (December 2004).

8.6 Loss of revenue due to non/short levy of inspection fees

Indian Electricity Rules, 1956 provide that when installation is already connected to the supply system of the supplier, every such installation shall be periodically inspected and tested either by the Inspector or by supplier as may be directed by the State Government. The categories of installation which are subject to inspection periodically and rate of fees payable was notified by Energy Department in September 1991 which was further revised in December 2001, effective from 29 March 2002.

Test check of records of Electrical Inspector (EI), Bhubaneswar in February 2004 revealed that out of 25 divisions functioning under EI, Bhubaneswar during 2002-2003, inspection fee of Rs.2.58 crore was not levied on private distribution companies as per revised rate in respect of 16 divisions and demand of inspection fees of Rs.1.80 crore worked out on average basis was not raised at all in respect of other nine divisions. Thus there was non/short levy of inspection fees of Rs.4.38 crore by EI, Bhubaneswar.

After this was pointed out in February 2004, the EI, Bhubaneswar replied in June 2004 that demand of Rs.4.08 crore at the revised rate of inspection fee was raised in June 2004 against all 25 divisions.

The matter was brought to the notice of the Government in March 2004; their reply had not been received (December 2004).

8.7 Non-levy of Inspection fees

As per Government of Orissa, Department of Energy notification of 28 December 2001 inspection fee of Rs.25 per TV connection is leviable on cable TV net work, effective from 29 March 2002.

Cross verification of records of EI, Bhubaneswar with those of Central Excise and Customs, Bhubaneswar Range-II revealed that a company providing cable TV connection to customers under a brand name deposited service tax of

Rs.5.48 lakh in March 2003 which was collected at the rate of Rs.9.75 per customer from 56,160 customers. The EI levied inspection fee of Rs.0.56 lakh on 2,250 cable TV customers instead of Rs.14.04 lakh on 56,160 customers, which resulted in non-levy of fee of Rs.13.48 lakh.

After this was pointed out in audit in February 2004, the EI, Bhubaneswar raised demand of Rs.13.48 lakh in August 2004.

The matter was brought to the notice of Government in April 2004; their reply was awaited.

Bhubaneswar
Dated :

(Nand Kishore)
Accountant General (CW & RA)
Orissa

Countersigned

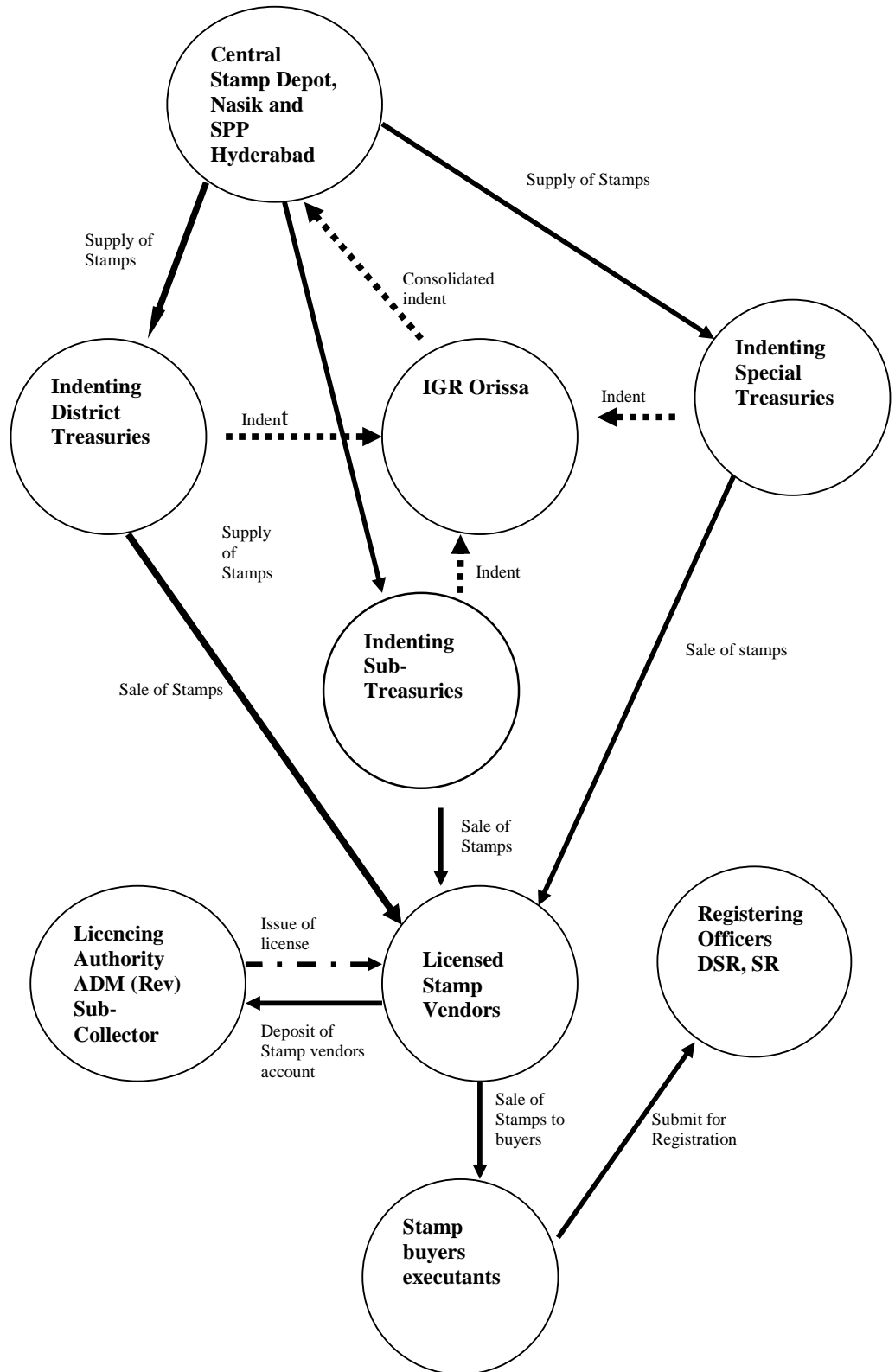
New Delhi
Dated :

(Vijayendra N. Kaul)
Comptroller and Auditor General of India

ANNEXURE

ANNEXURE-A

(Reference to Paragraph 4.6.1 page-47)



Annexure - B

(Reference to Paragraph 4.6.6 page 50)

Sl. No.	Name of Treasury	Year	Quantity indented	Supply received	Difference
1.	DTO, Ganjam	1998-99	6.85	2.52	(-) 4.33
		1999-00	1.03	1.09	(+) 0.06
		2000-01	3.36	1.97	(-) 1.39
		2001-02	2.41	1.44	(-) 0.97
		2002-03	5.67	1.53	(-) 4.14
2.	DTO, Gajapati, Parlakhemundi	1998-99	3.93	2.00	(-) 1.93
		2000-01	0.82	2.02	(+) 1.20
		2002-03	0.76	0.12	(-) 0.64
3.	STO, Gunupur	1998-99	0.96	0.21	(-) 0.75
		1999-00	0.22	-	(-) 0.22
		2001-02	0.36	0.05	(-) 0.31
		2002-03	3.07	0.46	(-) 2.61
4.	STO, Aska	1998-99	2.33	1.73	(-) 0.60
		1999-00	0.88	0.68	(-) 0.20
		2000-01	1.60	1.80	(+) 0.20
		2001-02	8.22	0.41	(-) 7.81
		2002-03	5.66	2.06	(-) 3.6
5.	Special Treasury, Berhampur, Ganjam	1998-99	18.35	4.85	(-) 13.50
		1999-00	11.92	2.15	(-) 9.77
		2000-01	33.50	9.65	(-) 23.85
		2001-02	6.65	5.23	(-) 1.42
		2002-03	10.40	3.62	(-) 6.78
6.	DTO, Angul	1998-99	-	0.48	(+) 0.48
		2000-01	0.15	0.98	(+) 0.83
		2001-02	2.00	3.35	(+) 1.35
		2002-03	1.69	-	(-) 1.69
7.	DTO, Dhenkanal	1998-99	-	7.01	(+) 7.01
		2000-01	1.30	-	(-) 1.30
		2001-02	2.60	1.50	(-) 1.10
		2002-03	3.60	-	(-) 3.60
8.	DTO, Keonjhar	1998-99	2.92	0.96	(-) 1.96
		1999-00	14.79	-	(-) 14.79
		2000-01	7.40	3.07	(-) 4.33
		2001-02	9.48	0.51	(-) 8.97
		2002-03	10.89	0.79	(-) 10.10
9.	STO, Betnoti	1998-99	0.49	3.53	(+) 3.04
		2002-03	0.48	0.88	(+) 0.40
10.	DTO, Balasore	1998-99	5.15	5.92	(+) 0.77
		1999-00	12.21	3.21	(-) 9.00
		2000-01	13.21	6.75	(-) 6.46
		2001-02	37.32	3.00	(-) 34.32
		2002-03	26.17	5.71	(-) 20.46

Sl. No.	Name of Treasury	Year	Quantity indented	Supply received	Difference
11.	DTO, Sambalpur	1998-99	1.15	2.61	(+) 1.46
		1999-00	6.86	0.79	(-) 6.07
		2000-01	8.46	3.33	(-) 5.13
		2001-02	8.31	-	(-) 8.31
		2002-03	1.61	-	(-) 1.61
12.	DTO, Bargarh	1998-99	6.71	2.47	(-) 4.24
		1999-00	9.35	0.87	(-) 8.48
		2000-01	6.36	6.56	(+) 0.20
		2001-02	4.07	2.50	(-) 1.57
		2002-03	1.35	0.50	(-) 0.85
13.	DTO, Kendrapara	1998-99	4.38	4.12	(-) 0.26
		1999-00	1.28	0.56	(-) 0.72
		2000-01	4.31	2.01	(-) 2.30
		2001-02	2.96	2.10	(-) 0.86
		2002-03	0.82	-	(-) 0.82
14.	STO, Talcher	1998-99	5.85	1.32	(-) 4.53
		1999-00	2.55	0.07	(-) 2.48
		2000-01	1.76	0.01	(-) 1.75
		2002-03	-	0.50	(+) 0.50
15.	DTO, Khurda	1998-99	55.93	4.85	(-) 51.08
		1999-00	9.67	11.70	(+) 2.03
		2000-01	47.60	6.03	(-) 41.57
		2001-02	47.10	4.06	(-) 43.04
		2002-03	32.83	11.06	(-) 21.77
16.	STO, Rairangpur	1998-99	4.73	1.34	(-) 3.39
		1999-00	0.35	0.98	(+) 0.63
		2000-01	16.15	-	(-) 16.15
		2001-02	1.00	1.39	(+) 0.39
		2002-03	1.33	1.00	(-) 0.33
17.	DTO, Mayurbhanj, Baripada.	1998-99	9.88	1.39	(-) 8.49
		1999-00	12.86	0.05	(-) 12.81
		2000-01	6.01	2.01	(-) 4.00
		2001-02	7.13	2.06	(-) 5.07
		2002-03	6.34	0.05	(-) 6.29
18.	DTO, Bhadrak	1998-99	6.00	2.43	(-) 3.57
		1999-00	1.10	1.61	(+) 0.51
		2000-01	18.08	-	(-) 18.08
		2001-02	11.59	3.44	(-) 8.15
		2002-03	7.04	5.55	(-) 1.49
19.	STO, Khurda	1998-99	58.99	0.82	(-) 58.17
		1999-00	7.88	0.82	(-) 7.06
		2000-01	18.07	2.00	(-) 16.07
		2001-02	3.38	3.22	(-) 0.16
		2002-03	1.29	1.67	(+) 0.38

Sl. No.	Name of Treasury	Year	Quantity indented	Supply received	Difference
20.	STO, Athagarh	1998-99	2.14	1.38	(-) 0.76
		1999-00	0.18	-	(-) 0.18
		2000-01	0.18	-	(-) 0.18
		2002-03	-	0.27	(+) 0.27
21.	DTO, Jajpur	1998-99	4.64	7.43	(+) 2.79
		1999-00	15.17	1.30	(-) 13.87
		2000-01	13.98	2.30	(-) 11.68
		2001-02	1.30	0.64	(-) 0.66
22.	DTO, Cuttack	1998-99	9.77	10.86	(+) 1.09
		1999-00	12.69	1.09	(-) 11.60
		2000-01	10.94	4.84	(-) 6.10
		2001-02	2.00	4.00	(+) 2.00
		2002-03	4.56	11.52	(+) 6.96
23.	DTO, Jharsuguda	2002-03	26.55	2.10	(-) 24.45
24.	DTO, Phulbani	1998-99	1.88	0.64	(-) 1.24
		1999-00	0.73	0.56	(-) 0.17
		2000-01	1.20	-	(-) 1.20
		2001-02	16.94	1.72	(-) 15.22
		2002-03	12.76	0.11	(-) 12.65

Annexure - C**Statement showing stock position of 24 treasuries.****1998-99***(Reference to Paragraph 4.6.6 page 50)***(Rupees in crore)**

Sl. No.	Name of TO/STO	Opening balance	Receipt	Sale	Closing balance
1.	DTO, Jharsuguda	0.20	1.28	0.57	0.91
2.	DTO, Ganjam	6.90	2.52	2.33	7.09
3.	DTO, Gajapati	1.66	2.00	0.34	3.32
4.	STO, Gunupur	0.51	0.21	0.16	0.56
5.	Spl. TO, Berhampur	2.04	4.85	4.09	2.80
6.	STO, Aska	0.97	1.73	1.07	1.63
7.	DTO, Bargarh	9.05	2.47	2.96	8.56
8.	STO, Athagarh	0.97	1.38	0.19	2.16
9.	STO, Talcher	15.97	1.32	1.29	16.00
10.	DTO, Khurda	13.41	4.85	6.65	11.61
11.	DTO, Cuttack	26.11	10.86	6.33	30.64
12.	DTO, Sambalpur	11.21	2.61	2.35	11.47
13.	DTO, Balasore	10.39	5.92	4.07	12.24
14.	DTO, Kendrapara	1.61	4.12	1.36	4.37
15.	DTO, Bhadrak	11.18	2.43	2.22	11.39
16.	DTO, Mayurbhanj, Baripada.	6.28	1.39	1.60	6.07
17.	DTO, Jajpur	15.12	7.43	1.56	20.99
18.	STO, Khurda	16.69	0.82	1.07	16.44
19.	DTO, Keonjhar	3.56	0.96	1.49	3.03
20.	DTO, Angul	2.49	0.48	-	2.97
21.	DTO, Dhenkanal	4.66	7.01	1.95	9.72
22.	STO, Betnoti	1.26	3.53	0.38	4.41
23.	STO, Rairangpur	3.41	1.34	0.39	4.36
24.	DTO, Phulbani	1.69	0.64	0.38	1.95
Total :		167.34	72.15	44.80	194.69
Percentage of closing balance to sale					435%

Annexure - C
1999-2000

(Rupees in crore)

Sl. No.	Name of TO/STO	Opening balance	Receipt	Sale	Closing balance
1.	DTO, Jharsuguda	0.91	1.05	0.75	1.21
2.	DTO, Ganjam	7.09	1.09	2.50	5.68
3.	DTO, Gajapati	3.32	0.01	0.52	2.81
4.	STO, Gunupur	0.56	-	0.19	0.37
5.	Spl. TO, Berhampur	2.80	2.15	3.96	0.99
6.	STO, Aska	1.63	0.68	1.31	1.00
7.	DTO, Bargarh	8.56	0.87	3.24	6.19
8.	STO, Athagarh	2.16	-	0.23	1.93
9.	STO, Talcher	16.00	0.07	1.85	14.22
10.	DTO, Khurda	11.61	11.70	7.15	16.16
11.	DTO, Cuttack	30.64	1.09	7.38	24.35
12.	DTO, Sambalpur	11.47	0.79	2.37	9.89
13.	DTO, Balasore	12.24	3.21	3.74	11.71
14.	DTO, Kendrapara	4.37	0.56	1.32	3.61
15.	DTO, Bhadrak	11.39	1.61	2.18	10.82
16.	DTO, Mayurbhanj, Baripada.	6.07	0.05	2.00	4.12
17.	DTO, Jajpur	20.99	1.30	1.06	21.23
18.	STO, Khurda	16.44	0.82	12.24	5.02
19.	DTO, Keonjhar	3.03	-	1.53	1.50
20.	DTO, Angul	2.97	1.20	-	4.17
21.	DTO, Dhenkanal	9.72	-	1.35	8.37
22.	STO, Betnoti	4.41	0.31	0.32	4.40
23.	STO, Rairangpur	4.36	0.98	0.48	4.86
24.	DTO, Phulbani	1.95	0.55	0.31	2.19
Total :		194.69	30.09	57.98	166.80
Percentage of closing balance to sale					288%

Annexure - C**2000-01****(Rupees in crore)**

Sl. No.	Name of TO/STO	Opening balance	Receipt	Sale	Closing balance
1.	DTO, Jharsuguda	1.21	3.11	0.86	3.46
2.	DTO, Ganjam	5.68	1.97	2.67	4.98
3.	DTO, Gajapati	2.81	2.02	0.43	4.40
4.	STO, Gunupur	0.37	-	0.15	0.22
5.	Spl. TO, Berhampur	0.99	9.65	4.87	5.77
6.	STO, Aska	1.00	1.80	1.52	1.28
7.	DTO, Bargarh	6.19	6.56	3.71	9.04
8.	STO, Athagarh	1.93	-	0.54	1.39
9.	STO, Talcher	14.22	0.01	1.91	12.32
10.	DTO, Khurda	16.16	6.03	10.10	12.09
11.	DTO, Cuttack	24.35	4.84	6.15	23.04
12.	DTO, Sambalpur	9.89	3.33	2.53	10.69
13.	DTO, Balasore	11.71	6.75	5.49	12.97
14.	DTO, Kendrapara	3.61	2.01	1.59	4.03
15.	DTO, Bhadrak	10.82	-	2.94	7.88
16.	DTO, Mayurbhanj, Baripada.	4.12	2.01	1.72	4.41
17.	DTO, Jajpur	21.23	2.30	1.26	22.27
18.	STO, Khurda	5.02	2.00	1.96	5.06
19.	DTO, Keonjhar	1.50	3.07	2.16	2.41
20.	DTO, Angul	4.17	0.98	2.93	2.22
21.	DTO, Dhenkanal	8.35	-	2.62	5.73
22.	STO, Betnoti	4.40	0.44	0.55	4.29
23.	STO, Rairangpur	4.86	-	1.16	3.70
24.	DTO, Phulbani	2.19	-	0.38	1.81
Total :		166.78	58.88	60.20	165.46
Percentage of closing balance to sale					275%

Annexure - C

2001-02

(Rupees in crore)

Sl. No.	Name of TO/STO	Opening balance	Receipt	Sale	Closing balance
1.	DTO, Jharsuguda	3.46	0.22	0.88	2.80
2.	DTO, Ganjam	4.98	1.44	2.36	4.06
3.	DTO, Gajapati	4.40	-	0.75	3.65
4.	STO, Gunupur	0.22	0.05	0.06	0.21
5.	Spl. TO Berhampur	5.77	5.23	5.45	5.55
6.	STO Aska	1.28	0.41	1.37	0.32
7.	DTO Bargarh	9.04	2.50	4.28	7.26
8.	STO Athagarh	1.39	-	0.29	1.10
9.	STO Talcher	12.32	-	1.85	10.47
10.	DTO Khurda	12.09	4.06	9.74	6.41
11.	DTO Cuttack	23.04	4.00	7.88	19.16
12.	DTO Sambalpur	10.69	-	2.29	8.40
13.	DTO Balasore	12.97	3.00	6.18	9.79
14.	DTO Kendrapara	4.03	2.10	1.63	4.50
15.	DTO Bhadrak	7.88	3.44	2.96	8.36
16.	DTO Mayurbhanj, Baripada	4.41	2.06	0.93	5.54
17.	STO Khurda	5.06	3.22	1.68	6.60
18.	DTO Keonjhar	2.41	0.51	1.61	1.31
19.	DTO Angul	2.22	3.35	1.91	3.66
20.	DTO Dhenkanal	5.73	1.50	2.22	5.01
21.	STO Betnoti	4.29	0.01	0.41	3.89
22.	DTO Jajpur	22.27	0.64	1.18	21.73
23.	STO Rairangpur	3.70	1.39	1.68	3.41
24.	DTO Phulbani	1.81	1.72	0.34	3.19
Total :		165.46	40.85	59.93	146.38
Percentage of closing balance to sale					244%

Annexure - C**2002-03****(Rupees in crore)**

Sl. No.	Name of TO/STO	Opening balance	Receipt	Sale	Closing balance.
1.	DTO, Jharsuguda	2.80	2.10	1.05	3.85
2.	DTO, Ganjam	4.06	1.53	3.16	2.43
3.	DTO, Gajapati	3.65	0.12	1.00	2.77
4.	STO, Gunupur	0.21	0.46	0.07	0.60
5.	Spl. TO Berhampur	5.55	3.62	7.51	1.66
6.	STO Aska	0.32	2.06	1.31	1.07
7.	DTO Bargarh	7.26	0.50	3.53	4.23
8.	STO Athagarh	1.10	0.27	0.44	0.93
9.	STO Talcher	10.47	0.50	1.01	9.96
10.	DTO Khurda	6.41	11.06	10.93	6.54
11.	DTO Cuttack	19.16	11.52	11.85	18.83
12.	DTO Sambalpur	8.40	Nil	2.24	6.16
13.	DTO Balasore	9.79	5.71	6.74	8.76
14.	DTO Kendrapara	4.50	0.82	2.04	3.28
15.	DTO Bhadrak	8.36	5.55	3.94	9.97
16.	DTO Mayurbhanja, Baripada	5.54	0.05	1.12	4.47
17.	STO Khurda	6.60	1.67	2.17	6.10
18.	DTO Keonjhar	1.31	0.79	2.01	0.09
19.	DTO Angul	3.66	-	2.09	1.57
20.	DTO Dhenkanal	5.01	-	2.08	2.93
21.	STO Betnoti	3.89	0.88	0.51	4.26
22.	DTO Jajpur	21.73	(-) 0.37	1.32	20.04
23.	STO Rairangpur	3.41	1.00	1.08	3.33
24.	DTO Phulbani	3.19	1.11	0.38	2.92
Total :		146.38	49.95	69.58	126.75
Percentage of closing balance to sale					182%

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