



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

FOR THE YEAR ENDED 31 MARCH 2001

REVENUE RECEIPTS

GOVERNMENT OF ORISSA

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(REVENUE RECEIPTS)

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PREFATORY REMARKS

This report for the year ended 31 March 2001 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 result of audit of receipts comprising sales tax, taxes on motor vehicles, land revenue, 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 2000-2001 as well as those noticed in earlier years but which could not be covered in the previous years' Reports.

OVERVIEW

1 General

This report contains 42 paragraphs and 3 reviews relating to under-assessment/short-levy/loss of revenue etc. involving Rs.272.86 crore. The Government has accepted audit observations involving Rs.178.47 crore of which Rs.0.36 crore had been recovered up to September 2001. Some of the major findings are mentioned below:

- (i) The Government's total revenue receipts for the year 2000-2001 amounted to Rs.6902.02 crore against Rs.5884.64 crore in the previous year. Of this, 41.57 *per cent* was raised by the State, Rs.2184.03 crore through tax revenue and Rs.685.47 crore through non-tax revenue and 58.43 *per cent* was received from the Government of India, Rs.2603.97 crore in the form of State's share of divisible Union taxes and Rs.1428.55 crore as grants-in-aid.

Receipts from the Government of India in the form of Grants-in-aid and State's share of divisible Union taxes have increased by 16.4 *per cent* during the year 2000-2001 while the revenue raised by the State Government has increased by 18.5 *per cent* during the same period compared to that of the previous year. The revenue deficit for the year 2000-2001 is Rs.1932 crore whereas it was Rs.2574 crore in the previous year, i.e. the deficit has been reduced by Rs.642 crore in the year 2000-2001.

{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 2000-2001 revealed under-assessment, short-levy/loss of revenue etc. amounting to Rs.442.66 crore in 2,04,771 cases. During the year 2000-2001, the concerned departments accepted under-assessment etc. of Rs.28.24 crore involved in 3,544 cases pointed out during 2000-2001 and earlier years.

{Para 1.7}

- (iii) As on 30 June 2001, 3,909 inspection reports issued up to December 2000 containing 12,507 audit observations involving Rs.920.26 crore were outstanding for want of comments/final action by the concerned departments.

{Para 1.8}

2 **Sales Tax**

(i) A review on "Working of Sales Tax Check-posts and Barriers with special emphasis on Transit Pass System" revealed the following:

(a) Cross verification of entries in respect of out-to-out vehicles in the relevant records of four border check-posts revealed that 3,022 vehicles carrying goods valued at Rs.186.35 crore and having a tax effect of Rs.18.78 crore had not passed through the declared check-posts.

{Para 2.2.6}

(b) 1,595 vehicles were identified by the departmental Intelligence Wing to have not passed out of the State. However, no follow-up action was taken to prevent such evasion. Tax liability in respect of 456 vehicles was estimated at Rs.1.56 crore which constitutes loss of revenue to the State.

{Para 2.2.7}

(ii) Incorrect grant of exemption/deferment led to short levy of tax of Rs.7.45 crore.

{Para 2.3}

(iii) Escapement of taxable turnover led to under-assessment of Rs.5.01 crore.

{Para 2.4}

(iv) Allowance of inadmissible deduction led to short levy of tax of Rs.93.75 lakh.

{Para 2.5}

(v) There was under-assessment of tax amounting to Rs.67.91 lakh due to allowance of inadmissible deductions.

{Para 2.6}

(vi) Erroneous determination of purchase turnover led to short levy of tax of Rs.63.43 lakh.

{Para 2.7}

(vii) Failure of the department to conduct market survey resulted in escapement of tax estimated at Rs.49.55 lakh from sale of kiln burnt bricks.

{Para 2.8}

3 **Motor Vehicles Tax**

- (i) Motor vehicles tax and additional tax including penalty amounting to Rs.1.52 crore was either not realised or short-realised in respect of 385 vehicles.

{Para 3.2}

- (ii) Tax and penalty of Rs.1.20 crore was not realised from contract carriages which had valid route permits.

{Para 3.3}

- (iii) Tax and penalty of Rs.1.00 crore was not realised though the vehicles violated off-road declaration and were plying unauthorisedly.

{Para 3.4}

- (iv) Tax and penalty of Rs.18.51 crore was not realised though the vehicles were neither covered by off-road declarations nor was tax paid in other regions.

{Para 3.5}

4 **Land Revenue**

- (i) A review on "Alienation of Land by State Government for Public Purposes" revealed the following:

- (a) Premium, ground rent and cess to the extent of Rs.15.43 crore due from Industrial Infrastructure Development Corporation (IDCO) was not realised despite IDCO collecting an amount of Rs.14.35 crore on re-allotment of lands. In addition, interest of Rs.5.07 crore for non-payment of dues was also leviable.

{Para 4.2.6(a)}

- (b) Premium and other dues relating to different organisations amounting to Rs.1.44 crore including interest were not realised.

{Para 4.2.6(b)}

- (c) Non-regularisation of advance possession of Government land led to blockage of revenue of Rs.9.45 crore.

{Para 4.2.7}

- (d) Ac 115.80 of Government land was sub-leased by the Paradeep Port Trust in contravention of Government instruction. Further, dues on account of sub-lease amounting to Rs.2.32 crore was not realised.

{Para 4.2.8}

- (ii) License fees amounting to Rs.38.44 lakh for drawing water from Government water sources was either not realised or realised short.

{Para 4.3}

5 State Excise

There was loss of Excise Duty of Rs.52.85 lakh on account of lower outturn of rectified spirit from molasses due to non-adoption of Chemical Examiner's reports in working out the outturn of stock.

{Para 5.2}

6 Forest Receipts

- (i) Delay in finalisation of policy on lease of minor forest produce resulted in loss of revenue of Rs.30.05 lakh.

{Para 6.2}

- (ii) Supply of excess timber for Ratha Yatra at Puri resulted in loss of revenue of Rs.10.40 lakh.

{Para 6.3}

- (iii) Interest amounting to Rs.29.80 lakh was not levied on belated payment of royalty.

{Para 6.4}

7 Mining Receipts

- (i) There was delay in processing of applications for grant of mining leases and in execution of lease deeds which not only resulted in loss of revenue by way of dead rent at rate of Rs.7.58 lakh per annum but also facilitated illegal mining. Further, non-disposal of seized gems led to blockage of revenue of Rs.2.59 crore.

{Para 7.2}

- (ii) Interest amounting to Rs.8.02 crore was not levied on belated payment of cess on mining dues.

{Para 7.3}

- (iii) Levy of royalty on the quantity recovered from beneficiation plants instead of on the quantity removed from seam led to short levy of royalty of Rs.2.52 crore.

{Para 7.4}

8 **Departmental Receipts**

(i) A review on "Non-realisation of Interest on Loans from Co-operative Societies" revealed the following:

(a) Interest amounting to Rs.15.19 crore due from co-operative sugar industries was not realised.

{Para 8.2.6}

(b) Loans of Rs.14.40 crore extended to the Orissa State Co-operative Marketing Federation was converted into share capital contribution of State Government. However, outstanding interest of Rs.11.62 crore was not demanded.

{Para 8.2.8}

(c) Incorrect calculation of interest resulted in short demand amounting to Rs.2.70 crore.

{Para 8.2.10}

(ii) Inaction/belated action on the part of Government resulted in loss of Electricity Duty amounting to Rs.66.23 crore. In addition, interest of Rs.60.16 crore was also leviable on such dues.

{Para 8.3}

(iii) Guarantee fees amounting to Rs.52.14 lakh was not realised from various loanees by Forest and Environment, Fisheries and Animal Resources Development, Water Resources and Agriculture Departments.

{Para 8.4}

(iv) Re-imburement of cost of police personnel deployed in other States or with Central Government amounting to Rs.4.81 crore was not realised due to inaction or inadequate action by the department.

{Para 8.5}

CHAPTER-1 : GENERAL

1.1 Trend of Revenue Receipts

1.1.1 The tax and non-tax revenue raised by the Government of Orissa during the year 2000-2001, 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 two years are given below:

(Rupees in crore)

		1998-1999	1999-2000	2000-2001
I	Revenue raised by State Government			
(a)	Tax Revenue	1487.13	1704.08	2184.03
(b)	Non-Tax Revenue	557.49	716.48	685.47
	Total	2044.62	2420.56	2869.50
II	Receipts from Government of India			
(a)	State's share of divisible Union taxes	1694.52	1748.45	2603.97 ¹
(b)	Grants-in-aid	815.26	1715.63	1428.55
	Total	2509.78	3464.08	4032.52
III	Total Receipt of the State Government(I+II)	4554.40	5884.64	6902.02
IV	Percentage of I to III	44.89	41.13	41.57

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 2000-2001. 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 2000-2001 alongwith figures for the preceding two years are given below:

(Rupees in crore)

Heads of Revenue	1998-1999	1999-2000	2000-2001	Percentage of increase (+) or decrease (-) in 2000-2001 over 1999-2000
1. Sales Tax	971.09	1107.55	1342.12	(+) 21.18
2. Taxes and Duties on Electricity	110.13	127.20	146.71	(+) 15.34
3. Land Revenue	58.57	50.46	53.26	(+) 5.55
4. Taxes on Vehicles	143.18	155.53	178.17	(+) 14.56
5. Taxes on Goods and Passengers	0.01	34.18	194.04 ²	(+) 467.70
6. State Excise	109.67	114.82	135.31	(+) 17.85
7. Stamp Duty and Registration Fees	87.59	102.01	108.52	(+) 6.38
8. Other Taxes and Duties on Commodities and Services	6.89	12.33	14.60	(+) 18.41
9. Other Taxes on Income and Expenditure	--	--	11.30 ³	--
Total	1487.13	1704.08	2184.03	

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

- (a) *Sales Tax*: The increase (21.18 per cent) was stated to be due to more collection of tax from petroleum sector, *Kendu leaf* and IMFL.
- (b) *Taxes and Duties on Electricity*: The increase (15.34 per cent) was stated to be due to collection of duty on auxiliary consumption of captive power plant units.
- (c) *Taxes on Vehicles*: The increase (14.56 per cent) was attributed to increase of vehicle population and increase in permit/application fees.
- (d) *State Excise*: The increase (17.85 per cent) was stated to be due to increase in consideration money and minimum guaranteed quantity of IMFL off shops, licence fee of IMFL trade, utilisation fee, storage fee, transportation fee of mohua flower, etc.

Reasons for variations in respect of *Taxes on goods and passengers and Other taxes and duties on commodities and services* from the departments concerned have not been received (October 2001) though called for (April 2001).

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

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

1.1.3 The details of non-tax revenue realised during the years 1998-99 to 2000-2001 are given below:

(Rupees in crore)

Heads of Revenue	1998-1999	1999-2000	2000-2001	Percentage of increase (+) or decrease (-) in 2000-2001 over 1999-2000
1. Forest	87.30	95.78	84.79	(-) 11.47
2. Mines and Minerals	314.05	320.09	360.33	(+) 12.57
3. Education	12.49	15.11	19.91	(+) 31.77
4. Interest	19.62	19.46	13.09	(-) 32.73
5. Public Health, Water Supply and Sanitation	12.56	14.71	17.83	(+) 21.21
6. Irrigation and Inland Water Transport	13.79	10.51	20.16	(+) 91.82
7. Police	08.71	10.17	21.44	(+) 110.82
8. Others	88.97	230.65 ⁴	147.92	(-) 35.87
Total	557.49	716.48	685.47	

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

- (a) *Forest*: The reason for decrease (11.47 per cent) was stated to be due to less payment of royalty on *Kendu leaves* by the Orissa Forest Development Corporation Limited (OFDC).
- (b) *Mines and Minerals*: The increase (12.57 per cent) was stated to be due to significant increase in dispatch of major revenue earning minerals like coal, iron ores etc. and enhancement of the rate of royalty on certain minerals from September 2000.
- (c) *Police*: The increase (110.82 per cent) was stated to be due to collection of arrear dues.

Reasons for variations relating to Education, Interest, Public Health, Water Supply and Sanitation, Irrigation and Inland Water Transport and Others have not been received (October 2001) though called for (April 2001).

1.2 Variations between Budget Estimates and Actual

The variations between Budget Estimates of revenue for the year 2000-2001 and the actual receipts under the principal heads of tax and non-tax revenue and the reasons therefor as intimated by the respective departments are given below:

⁴ Includes receipt of dividend of Rs.111.14 crore under dividend head and Rs.17.06 crore under other administrative services head.

(Rupees in crore)

Sl. No.	Heads of Revenue	Budget Estimates	Actual receipts	Variations Increase (+) Shortfall (-)	Percentage of Variation
Tax Revenue					
1	Sales Tax	1425.00	1342.12	(-) 82.88	(-) 5.82
2	Taxes on Goods and Passengers	200.00	194.04	(-) 5.96	(-) 2.98
3	Taxes and Duties on Electricity	135.00	146.71	(+) 11.71	(+) 8.67
4	Land Revenue	56.00	53.26	(-) 2.74	(-) 4.89
5	Taxes on Vehicles	180.00	178.17	(-) 1.83	(-) 1.02
6	State Excise	170.00	135.31	(-) 34.69	(-) 20.41
7	Stamp Duty and Registration Fees	120.00	108.52	(-) 11.48	(-) 9.57
Non-Tax Revenue					
8	Mines and Minerals	350.00	360.33	(+) 10.33	(+) 2.95
9	Forest	110.00	84.79	(-) 25.21	(-) 22.92
10	Education	14.29	19.91	(+) 5.62	(+) 39.33
11	Interest	25.00	13.09	(-) 11.91	(-) 47.64
12	Police	08.40	21.44	(+) 13.04	(+) 155.24

- (a) *Forest*: The decrease (22.92 per cent) was due to less payment of royalty on *Kendu leaves* by OFDC Ltd.
- (b) *Police*: The increase (155.24 per cent) was due to collection of arrear dues.

Reasons for variations relating to *State Excise*, *Education* and *Interest* have not been received (October 2001) though called for (April 2001).

The wide variation between Budget Estimates and Actual Receipts reflected a lack of adequate assessment of actual receipts and the possibilities of additional resource mobilisation as the Budget Estimates were being framed without any specific assessments of receipts from the respective administrative departments.

1.3 Cost of Collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collections during the years 1998-1999, 1999-2000 and 2000-2001 along with the relevant all India average percentage of expenditure on collection to gross collections for 1999-2000 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 1999-2000
1 Sales Tax	1998-1999	971.09	21.52	2.22	1.56
	1999-2000	1107.55	20.70	1.87	
	2000-2001	1342.12	22.86	1.70	
2 Taxes on Vehicles	1998-1999	143.18	2.71	1.89	3.56
	1999-2000	155.53	7.40	4.76	
	2000-2001	178.17	7.86	4.41	
3 State Excise	1998-1999	109.67	11.69	10.66	3.31
	1999-2000	114.82	11.16	9.72	
	2000-2001	135.31	11.80	8.72	
4 Stamp Duty and Registration Fees	1998-1999	87.59	10.92	12.47	4.62
	1999-2000	102.01	14.41	14.13	
	2000-2001	108.52	12.16	11.21	

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

1.4 Arrears of Revenue

As on 31 March 2001, the arrears of revenue under principal heads of revenue as reported by the departments were as follows:

(Rupees in crore)

Sl. No.	Heads of Revenue	Amount of arrears as on 31 March 2000	Amount of arrears as on 31 March 2001	Arrears more than five years old	Remarks	
1	Sales Tax	832.71	765.72	294.00	The stages of arrears was as under:	
					(a) Demands covered by Certificate proceedings/ Tax Recovery proceedings	162.63
					(b) Demands stayed by	
					(i) Supreme Court/High Court	265.16
					(ii) Departmental authorities	173.65
					(c) Under third party notices	23.80
					(d) Under disputes	136.47
(e) Amounts likely to be written off	4.01					
Total					765.72	
2	Taxes on Vehicles	43.12	39.28	NA	Item-wise break up was as under :	
					(i) Orissa State Road Transport Corporation	26.02
					(ii) Private Vehicles	13.26
Total					39.28	

(Rupees in crore)

Sl. No.	Heads of Revenue	Amount of arrears as on 31 March 2000	Amount of arrears as on 31 March 2001	Arrears more than five years old	Remarks
3	Land Revenue	20.87	15.45	NA	Item-wise break up was as follows : (a) Rent 1.90 (b) Cess 4.68 (c) Nistar Cess 0.15 (d) Sairat 3.44 (e) Misc. Revenue 5.28 Total 15.45
4	Forest	45.64 ⁵	67.96	NA	The item-wise details was as under : (a) Forest Lease 15.49 (b) Kendu Leaves 0.25 (c) OFDC 52.22 Total 67.96
5	Mines and Minerals	28.97	34.60	1.78	The stages of recovery was as under : (a) Demand covered by certificate proceedings 3.78 (b) Demand stayed by High Court/Other Judicial Authorities 0.20 (c) Amount likely to be written off 0.75 (d) Recoverable amount 29.87 Total 34.60
6	Police	NA	18.92 ⁶	2.98	The arrear relates to the period from 1972-73 to 2000-01. More than Rs.2 lakh in each case (21 cases involving Rs.18.87 crore).
7	Irrigation (WR)	11.15	11.17	NA	Item-wise break up was as follows : (i) Compulsory Basic Water Rate 7.78 (ii) Fluctuating Water Rate 3.39 Total 11.17
8	Other Departmental Receipts (Rent) G.A Department	8.12	8.33	NA	Item-wise break up was as under : <u>Residential Buildings</u> 1 MLA's and ex-MLA's 0.42 2 Boards and Corporations 0.36 3 Private parties 0.32 4 Retired Govt. Servants 2.87 5 Transferred Govt. Servants 1.17 6 Certificate cases 0.06

5 Arrears relating to 17 divisions only out of 27 divisions.

6 A few illustrative cases are given in para 8.5.

(Rupees in crore)

Sl. No.	Heads of Revenue	Amount of arrears as on 31 March 2000	Amount of arrears as on 31 March 2001	Arrears more than five years old	Remarks
					7 Central Govt. employees occupying State Govt. Quarters and water tax 0.72 8 Usual House Rent 1.45 9 Recovery stayed by High Court and other judicial authorities 0.12 <u>Non-Residential Buildings</u> 0.84 Total 8.33
9	Interest	76.94	90.66	NA	1 Co-operation Department 60.92 2 Industry Department 29.74 Item-wise break up was as under : (a) Orissa Small Industries Corp. 0.41 (b) Industrial Development Corp. 6.06 (c) Film Development Corp. 0.05 (d) Orissa Instrument Co. 0.24 (e) Orissa State Leather Corp. 0.36 (f) Orissa State Financial Corp. (i) Loan in lieu of share capital 6.35 (ii) Interest bearing loan 7.29 (iii) State Aid Rural Industries Program loan 0.96 (iv) Sales Tax loan 4.72 (v) Electricity Duty loan 2.96 (vi) Panchayat Samiti Industries loan 0.34 29.74 Total 90.66
10	Stationery and Printing	NA	3.65	NA	More than Rs.2 lakh in each case (12 cases involving Rs.1.84 crore). Item-wise break up was as follows: (i) Stationery Receipts 0.06 (ii) Sale of Gazette 0.03 (iii) Other Press 3.51 (iv) Other Receipts 0.05 Total 3.65

(Rupees in crore)

Sl. No.	Heads of Revenue	Amount of arrears as on 31 March 2000	Amount of arrears as on 31 March 2001	Arrears more than five years old	Remarks
11	State Excise	6.96	8.10	NA	The stage wise position of arrears was as under: (a) Covered by certificate proceedings 2.10 (b) Stayed by High Court/other judicial authorities 3.65 (c) Amount under dispute 0.03 (d) Proposed to be written off 0.04 (e) Other stages of recovery 2.28 Total 8.10

1.5 Arrears in assessment

The details of Sales Tax assessment cases pending at the beginning of the year, 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 each year during 1996-1997 to 2000-2001 as furnished by the department are given below:

Year	Opening Balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year	Percentage of column 5 to 4
1	2	3	4	5	6	7
1996-1997	2,47,612	1,87,650	4,35,262	1,68,837	2,66,425	39
1997-1998	2,66,425	1,82,857	4,49,282	1,68,521	2,80,761	38
1998-1999	2,80,761	1,86,439	4,67,200	1,55,498	3,11,702	33
1999-2000	3,11,702	1,84,660	4,96,362	1,49,044	3,47,318	30
2000-2001	3,47,318	1,88,952	5,36,270	1,59,337	3,76,933	30

It would be seen that the number of outstanding cases went up from 2,66,425 at the end of 1996-97 to 3,76,933 at the end of 2000-2001 registering an increase from 61 per cent in 1996-97 to 70 per cent in 2000-2001. It was also noticed that the department could not even dispose of the cases which became due during the year.

1.6 Fraud and Evasion of Tax

The number of cases of evasion of tax detected by the Sales Tax department and assessments finalised during 2000-2001 are given below:

		Number of cases
A(i)	Cases pending as on 31 March 2000	14,096
(ii)	Cases detected during the year 2000-2001	2,216
	Total	16,312
B	Cases in which investigations were dropped/assessments completed during the year 2000-2001	2,680
C	Cases which were pending at the end of the year (i.e. 31 March 2001)	13,632

The revenue involved in the pending cases was not furnished by the department. It would be seen from the above that the disposal of detected cases was very low (16 per cent).

1.7 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 2000-2001 revealed under-assessment/short levy/loss of revenue etc. amounting to Rs.442.66 crore in 2,04,771 cases. During the course of the year 2000-2001, the concerned departments accepted under-assessment etc. of Rs.28.24 crore involved in 3,544 cases which were pointed out in 2000-2001 and in earlier years. Of these, the departments recovered Rs.10.20 crore in 811 cases.

This report contains 42 paragraphs and 3 reviews involving financial effect of Rs.272.86 crore of which Rs.178.47 crore has been accepted by Government/Department. Recovery made in these cases amounted to Rs.0.36 crore up to September 2001. Audit observations with a total revenue effect of Rs.1.85 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 (October 2001).

1.8 Outstanding inspection reports and audit observations

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 offices and other departmental authorities through inspection reports. The heads of offices are required to furnish replies to the inspection reports through the respective heads of departments within a period of one month.

The number of inspection reports and audit observations relating to revenue receipts issued up to 31 December 2000 which were pending settlement by the departments as on 30 June 2001 along with corresponding figures for the preceding two years are given below:

	1999	2000	2001
1. Number of inspection reports pending settlement	3576	3769	3909
2. Number of outstanding audit observations	11558	12087	12507
3. Amount of revenue involved (in crore of Rupees)	395.74	666.67	920.26

Department-wise break up of the inspection reports and audit observations outstanding as on 30 June 2001 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. Finance	Sales Tax	643	2856	151.11	1972-73 to 2000-2001	58
	Entertainment Tax	169	182	1.00	-do-	7
	Luxury Tax	12	12	0.59	1997-98 to 2000-2001	2
2. Commerce and Transport (Transport)	Taxes on Vehicles	256	3032	63.60	1970-71 to 2000-2001	24
	Taxes on Goods and Passenger	70	237	1.09	1973-74 to 1987-88	--
3. Revenue	Land Revenue	1049	2499	96.49	1975-76 to 2000-2001	251
	Stamp Duty and Registration Fees	309	397	28.63	1976-77 to 2000-2001	123
4. Excise	State Excise	248	653	41.92	1973-74 to 2000-2001	18
5. Forest and Environment	Forest Receipts	562	1459	103.01	1967-68 to 2000-2001	27
6. Steel and Mines	Mining Receipts	95	192	20.59	1974-75 to 2000-2001	--
7. Others	Departmental Receipts	496	988	412.23	1977-78 to 2000-2001	22
Total		3909	12507	920.26		532

Given the huge pendencies and the amount of revenue involved, it is recommended that Government should look into this matter and ensure that effective steps are taken (a) for action against officials who failed to send replies to Inspection Reports/Paras as per the prescribed time schedule, (b) to raise demand and realise the short levy/non-levy of tax, fees, duties and arrears of revenue etc. in time bound manner and (c) to ensure proper response to the audit observations by the departments concerned.

1.9(a) Response of the Departments to Draft Audit Paragraphs

Government of Orissa, Finance Department, in their circular memorandum instructed (May 1967) various departments of the Government to submit compliance to the draft audit paragraphs floated by the Accountant General (AG) for inclusion in the Audit Reports of the Comptroller and Auditor General (C&AG) within six weeks from the date of receipt of such draft audit paragraphs. The above instructions were reiterated (December 1993) while accepting the recommendation of the High Power Committee on response of the State Governments to the Audit Reports of the C&AG. The draft paras (DP) are normally forwarded by the AG to the Principal Secretary/Secretary of the administrative Department concerned through demi-official letters seeking confirmation of the factual position and comments thereon within the stipulated period of 6 weeks.

Sixty eight draft paragraphs being considered for inclusion in this Report were demi-officially forwarded to the Secretaries/Principal Secretaries of the concerned departments between November 2000 and May 2001 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)	27	26	01
2	Finance (Departmental Receipt)	01	01	Nil
3	Energy (Electricity Duty & Fees)	01	01	Nil
4	Transport (Motor Vehicle Tax)	13	-	13
5	Revenue (Land Revenue, Stamp Duty and Registration Fees)	04	-	04
6	Excise (Excise Duty and Fees)	04	02	02
7	Steel & Mines (Mining Receipts)	07	06	01
8	Forest and Environment (Forest Receipts)	06	-	06
9	Food Supplies and Consumer Welfare (Departmental Receipt)	01	01	Nil
10	School and Mass Education (Departmental Receipt)	01	01	Nil
11	General Administration (Departmental Receipt)	01	01	Nil
12	Home (Departmental Receipt)	01	-	01
13	Co-operation (Departmental Receipt)	01	-	01
Total		68	39	29

While Energy, Food Supplies and Consumer Welfare, School and Mass Education and General Administration Departments have responded to the draft paras issued to them, no response was received from the departments of Commerce and Transport (Transport), Revenue, Forest and Environment, Home and Co-operation in respect of paras relating to Motor Vehicles Tax, Land Revenue and Stamp duty and Registration fees, Forest Receipts and Departmental Receipt respectively. The Departments of Finance, Excise and

Steel and Mines have responded to 27, 2 and 6 paras out of 28, 4 and 7 paras issued to them respectively.

1.9(b) Follow up on Audit Reports

Finance Department instructed (May 1967 and May 1968) all departments of the Government to take *suo motu* action to verify the facts and figures mentioned in the Audit Reports presented before the State Legislature and submit a comprehensive note covering all aspects of the cases in the Audit Paragraphs to the Public Accounts Committee (PAC) soon after receipt of the Audit Report. In December 1993, the Finance Department further instructed that the departments should submit explanatory notes on paragraphs included in the Audit Reports indicating the action taken or proposed to be taken within a period of three months without waiting for any notice or call from PAC. Since the Audit Reports of the Comptroller and Auditor General of India (Revenue Receipts) represent the culmination of the process of statutory audit starting with initial inspection of the accounts records maintained in various offices under departments of Government, it is imperative that they elicit appropriate and timely response from the Executive as a measure of rectification of errors noticed in audit and to safeguard the interests of revenue.

It was noticed that though the Audit Reports (Revenue Receipts) of the Comptroller and Auditor General relating to the State for the years 1989-90 to 1998-99 were presented to the State Legislative Assembly in December 1991, October 1992, April 1993, April 1994, June 1995, July 1996, April 1997, July 1998, July 1999 and July 2000 respectively, nine departments did not submit *suo motu* explanatory notes on 172 paragraphs/review paragraphs to the PAC for examination of the cases as tabulated below:

Year	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	Total
No. of paras in the AR	69	68	63	54	44	47	40	36	38	40	499
No. of paras discussed in PAC	68	51	51	40	32	21	04	--	--	--	267
No. of paras pending for discussion	01	17	12	14	12	26	36	36	38	40	232
No. of paras for which compliance notes awaited from the departments	01	02	12	14	12	12	10	33	36	40	172

From the above, it would be seen that the non-compliance to audit paragraphs stood at 34.47 *per cent* of total paras presented to the Assembly during the above period. Lack of follow up action on Audit Reports by the Departments resulted in non-realisation of substantive revenue to the State besides recurrence of similar errors every year.

(ii) Out of above 172 paras, 4⁷ paras featured significant audit findings highlighting *inter alia* certain systemic deficiencies meriting attention of Government. Despite extant instructions of the Finance Department in December 1993 for submission of explanatory notes on paragraphs included in the Audit Reports indicating action taken or proposed to be taken within three months without waiting for any notice or call from PAC, no compliance to 3 Reviews relating to Revenue Department (2 reviews) and Finance Department (one review) have so far been received though the related reports were presented to the State Legislative Assembly between December 1991 and July 1999. The compliance to the review relating to the Transport Department was received as late as in September 2001. As a result of non-response from the Executive, rectification of errors and removal of systemic deficiencies or systemic failures highlighted by audit have remained un-redressed.

The matter was brought to the notice of concerned Department (August 2001). Their reply is still awaited.

1.9(c) Response of the departments to PAC Reports/ Recommendations

The Orissa Legislative Assembly (OLA) Secretariat issued (May 1966) instructions to all departments of the State Government to submit notes showing action taken by the Government on various suggestions, observations and recommendations made by the Public Accounts Committee (PAC) for their consideration within six months after presentation of the PAC Report to the Legislature. The above instructions were reiterated by Government in Finance Department in December 1993 and by the OLA Secretariat in January 1998. The PAC Reports/recommendations are the principal medium by which the Legislature enforces financial accountability of the Executive to the Legislature and it is appropriate that they elicit timely response from the departments in the form of Action Taken Notes (ATNs).

However, it was noticed from the PAC reports submitted during the 10th and 11th Assembly that 39 Reports containing 276 paras/recommendations were presented by the PAC before the Legislature during February 1991 to August 1999 after examination of the Audit Reports (Revenue Receipts) of 14 Departments for the year 1985-86 to 1993-94 as detailed below:

7 (i)"Compulsory Basic Water Rate in respect of command area of Minor Irrigation Projects" featured as para 5.6 of Audit Report (R/R)-1989-90-relating to Revenue Department.
(ii)"Functioning of Enforcement Wing of Motor Vehicles Department in Orissa" featured as para 3.2 in the Audit Report(R/R)-1995-96 relating to Transport Department.
(iii)"Internal control in the disposal of appeals and remand cases"-featured as para 2.2 in the Audit Report (R/R)-1996-97-relating to Finance Department.
(iv)"Assessment and collection of water rate" featured as para 4.2 in the Audit Report (R/R)-1997-98-relating to Revenue Department.

SI No	Name of the Assembly	PAC Report No./ Date of placement in Assembly	Department to which it relates	No. of paras outstanding	Reference to Audit Reports (R/R)
1	10 th	4 th /27.02.1991	Revenue and Excise	21	1985-86
2		11 th /30.03.1992	Steel and Mines	04	1987-88
3		12 th /30.03.1992	Home	01	1986-87
4		13 th /12.11.1992	Fishery and ARD	04	1986-87
5		23 rd /23.03.1993	Housing and UD	01	1987-88
6		25 th /23.03.1993	Irrigation	01	1987-88
7		28 th /23.07.1993	Energy	03	1986-87 & 1987-88
8		29 th /23.07.1993	Energy	02	1988-89 & 1989-90
9		30 th /11.11.1993	Commerce and Transport	16	1986-87
10		32 nd /11.11.1993	Commerce and Transport	05	1988-89
11		33 rd /11.11.1993	Commerce and Transport	03	1989-90
12		34 th /11.11.1993	Commerce and Transport	29	1990-91
13		41 st /29.12.1993	Energy	04	1990-91
14		46 th /25.03.1994	Education	02	1990-91
15		50 th /25.03.1994	Irrigation	02	1988-89 & 1989-90
16		54 th /27.09.1994	Water Resources	01	1990-91
17		59 th /21.12.1994	Forest & Environment	18	1986-87
18		60 th /21.12.1994	Forest & Environment	13	1987-88
19		61 st /21.12.1994	Forest & Environment	05	1988-89
20		62 nd /21.12.1994	Forest & Environment	16	1989-90
21		63 rd /21.12.1994	Forest & Environment	16	1990-91
22	11 th	5 th /14.03.1996	Steel & Mines	03	1988-89
23		7 th /16.03.1996	Finance	14	1986-87
24		8 th /16.03.1996	Steel & Mines	05	1989-90
25		13 th /22.03.1996	Steel & Mines	08	1990-91
26		14 th /22.03.1996	Forest & Environment	14	1991-92
27		15 th /22.03.1996	Revenue & Excise	18	1986-87
28		19 th /31.07.1996	Finance	10	1987-88
29		20 th /31.07.1996	Agriculture	01	1988-89
30		21 st /31.07.1996	Home	03	1988-89
31		25 th /27.11.1996	Finance	13	1988-89
32		27 th /27.11.1996	Law	01	1988-89 & 1990-91
33		32 nd /27.11.1996	Home	02	1987-88
34		43 rd /29.03.1997	Home	01	1991-92 & 1992-93
35		48 th /08.12.1997	Energy	02	1991-92
36		49 th /08.12.1997	Energy	03	1992-93
37		52 nd /31.03.1998	Forest & Environment	07	1992-93
38		62 nd /04.08.1999	Finance	02	1989-90
39		63 rd /04.08.1999	Home	02	1993-94
Total				276	

However, no ATN have been received from the departments so far in respect of the above PAC Reports except in respect of 3 paras of 5th Report of 11th Assembly relating to Steel and Mines Department which was reported to have been received (September 2001) by Orissa Legislative Assembly Secretariat.

CHAPTER-2 : SALES TAX

2.1 Results of Audit

Test check of assessments and refund cases and connected documents of the Commercial Tax offices during 2000-2001 revealed under-assessment of tax, loss of revenue etc. amounting to Rs.77.39 crore in 504 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 application of incorrect rate	100	3.92
2	Incorrect grant of exemption	108	19.03
3	Short levy of tax due to incorrect computation of taxable turnover	81	17.98
4	Non-levy of interest	15	0.07
5	Non-levy of surcharge	19	0.06
6	Others	180	15.99
7	Review on "Working of Sales Tax Check-Posts and Barriers with special emphasis on Transit Pass System"	1	20.34
Total		504	77.39

During the year 2000-2001, the department accepted under-assessment etc. of Rs.3.50 crore in 174 cases which were pointed out in audit in earlier years. Out of these, the department recovered Rs.20.63 lakh in 45 cases.

A few illustrative cases highlighting important audit observations involving Rs.15.64 crore and findings of a review on "Working of Sales Tax Check-Posts and Barriers with special emphasis on Transit Pass System" involving Rs.20.34 crore are mentioned in the following paragraphs.

2.2 WORKING OF SALES TAX CHECK-POSTS AND BARRIERS WITH SPECIAL EMPHASIS ON TRANSIT PASS SYSTEM

2.2.1 Introduction

The Orissa Sales Tax (OST) Act, 1947, envisaged setting up of check-posts to prevent evasion of tax. The Act empowers the officers in-charge of check-posts to stop any vehicle passing through the check-post to see whether the requisite documents available with the driver or the person in-charge of the vehicle are in order. If on scrutiny it appears that the tax payable on goods has not been paid or not supported by proper documents, the officer in-charge may detain the vehicle until the tax is paid or seize it and confiscate the goods and realise the tax by selling the goods. From January 1996, a transit pass system was introduced in respect of vehicles bound for other States passing through the State to guard against leakage of revenue by way of such vehicles unloading the goods inside the State or selling the goods clandestinely. The driver of such vehicle is required to submit a declaration in the prescribed form at the entry check-post that the goods shall not be unloaded, delivered or sold in the State and exit through the check-post as specified in the declaration within a specified date and time. At present, 22 check-posts and 8 Railway Receipts Units (RR units) are functioning in the State.

2.2.2 Organisational set up

The Commissioner of Commercial Taxes (CCT), Orissa, being the head of the Commercial Tax Department is in overall control of the check-posts. The administrative control and superintendence of the check-posts vest with the Commercial Tax Officers (CTOs) of respective circles except in case of three major border check-posts⁸ which are under the control of the CTOs posted in those check-posts. The Assistant Commissioners of Commercial Taxes (ACCT) of the related Ranges also supervise the working of the check-posts. The Enforcement organisation of the department assists the CCT for anti-evasion measures.

2.2.3 Scope of review

A review on the “Working of Sales Tax Check-Posts and Barriers and the system of Transit Pass” was undertaken by audit during August 2000 to February 2001 to evaluate how efficiently the systems and procedures are working and to what extent the objective underlying the establishment of check-posts and barriers has been achieved. Test check of transit passes was

⁸

Girisola, Jamsola and Sohella (Loharchatti).

done for the month of February 2000 and other accounts records for the years 1997-98 to 1999-2000. The review covered 6⁹ out of 22 check-posts, 3¹⁰ out of 8 Railway Receipts units, 8¹¹ out of 29 assessment circles and 3¹² Intelligence Ranges.

2.2.4 Highlights

Cross verification of entries and exits of out-to-out vehicles conducted in audit in four border check-posts revealed that 3,022 vehicles had not passed through the declared exit check-posts. The money value of goods and tax liability involved in the cases test checked amounted to Rs.186.35 crore and Rs.18.78 crore respectively.

{Para 2.2.6}

1,595 vehicles were found by departmental Intelligence wing to have not passed out of the State. However, no follow-up action was taken to assess and recover the tax. Tax liability in respect of 456 vehicles was estimated at Rs.1.56 crore in audit.

{Para 2.2.7}

Fraudulent transactions of goods and movement of vehicles involving Rs.57.14 lakh with tax effect of Rs.6.35 lakh were noticed.

{Para 2.2.8}

245 defective transit passes were accepted in the entry check-posts. Acceptance of such defective or invalid transit passes was incorrect.

{Para 2.2.9}

Shortfall in physical verification of 8,009 vehicles led to potential loss of tax and penalty estimated at Rs. 2.66 crore.

{Para 2.2.12}

No suitable checks were exercised in Railway Receipts Unit due to non-existence of Sales Tax Office/barrier in the Railway premises.

{Para 2.2.14}

⁹ Bahalda, Girisola, Jamsola, Laxmannath, Nalda and Sohella (Loharchatti).

¹⁰ Berhampur, Cuttack and Rayagada.

¹¹ Balasore, Baripada, Cuttack-I (Central), Cuttack-I(East), Cuttack-I(West), Cuttack-II, Ganjam-I, and Ganjam-III.

¹² Berhampur, Cuttack and Sambalpur.

2.2.5 Trend of Revenue Collection at Check-Posts

(a) The comparative position of collection of Sales tax at check-posts vis-a-vis the total Sales tax receipts of the State for the five years ending 1999-2000 was as follows:

(Rupees in crore)

Year	No. of check-posts	Total sales tax receipts of the State	Amount collected by way of tax including penalty at the check-posts as furnished by the Department	Percentage of sales tax collection at the check-posts to the total sales tax collected
1995-1996	37	716.10	22.58	3.15
1996-1997	37	893.51	16.94	1.90
1997-1998	37	925.08	15.33	1.66
1998-1999	37	971.09	16.45	1.69
1999-2000	37 ¹³	1107.55	15.64	1.41

It was observed in audit that the collections at the check-posts remained stagnant and had in fact slightly declined over the years which was indicative of deficiencies in revenue collection.

(b) No targets for collection of tax were fixed for any check-post except for the three major check-posts. The financial targets fixed and achievement made in respect of the three major check-posts for the last five years ending 1999-2000 was as under:

(Rupees in crore)

Name of check-post	Year	Target fixed	Achievement in collection	Shortfall
Jamsola	1995-1996	6.50	6.45	(-) 0.05
	1996-1997	4.65	3.90	(-) 0.75
	1997-1998	4.00	3.06	(-) 0.94
	1998-1999	5.00	2.21	(-) 2.79
	1999-2000	3.77	2.21	(-) 1.56
Girisola	1995-1996	5.50	4.06	(-) 1.44
	1996-1997	3.61	2.68	(-) 0.93
	1997-1998	3.00	2.35	(-) 0.65
	1998-1999	4.00	2.66	(-) 1.34
	1999-2000	3.32	2.60	(-) 0.72
Sohella (Loharchatti)	1995-1996	4.25	4.51	(+) 0.26
	1996-1997	3.61	2.52	(-) 1.09
	1997-1998	3.00	1.81	(-) 1.19
	1998-1999	3.50	2.15	(-) 1.35
	1999-2000	3.20	2.15	(-) 1.05

The targets fixed were not based on any norm or yardstick as these fluctuated from year to year. Even the declining targets were not achieved in most of the years. There was a need to determine realistic targets which would facilitate effective monitoring.

On being pointed out in audit (January 2001), the CCT stated that there were no specific orders for fixation of targets for check-posts.

13 Check-posts operative up to 03.01.2000 were 37 and thereafter 22.

2.2.6 Evasion of tax due to suspected unloading and sale within the State

Under the OST Act, 1947, and rules made thereunder, the driver or the person in-charge of the vehicle carrying goods from outside the State and bound for outside the State passing through the State of Orissa shall stop the vehicle for inspection of all documents relating to the goods carried and for search of the vehicle by the concerned officer in-charge of the first entry check-post. The driver or person in-charge of the vehicle is required to produce a Transit Pass in triplicate in the prescribed form giving particulars of goods viz. quantity, value and nature of the goods transported, destination, names of the consignor and consignee etc. alongwith a declaration that the goods shall not be unloaded, delivered or sold inside the State. He shall submit the original copy of the transit pass to the officer in-charge of the entry check-post and the duplicate copy to the officer in-charge of the declared exit check-post before leaving the State failing which it shall be presumed that the goods have been sold within the State by the owner or person in-charge of the vehicle.

A test check of entries made in the out-to-out (Incoming and Outgoing) registers of the entry check-posts with those of the declared exit check-posts in respect of 4 check-posts (including 3 major check-posts) for the month of February 2000 revealed that out of 10,585 vehicles, 3,022 vehicles did not pass through the declared exit check-posts as their entries could not be traced in the out-to-out (Outgoing) registers of the declared exit check-posts. The vehicles contained taxable goods valued at Rs.186.35 crore having a tax effect of Rs.18.78 crore as detailed below:

(Rupees in crore)

Name of the entry check-post	Name of the exit check-post	No. of vehicles selected for cross verification	Vehicles untraced	Value of goods of untraced vehicles	Tax involved
Girisola	Jamsola	3829	499	50.26	5.77
Laxmannath	Girisola	742	135	6.10	0.55
Jamsola	Girisola	3286	965	58.53	5.37
Sohella (Loharchatti)	Jamsola	1106	341	18.61	1.90
Jamsola	Sohella	1622	1082	52.85	5.19
Total		10585	3022	186.35	18.78

It was also observed that there existed no system for coordination between different check-posts so as to enable enforcement of the objective of checking large scale tax evasion and there was also no system of monitoring movement of vehicles which may escape through other nearby undeclared check-posts or bypasses.

On this being pointed out (between November 2000 and February 2001), the CTO of the exit check-post Jamsola confirmed (January 2001) that the untraced vehicles in question did not pass through the check-post and CTO Sohella (Loharchatti) stated that due to shortage of staff, it was not possible to cross verify the items.

2.2.7 Loss of revenue due to deficiencies in working of Departmental Intelligence Wing

Under the provisions of OST Act and Rules, if any out-to-out vehicle fails to deliver the duplicate copy of the transit pass to the declared exit check-post, it shall be presumed that the goods have been unloaded and sold within the State by the owner or person in-charge of the vehicle for which a fine of Rs.20,000 or 20 *per cent* of value of goods whichever is higher in addition to tax is payable on such goods.

As per the instructions of the CCT dated 14 May 1999, copies of the waybills/transit passes relating to out-to-out vehicles collected at the entry check-post are required to be sent to the concerned ACCT(Intelligence) Range for cross verification with copies handed over by the driver of the vehicle at the exit check-post to find out the vehicles which have not passed through the declared exit check-post. Discrepancies, if any, is required to be intimated to the CCT's office for further action.

Test check of records of 3 Intelligence Range offices (Cuttack, Berhampur and Sambalpur) between August 2000 and January 2001 revealed that during the year 1999-2000, the Intelligence Wing detected 1,595 vehicles which had not passed through the declared exit check-post but no action was taken to assess the tax involved and to recover the same. Out of the 1,595 vehicles, the tax effect involved in respect of 456 vehicles was assessed in audit as Rs.1.56 crore. Thus exercise undertaken by the Intelligence Wing in cross checking served no fruitful purpose.

On this being pointed out, the CCT stated (January 2001) that the check-post officers and Intelligence Range Officers concerned have been instructed to keep close watch on the movement of these vehicles. However, no specific action has been taken against any vehicle so far (March 2001).

2.2.8 Fraudulent transactions

Government of Orissa through notification (January 2000) provided that the driver or any other person in-charge of out-to-out vehicles shall produce before the officers in-charge of entry check-posts a transit pass (Form XXXII-T) giving detailed particulars of transactions and declaration to the effect that "the goods under transport would not be unloaded, delivered or sold in the State and would exit through a declared exit check-post on likely date and time."

In 7 cases test checked, vehicles entered Girisola/Jamsola check-post between 1 February 2000 and 18 February 2000 with one kind of goods but passed through the declared exit check-post Jamsola/Girisola/Sohella between 2 February 2000 and 19 February 2000 with some other goods and showing some other destinations. These cases involved money value of Rs.57.14 lakh having tax effect of Rs.6.35 lakh.

On this being pointed out (December 2000 and January 2001), the ACCT (Intelligence) of the concerned Ranges accepted the audit observations whereas the CTOs of the concerned check-posts agreed to verify the cases for final compliance.

2.2.9 Irregular acceptance of defective transit passes in the entry check-posts

Test check in audit of waybills/transit passes for the month of February 2000 in Girisola, Jamsola, Laxmannath and Sohella check-posts revealed lack of surveillance by the check-post officers in scrutiny of waybills/transit passes produced by out-to-out vehicles at the entry check-posts.

It was noticed in audit (between November 2000 and February 2001) that 245 numbers of transit passes in Form XXXII-T produced by out-to-out vehicles during the month of February 2000 at the entry point in different check-posts were defective in as much as these transit passes and declaration made therein were either not signed by the person in-charge of the vehicle/driver (234 cases) or were not properly filled in (11 cases).

Acceptance of such defective and invalid transit passes by the officers in-charge of the check-posts was not only irregular but also shed doubt on the credibility and genuineness of the transit passes.

On this being pointed out in audit (between November 2000 and February 2001), the CTOs and the ACCT of the concerned check-posts accepted the omission and noted the audit observation for future guidance.

2.2.10 Non-disposal of seized/confiscated goods

If the officer in-charge of a check-post or barrier finds on examination of records and documents in possession of driver of a vehicle and goods actually carried that tax payable on sale or purchase of any goods has not been paid or if the goods transported are not supported by waybills and other related documents, he may ask the driver or person in-charge of vehicle to pay the tax. Otherwise he may seize and confiscate such goods. The goods confiscated shall be disposed of through public auction after giving the owner of the goods a reasonable opportunity of being heard. No time limit has been prescribed to dispose off the goods.

Scrutiny of Seizure Register in Jamsola check-post revealed that goods such as gas light, torches, electric fans, computer forms and Banarasi saris were seized and were lying in the godown since 1997-98. No action has been taken by the department to evaluate the goods for their disposal.

On this being pointed out in audit, the CTO of the concerned check-post stated (December 2000) that disposal by public auction was under process. However,

no reasons for delay could be assigned though called for. Non-disposal of goods for long periods had resulted in blockage of revenue and may result in deterioration of the goods.

2.2.11 Improper linking of waybills collected at the check-posts

(a) The copies of waybills should be sorted out at the check-posts and dispatched to the concerned circle offices within 3 days from the date of receipt for necessary linking of waybills with the dealer's returns and books of accounts submitted at circle offices for assessment. But scrutiny of waybills dispatch registers at Girisola and Jamsola check-posts revealed that there was abnormal delay in dispatch of 55,561 waybills ranging from 1 to 90 days during the period under review.

(b) The waybills after receipt in the circle offices from the check-posts are required to be sorted out ward-wise and then distributed to the respective wards at least fortnightly after entering them in a register. Information collected at 6 circle offices revealed that 7,20,132 number of waybills were pending for distribution to the respective wards at circle offices as under:

Year	Total no. of waybills received in circle offices	Total no. of waybills distributed to the wards	Total no. of waybills pending for distribution	Name of the circle office involved
1997-1998	4,17,182	1,69,345	2,47,837	Balasore, Cuttack-I(West), Cuttack-I (East), Ganjam-I, Ganjam-III and Sambalpur-I.
1998-1999	4,55,604	2,06,240	2,49,364	Balasore, Cuttack-I(West), Ganjam-I, Ganjam-III, and Sambalpur-I.
1999-2000	3,35,595	1,12,664	2,22,931	Balasore, Cuttack-I(East), Cuttack-I (West) Ganjam-I, Ganjam-III, and Sambalpur-I.
Total	12,08,381	4,88,249	7,20,132	

In absence of the waybills, the assessing officers cannot verify the genuineness of the books of accounts of the dealers in respect of purchases and sales effected by them which may result in evasion of tax.

The concerned CTOs attributed the reasons for delay in dispatch/non-distribution of waybills to shortage of staff.

2.2.12 Inadequacy of physical verification

The officer in-charge of the check-posts should ensure thorough check of a minimum of five vehicles per day after unloading at Jamsola and Girisola check-posts and two vehicles per day at other check-posts.

Test check of records (September 2000 to February 2001) of Girisola, Jamsola and Sohella (Loharchatti) check-posts revealed that such thorough checking by unloading of vehicles was very negligible during the period under review in

comparison to the number of vehicles which passed through the check-posts as shown below:

Name of the check-post	Year	Number of vehicles passed through the check-post	Minimum number of vehicles that should have been checked by unloading	Number of vehicles checked by unloading	Tax and penalty collected (Rs. in lakh)	Shortfall in vehicles not checked as per norms
Girisola	1997-1998	6,84,398	1,825	758	4.61	1,067
Jamsola	1997-1998	2,80,905	1,825	535	24.16	1,290
Girisola	1998-1999	6,90,611	1,825	782	7.84	1,043
Jamsola	1998-1999	3,77,245	1,825	535	15.46	1,290
Girisola	1999-2000	7,14,757	1,825	305	7.38	1,520
Jamsola	1999-2000	3,87,837	1,825	578	21.83	1,247
Sohella (Loharchatti)	1999-2000	4,66,838	730	178	40.47	552
Total		36,02,591	11,680	3,671	121.75	8,009

It would be seen that there was shortfall of 69 per cent in respect of vehicles not checked as prescribed in the norms. Out of 3,671 vehicles checked, tax and penalty amounting to Rs.121.75 lakh was collected. Based on this proportion, the verification of all the vehicles i.e. 8009 vehicles would have yielded Government revenue of Rs.265.62 lakh.

The reasons for shortfall were attributed by the concerned check-post officers (September 2000 to February 2001) to inadequate manpower.

2.2.13 Location of check-posts

The check-posts are to be located at strategic points so as to enable checking of all vehicles entering or leaving the territory of the State and the location should be such that no vehicle either entering or leaving the State has a chance to escape check.

However, during the course of review, the CTOs/Addl.CTOs of 4 check-posts confirmed that by-passes exist and due to their existence, vehicles could escape without check thereby frustrating the purpose for which the check-posts were set up. Details of check-posts and related by-passes are given below:

Name of the check-post	No. of by-passes	Places where by-passes exist
Jamsola	4	Banisagar, Hatibari, camp No.-1-Rasagobindpur, Baghara Road
Sohella (Luharchatti)	3	Jagadalpur-Padampur, Ambabhana-Bhatli Road, Sardhapali Road
Nalda	4	Kandara Village Road, Murga Mahadev Road, Ghasia Rastha (Parallel to Nalda Road), Ulliburu
Bahalda	3	Near block office, Bahalda Bazar and near Inspection Bungalow

On being asked as to the action taken in this regard, CTO Jamsola stated that these by-passes are beyond the jurisdiction of his check-post and no action could be taken. CTO Sohella stated that the present check-post at Loharchatti has been shifted from Sohella on 9 September 2000. The Addl.CTO Nalda

stated that the fact of existence of the by-passes was being brought to the notice of the higher authorities. The Addl.CTO Bahalda stated that there was a proposal to shift the check-post.

2.2.14 Working of Railway Receipt Units (RR Units)

A test check conducted in 3¹⁴ out of 8¹⁵ RR Units revealed that the provisions of the Act and Rules and executive instructions were not being scrupulously followed. Test check revealed that no check-post/barrier existed near any of the RR Units test checked. The existence of the office of the Addl.CTO, RR Unit, was not located at a suitable place to enable the officials to check the movement of goods (both in-coming and out-going) to detect evasion of tax.

It was observed in audit that release of consignments without counter-signature of the officer of the sales tax department and non-existence of barriers near the Railway goods sheds/Parcel offices facilitates evasion of tax through clandestine carriage, storage and disposal of goods which would affect sales tax revenue of the State in respect of goods transported/imported through the Railways. It was evident that there was a need to review the location and establishment of sales tax barriers so as to prevent leakage of revenue. No steps had been taken to install barriers or to locate the RR Units at a suitable place in the vicinity of the Railway goods shed/Parcel Office.

To an audit enquiry, the Addl.CTO, RR Unit, Berhampur, stated that it was not possible to watch the movement of Railway parcels booked and released from the present location of the office. The Addl.CTO, RR Units, Rayagada and Cuttack, stated that no office was functioning in the premises of the Railway Station as no accommodation was available.

2.2.15 Conclusion

It was evident that the functioning of the check-posts and the operation of the transit pass system was beset with operational deficiencies and lapses in implementation which defeated its primary purpose of checking evasion of tax. There was no system of monitoring of movement of vehicles, coordination between the entry and exit check-posts and quick communication which would have enabled detection of tax evasion. Detection of vehicles with transit passes which had not passed out of the State was not followed by any further action nor did it result in any exercise or review to see what action was needed to be taken. Enforcement and monitoring was also hindered by improper maintenance of records at all levels. Urgent action was evidently required to review the functioning of the check-posts including those non-functional at Railway Receipts units to prevent evasion of tax and loss of revenue to the State exchequer. For effective data linking and communication

14 Berhampur, Cuttack and Rayagada.

15 Bargarh, Berhampur, Cuttack, Jharsuguda, Kantabhanji, Rayagada, Rourkela and Sambalpur.

between the check-posts, inter-linkage through computerisation needs to be established which would enable effective functioning of the check-posts.

The above matter was referred to the Department on 19 April 2001. The matter was followed up with reminder to the Secretary on 25 June 2001. However, inspite of such efforts, no reply was received from the Government (October 2001).

2.3 Incorrect grant of exemption/deferment

The OST Act, 1947 read with Industrial Policy Resolutions (IPR) of the State provides as follows:

(a) Purchase of raw-materials and sale of finished products of a new SSI unit shall be exempted from tax for a period of seven years from the date of commercial production (CP) under IPR 1986 and 1989;

(b) Sale of finished products only to the extent of increased commercial production of an existing SSI unit over and above the existing installed capacity (IC) shall be exempted from tax for a period of seven years from the date of commercial production provided that the expansion/modernisation/diversification (E/M/D) were undertaken on the basis of a separate project report duly appraised by a financial institution under IPR 1989 where loan is taken and by the DIC in the case of self financing projects;

(c) Deferment of sales tax collected as payable in the return for a specified period subject to fulfillment of stipulated conditions.

Audit scrutiny (between March 1999 and February 2001) revealed short levy of tax of Rs.7.45 crore due to incorrect grant of exemption/deferment to SSI/Medium scale units as tabulated below:

(Rupees in lakh)						
Sl. No	Name of the circle	Assessment year/ month of assessment	Commodity/ Rate of tax OST/CST	Inadmissible Turnover exempted	Short levy of tax including surcharge	Nature of Irregularities
1	2	3	4	5	6	7
1	Sambalpur -II, Bargarh	1996-97 and 1997-98/ March 2000	Refined edible oil/4 Acid oil and oil sledge (by-product)/12	3541.61 289.99	157.17 38.63	M/s Ganesh Oil Products Ltd., a SSI unit, engaged in refining of edible oil, was set up under IPR 1986 with installed capacity of 5910 MT and started production in June 1989. It undertook expansion increasing its installed capacity to 10,122 MT in July 1991 without a separate project report being appraised by a financial institution/DIC which was mandatory. Entire sale turnover of finished products and by-products were exempted from tax on the basis of Eligibility Certificate(E.C) issued by DIC wherein the existing installed capacity was certified as 'nil' without limiting to the extent of increased production as a result of expansion over and above the existing installed capacity.

(Rupees in lakh)

Sl. No	Name of the circle	Assessment year/ month of assessment	Commodity/ Rate of tax OST/CST	Inadmissible Turnover exempted	Short levy of tax including surcharge	Nature of Irregularities
1	2	3	4	5	6	7
2	Cuttack-II	1994-95 to 1996-97/ Between July 1995 and March 1999	Refined edible oil/4	3742.54	164.67	M/s Mahaveer Oil & Refineries, a SSI unit, started commercial production in September 1992 with installed capacity of 1200 MT. It undertook expansion without a separate appraisal report by a financial institution/DIC which is mandatory raising its installed capacity to 5700 MT. Exemption was allowed on the entire sale of finished products after expansion on the basis of defective eligibility certificate issued by DIC. Subsequently, DIC issued revised EC (April 2000) retrospectively for 1994-95 to 1996-97 which the department had not accepted.
3	Rourkela-I	1991-92 to 1997-98/ Between July 1992 and July 1998	Fabricated goods (shutters, gates etc)/12	661.74	87.92	The industry was set up under IPR 1980 and undertook expansion without a separate project report being appraised by a financial institution/DIC which was mandatory under IPR 1989. The exemption was also not limited to the increase in production over and above the existing installed capacity. Moreover, despite mentioning the goods chargeable to tax by the DIC in EC the tax was not levied by the assessing officer.
4	Bolangir-I	1994-95 to 1997-98/ Between February 1997 and July 1998	Oil seeds/4 Edible/non-edible oil-4/10	948.86 319.30/ 326.16	37.96 46.72	An oil mill having input capacity of less than 10 MT, an ineligible industry, was allowed exemption under IPR 1989.
5	Sambalpur -II	1993-94 to 1997-98/ Between February 1995 and February 1999	RCC spun pipes/12	506.80	67.28	The industry was set up under IPR 1986 with installed capacity of 6000 Nos. It undertook expansion under IPR 1989 raising its installed capacity to 12000 Nos. without a separate project report duly appraised by a financial institution/DIC. Exemption was allowed on the basis of defective eligibility certificate issued by the DIC wherein the original installed capacity was certified as 'nil'. The exemption was also allowed without restricting it to the extent of increased production over and above the existing installed capacity.
6	Cuttack-II	1995-96 and 1996-97/ August 1997/ March 2000	Groundnut/4 Groundnut seed/8	343.12 255.71	13.72 20.46	A SSI unit engaged in de-cortication of groundnut set up under IPR 1986, an ineligible industry, was allowed exemption under IPR 1989 after undertaking expansion.
7	Cuttack-II	1995-96 and 1996-97/ August 1998/ March 2000	HDPE Woven Sacks/12	257.07	33.93	The industry, a SSI unit, was set up under IPR 1986 and started production in January 1989. It undertook expansion in December 1991 under IPR 1989 and the installed capacity was irregularly revised several times. The exemption was to be restricted to the extent of quantities as per original installed capacity (IC) plus the increased production over it on account of EMD up to January 1996 and to the extent of increased production only thereafter. The exemption was, however, allowed in excess of the above limit in the assessment.

(Rupees in lakh)

Sl. No	Name of the circle	Assessment year/ month of assessment	Commodity/ Rate of tax OST/CST	Inadmissible Turnover exempted	Short levy of tax including surcharge	Nature of Irregularities
1	2	3	4	5	6	7
8	Sambalpur -I	1997-98/ March 1999	Graphite flakes and powder/16	133.83	23.96	The industry, a SSI unit under IPR 1980, started production in August 1983 with installed capacity of 1200 MT. It undertook expansion under IPR 1989 raising its installed capacity to 3000 MT and started production in April 1991. The entire inter-State sale of finished products of 1206.820 MT was exempted instead of 6.820 MT on the basis of EC issued by DIC wherein the existing installed capacity before expansion was certified as 'nil', without limiting it to the extent of increased production as a result of expansion over and above the existing installed capacity.
9	Bhubaneswar-I	1996-97/ March 2000	--	Irregular deferment of tax	20.30	Instead of allowing deferment of tax collected as payable (Rs.2.52 lakh), deferment to the extent of tax assessed (Rs.20.30 lakh) was allowed. In addition, deferment was allowed without supporting EC. However, deferment of tax collected as payable (Rs.2.52 lakh) was also not admissible.
10	Sambalpur -II, Bargarh	1995-96 to 1997-98/ Between March 1998 and March 1999	Acid Oil, Wax, Gum, Soap stock etc. (by-products)/ 12	77.98	10.45	By-products are not exempted from tax under IPR 1989. The exemption was allowed on the basis of eligibility certificate issued by the DIC, wherein the by-products are shown as finished products along with refined oil.
11	Sambalpur -I	1998-99/ July 1999	RCC spun pipes/12	75.70	9.99	The industry, a SSI unit, started production (March 1991) of RCC spun pipes with installed capacity of 12000 MT. It undertook expansion (March 1998) with additional installed capacity of 12000 MT. Exemption was allowed even though there was no increase in production after expansion. DIC irregularly issued eligibility certificate showing 24,000 MT treating the original installed capacity as 'nil'.
12	Sambalpur -I	1996-97/ January 1998	Re-treaded Tyres/12	50.95	7.61*	The industry was set up under IPR 1986 with installed capacity for re-treading of 14,000 nos. of tyres and started production in June 1988. It went for expansion raising its capacity to 23,400 Nos. of tyres and started production in November 1995. During 1996-97, the unit produced 6,069 tyres and sold 6,035 tyres. Since there was no increase in production over and above the existing installed capacity, exemption allowed was not admissible.
13	Bhadrak	1995-96 to 1998-99/ March 1998 and March 2000	Repair of transformer (works contract)-4/8	55.88	4.67	Amount received towards repair of transformers was treated as sale of finished products of the SSI unit and irregularly exempted from tax instead of taxing at the rate applicable to works contract as the work involved was a works contract.
Total					745.44	

On this being pointed out in audit (between March 1999 and February 2001), the Commissioner of Commercial Taxes, Orissa informed as follows:

* Including unintended benefit (Rs.0.93 lakh) on purchase of raw-materials.

- (i) in cases at Sl. Nos. 1,3,5,6,7,8,10 and 13, demands of Rs.195.80 lakh, Rs.90.31 lakh (for the year 1995-96 to 1997-98), Rs.67.33 lakh, Rs.34.18 lakh, Rs.33.75 lakh, Rs.23.90 lakh, Rs.10.43 lakh and Rs.4.65 lakh respectively were raised;
- (ii) the case at Sl. No. 11 was re-opened for re-assessment;
- (iii) in case at Sl. No. 9, the deferment of tax allowed was cancelled and Rs.0.08 lakh had been realised;
- (iv) in case at Sl. No. 4, it was decided (September 2001) to initiate suo motu proceedings for revision of the orders;
- (v) in case at Sl. No. 2, the case was re-opened for re-assessment. It was further stated (September 2001) that re-assessment proceedings had been stayed by the High Court of Orissa; and
- (vi) in case at Sl. No. 12, extra demand of Rs.7.70 lakh was raised (July 2000). The dealer preferred appeal before the High Court of Orissa and the Court issued orders not to take coercive action pursuant to the assessment order.

Government instructed (August 2001) the CCT, Orissa, to complete the pending assessments by end of October 2001 and to take expeditious steps for collection as it would result in realisation of substantial revenue.

2.4 Escapement of taxable turnover

(a) Under the Orissa Sales Tax Act, 1947, 'sale' means any transfer of property in goods for cash or deferred payment or other valuable consideration. Machinery and equipment are taxable at the rate of 16 *per cent* under the Act.

During the course of audit of Bhubaneswar-II circle, it was noticed (June 2000) that the Orissa State Electricity Board (now GRID Corporation of Orissa) who was registered as a dealer engaged in the sale of electrical energy was assessed (January 1999) as 'nil' for the assessment year 1995-96 as no taxable turnover was disclosed in the returns. It was seen from the annual accounts that the dealer sold electrical machinery and equipment for Rs.25 crore which was neither disclosed in the returns nor had the assessing officer detected it at the time of assessment (January 1999). This resulted in under-assessment of tax of Rs.4.40 crore including surcharge of Rs.40 lakh.

On this being pointed out in audit (June 2000) the Commissioner of Commercial Taxes, Orissa, informed (June 2001) that demand of Rs.4.42 crore had been raised.

(b) Under the Orissa Sale Tax Act, 1947, 'sale' includes transfer of the right to use any goods for any purpose (whether or not for a specified period)

for cash, deferred payment or other valuable consideration. The Commissioner of Commercial Taxes, Orissa clarified (July 1988) that hire charges (lease rentals) is taxable at the same rate of tax applicable to the goods involved.

During the course of audit of Bhubaneswar-II circle, it was noticed (June 2000) that a registered dealer did not disclose in his returns a turnover of Rs.343.80 lakh representing lease rentals of machinery received during 1995-96 from another registered dealer. This led to non-levy of tax of Rs.60.51 lakh including surcharge of Rs.5.50 lakh.

On this being pointed out in audit (June 2000), the CCT, Orissa stated (September 2001) that extra demand of Rs.65.51 lakh was raised (July 2001).

Government issued (August 2001) instructions to the CCT to take expeditious steps for realisation of the revenue in above cases.

2.5 Short levy of tax due to allowance of incorrect deduction

Under the Orissa Sales Tax Act, 1947, 'taxable turnover' 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 charges and service charges incurred for execution of the contract. Under the Act, taxable turnover of works contract is exigible to tax at the rate of 8 *per cent*. The Supreme Court in the case of M/s Gannon Dunkerley & Co vrs. State of Rajasthan (1993) 88 STC-204 held that goods involved in execution of works contract when incorporated in the works contract could be classified into a separate category for the purpose of imposing tax.

During the course of audit of Kalahandi circle, it was noticed (October 2000) that while finalising (October 1999) the assessment of a contractor engaged in construction works for the year 1998-99, deduction of Rs.10.19 crore was allowed towards cost of cement used in the execution of works contract on the ground that such goods had suffered tax under the State earlier which was incorrect as the entire turnover after excluding labour and service charges is taxable. This resulted in short levy of tax of Rs.93.75 lakh including surcharge of Rs.12.23 lakh.

On this being pointed out in audit (October 2000), the assessing officer stated that necessary steps would be taken after cross verification of the facts and figures. Further reply was awaited (October 2001).

Government stated (July 2001) that such levy would lead to double taxation. The reply is not acceptable as the OST Act does not provide for any deduction other than for labour charges and service charges.

2.6 Under-assessment of tax due to allowance of inadmissible deduction

Under the Orissa Sales Tax Act, 1947, “taxable turnover” in respect of works contract shall be the gross value received or receivable by a dealer for carrying out such contract less the amount of labour charges and service charges incurred for the execution of the contract. The Act does not provide for any other deduction in respect of works contract. The taxable turnover of works contract is exigible to tax at the rate of 8 *per cent*.

During the course of audit of Jagatsinghpur circle, it was noticed (March 2001) that the assessing officer while completing assessment of a registered construction contractor (January 1999 and November 1999) for the year 1997-98 and 1998-99 allowed deduction of Rs.742.95 lakh from the gross turnover towards sales tax collected to arrive at the taxable turnover. Since such deduction is not admissible, this resulted in under-assessment of tax of Rs.67.91 lakh including surcharge of Rs.8.47 lakh.

On this being pointed out in audit (March 2001), the CCT stated (September 2001) that extra demand of Rs.68.35 lakh was raised of which Rs.20.33 lakh had been realised.

Government issued (August 2001) instructions to the CCT to take expeditious steps for realisation of the revenue.

2.7 Under-assessment of purchase tax

Under the Orissa Sales Tax Act, 1947, certain goods have been specified to be taxed on the turnover of purchases. Turnover of purchases means the aggregate of the amounts of purchase prices paid and payable by a dealer in respect of the purchase or supply of goods so specified. Tamarind produced and purchased within the State is taxable at the rate of 8 *per cent*.

During the course of audit of Koraput-II circle, Rayagada, it was noticed (March 2000) that the assessing officer, while completing the assessments (between June 1998 and September 1999) of two registered dealers for the year 1995-96 to 1997-98, determined purchase turnover of tamarind produced and purchased inside the State after taking into account the royalty paid to Government. The dealers were required to pay minimum procurement price of Rs.716.67 lakh to the primary collectors in addition to royalty paid to Government which was not taken into account in determination of the purchase turnover. This led to under-assessment of purchase tax of Rs.63.43 lakh including surcharge of Rs.6.10 lakh.

On this being pointed out (March 2000), the CCT, Orissa stated (September 2001) that in one case extra demand of Rs.6.03 lakh had been raised (July 2001) and re-assessment of the other case was pending.

Government instructed (August 2001) the CCT Orissa to complete the re-assessment by end of October 2001 and to take expeditious steps for collection of the revenue.

2.8 Sales escaping assessment for want of survey

Under the Orissa Sales Tax Act, 1947, a dealer who manufactures any goods shall be liable to pay tax on sales with effect from the month immediately following a period not exceeding twelve months during which his gross turnover exceeds Rupees one lakh. According to the Orissa Commercial Tax Manual, the Inspectors of Sales Tax are required to survey business localities to detect persons who are liable to pay tax but have not been brought into the tax net. Bricks are taxable at the rate of 12 *per cent*.

During the course of audit of Cuttack-II circle (between January 2001 and March 2001), cross verification of the records of the circle office with that of the Revenue department revealed (March 2001) that thirty eight dealers were engaged in the manufacture and sale of kiln burnt bricks during the years 1995-96 to 1999-2000 after obtaining permits on payment of royalty. Though their sale exceeded the non-taxable limit, they escaped their tax liability as they had neither got themselves registered nor had the department conducted any market survey to bring them into the tax net. The escaped taxable turnover is estimated at Rs.412.89 lakh on 333.52 lakh bricks for which permits were issued. This led to non-levy of tax of at least Rs.49.55 lakh.

On this being pointed out in audit (March 2001), the assessing officer initiated proceedings (March 2001) for assessment of the dealers.

Government instructed (August 2001) the CCT Orissa to complete the assessments by end of October 2001 and to take expeditious steps to collect the revenue involved in the assessments.

2.9 Loss of revenue due to irregular specification of goods in the registration certificates

Under the Orissa Sales Tax Act, 1947, sale of goods of the class or classes specified in the certificate of registration of the registered dealer purchasing the goods as being intended for use by him in the manufacture or processing of goods for sale are taxable at a concessional rate of 4 *per cent* subject to the production of declaration in the prescribed form. The CCT had clarified (March 1999) that "aqua culture" is not a manufacturing process.

During the course of audit of Balasore circle, it was noticed (between May 2000 and July 2000) that the assessing officers while completing assessments (between July 1999 and February 2000) of six registered dealers for the year 1998-99 allowed concessional rate of tax on sale of goods viz: prawn feed, pump sets, minerals and chemicals, etc. worth Rs.176.33 lakh made to aqua

culture units on the strength of prescribed declarations that the goods sold were specified in their certificates of registration for use in aqua culture. As aqua culture does not involve manufacture or processing of goods, its specification in the registration certificates enabling purchase of goods at the concessional rate was irregular. This resulted in loss of revenue of Rs.15.88 lakh including surcharge of Rs.1.95 lakh.

On this being pointed out in audit (March 2001), the registering authorities agreed to delete the entries from the certificates of registration and stated that realisation of tax from the purchasing dealers would be examined. The CCT Orissa stated (July 2001) that matter regarding deletion of entries from the certificates of registration was under examination.

While forwarding (August 2001) the comments of CCT, no specific comment was offered by the Government in the matter.

2.10 Short levy of tax due to application of incorrect rate

Under the Orissa Sales Tax Act, 1947, 'works contract' inter alia includes any agreement for carrying out for cash or deferred payment or other valuable consideration, any improvement, modification, repair or commissioning of any movable or immovable property. The taxable turnover of such contract is exigible to tax at 8 *per cent* under the Act. The Act, however, provides a concessional rate of 4 *per cent* for sale of any goods by a dealer as specified in the Registration Certificate (RC) of the purchasing dealer as being intended for use by him in the generation or distribution of electricity or any other form of power subject to production of a declaration in prescribed form by the purchasing dealer.

In course of audit of two commercial tax circles (Sambalpur-I and Dhenkanal), it was noticed (November 1999 and June 2000) that while assessing (between January 1999 and September 1999) two registered dealers engaged in manufacture and repair of electrical transformers for the years 1997-98 and 1998-99, the assessing officers applied the concessional rate of 4 *per cent* on taxable turnover of Rs.248.69 lakh received by them on account of repair charges of electrical transformers on the strength of declaration forms instead of at the correct rate of 8 *per cent*. This led to short levy of tax of Rs.11.26 lakh including surcharge of Rs.1.31 lakh.

On this being pointed out in audit (November 1999 and June 2000), the CCT Orissa stated (September 2001) that in one case demand of Rs.2.83 lakh was raised (July 2001) and re-assessment of the other case was pending.

Government instructed the CCT (August 2001) to complete the assessments by October 2001 and to take expeditious steps for collection of the revenue involved in the assessments.

2.11 Short levy of tax due to under-assessment of taxable turnover

Under the Orissa Sales Tax Act, 1947, every registered dealer is required to keep a true account of the value of goods bought and sold by him and maintain an annual stock of goods depicting their opening and closing stocks. If the assessing officer while finalising the assessment detects any concealment of purchases or sales, he shall reject the books of accounts of the dealer and complete the assessment to the best of his judgement.

During the course of audit of Bhadrak circle, it was noticed (December 2000) that a registered dealer carrying on business in grinder, air-cooler, electrical appliances, moulded luggage, plastic furniture, etc. purchased taxable goods valued at Rs.55.76 lakh on the strength of declaration forms and goods valued at Rs.0.57 lakh from outside the State on waybills during 1995-96 to 1998-99. However during the said period, he disclosed sale of taxable goods only of Rs.16.35 lakh thereby suppressing sale of taxable goods estimated at Rs.45.61 lakh after including profit margin of 10 *per cent* on purchase cost. This led to short levy of tax of Rs.6.02 lakh including surcharge of Rs.0.55 lakh. In addition, the dealer also suppressed taxable sales estimated at Rs.9.37 lakh during 1993-94 and 1994-95 involving a tax effect of Rs.1.24 lakh which is a loss to Government as the assessment for the said years were already barred by limitation of time.

On this being pointed out in audit (December 2000), the assessing officer raised extra demand of Rs.6.29 lakh (August 2001) for the year 1995-96 to 1998-99. No reply has been furnished in respect of 1993-94 and 1994-95.

Government issued (August 2001) general instruction to the CCT to take expeditious steps for realisation of the revenue.

2.12 Short levy of tax due to allowance of inadmissible concession

Under the Orissa Sales Tax Act, 1947, sale of goods of the class or classes specified in the certificate of registration of the registered dealer purchasing the goods as being intended for use by him in manufacture or processing or packing of goods for sale is taxable at a concessional rate of 4 *per cent* subject to production of a declaration in the prescribed Form-IV. Cement being an unspecified item is taxable at the rate of 12 *per cent* under the Act.

During the course of audit of Cuttack-I (Central) circle, it was noticed (May 2000) that the assessing officer while completing assessment (March 2000) of a registered dealer for the year 1998-99 allowed concessional rate of tax of 4 *per cent* on sale of cement worth Rs.67.98 lakh made to a registered works contractor. As construction work is neither manufacture nor processing of goods for sale, allowance of the concessional rate was irregular. This resulted in short levy of tax of Rs.6.25 lakh including surcharge of Rs.0.82 lakh.

Government while accepting the factual position (July 2001) stated that the concerned assessing officer had been directed to take action for collection of tax. Further reply was awaited (October 2001).

2.13 Incorrect treatment of supply contract as works contract

Under the Orissa Sales Tax Act, 1947, taxable turnover 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 and the turnover is taxable at the rate of 8 *per cent*. It was judicially held¹⁶ that contract for supply of stone ballast to Railways is a transaction of sale and not that of work and labour. Hard stone ballast being an unspecified item under the Act is taxable at the rate of 12 *per cent*.

During the course of audit of Keonjhar circle, it was noticed (May 2000) that a dealer received payment of Rs.34.93 lakh from the Railways during 1996-97 towards supply and stacking of hand broken hard stone ballast. The assessing officer while completing assessment (December 1999) allowed deduction of Rs.17.18 lakh towards security deposit and labour and service charges and taxed the balance amount of Rs.17.75 lakh at the rate of 8 *per cent* applicable to works contract instead of taxing the whole amount (Rs.34.93 lakh) at the appropriate rate of 12 *per cent*. This irregular assessment resulted in short levy of Rs.3.05 lakh including surcharge of Rs.0.28 lakh.

On this being pointed out in audit (May 2000), the CCT Orissa stated (September 2001) that extra demand of Rs.3.05 lakh was raised on completion of re-assessment.

Government instructed (August 2001) the CCT to take expeditious steps for realisation of the revenue.

16 Anamolou Seshagiri Rao and Company Vrs. The State of Andhra Pradesh and another [1980]-45-STC-388 (A.P).

CHAPTER-3 : 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 2000-2001 revealed under-assessment of tax and loss of revenue amounting to Rs.25.58 crore in 14,735 cases which may broadly be categorised as under:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1	Short-realisation/short-levy of motor vehicles tax/additional tax and penalty	579	0.64
2	Non-levy/non-realisation of motor vehicles tax/additional tax and penalty	8900	23.19
3	Non/short realisation of compounding, permit, Reservation and Driving licence fees etc.	1703	0.05
4	Non/short realisation of composite tax and penalty	3241	1.01
5	Non/short realisation of Trade Certificate tax/fees	110	0.02
6	Other irregularities	202	0.67
Total		14735	25.58

During the course of the year 2000-2001, the department accepted under-assessment etc. of tax and penalty amounting to Rs.2.22 crore in 1,511 cases which had been pointed out in audit in earlier years. Of these, the department had recovered Rs.55.53 lakh in 608 cases.

A few illustrative cases highlighting important audit observations involving Rs.23.70 crore are mentioned in the following paragraphs.

3.2 Non/short realisation of motor vehicles tax and additional tax in respect of stage carriages

Under the Orissa Motor Vehicles Taxation (OMVT) Act, 1975, monthly tax payable in respect of a stage carriage is determined on the basis of the number of passengers (including standees) which the vehicle is permitted to carry and the total distance permitted to be covered in a day as per the permit. In the event of non-payment of tax within the specified period, the vehicle owner shall be liable to pay penalty at the rate of 200 *per cent* of the tax due when the delay is more than two months.

A test check of records (between July 2000 and April 2001) in 15 regions¹⁷ revealed non/short realisation of motor vehicles tax/additional tax amounting to Rs.50.83 lakh in respect of 385 vehicles for the period between April 1997 and March 2000 due to non-compliance of the above provisions. In addition, penalty of Rs.101.66 lakh was also leviable.

On this being pointed out in audit (between July 2000 and April 2001), all the taxing officers concerned agreed (between July 2000 and April 2001) to issue demand notices for realisation of dues. The Transport Commissioner, State Transport Authority (STA), Orissa, stated (September 2001) that in one case, tax of Rs.0.20 lakh and penalty of Rs.0.40 lakh has been realised.

The above matter was referred to the Government on 2 May 2001. No response was received from them. The material was forwarded to the Secretary on 14 May 2001 followed up with a reminder on 26 June 2001. However, inspite of such efforts, no reply was received from the Government (October 2001).

3.3 Non-realisation of motor vehicles tax in respect of contract carriages

Under the OMVT Act, 1975 and rules made thereunder, motor vehicles tax in respect of contract carriages is to be realised as per the rates specified in the Act on the basis of number of passengers permitted to be carried as per the permit.

During the course of audit of 15 regions¹⁸, it was revealed (between July 2000 and April 2001) that motor vehicles tax and additional tax in respect of 742 contract carriages were not realised for various periods (between April 1997 and March 2000) even though these contract carriages were issued with valid route (5 years) permits and were not covered by off-road undertakings. Due to non-observance of the prescribed procedure and inaction on the part of the

17 Balasore, Bargarh, Bhubaneswar, Bolangir, Chandikhol, Cuttack, Dhenkanal, Ganjam, Kalahandi, Keonjhar, Koraput, Mayurbhanj, Phulbani, Puri and Rourkela.

18 Balasore, Baragarh, Bhubaneswar, Bolangir, Chandikhol, Cuttack, Dhenkanal, Ganjam, Keonjhar, Koraput, Mayurbhanj, Phulbani, Puri, Rayagada and Rourkela

taxing officers, tax and additional tax amounting to Rs.40.14 lakh remained unrealised. Besides, penalty amounting to Rs.80.27 lakh was also leviable.

On this being pointed out in audit (between July 2000 and April 2001), the taxing officers concerned agreed (between July 2000 and April 2001) to realise the dues by issue of demand notices.

The above matter was referred to the Government on 1 May 2001. The material was forwarded to the Secretary on 11 May 2001 followed up with a reminder on 25 June 2001. However, inspite of such efforts, only an interim reply was received from the STA (September 2001).

3.4 Non/short realisation of motor vehicles tax in respect of vehicles violating off-road declarations/plying unauthorisedly

Under the OMVT Act, 1975, any motor vehicle covered by an undertaking of temporary discontinuance of use during the period of off-road declaration, detected plying on the road or not found at the declared place shall be deemed to have been used throughout such period and the owner of the vehicle shall be liable to pay tax for the said period. Further, if any stage carriage is detected plying without a valid permit, the tax payable is to be determined at the highest rate of tax as per the taxation schedule.

During the course of audit of 15 regions, it was noticed (between July 2000 and April 2001) that there was non/short levy of motor vehicles tax amounting to Rs.33.36 lakh in 168 cases during the period April 1997 to March 2000. In addition, penalty of Rs.66.69 lakh was also leviable as per details given below:

(Rupees in lakh)							Nature of irregularities
Sl. No	Number of Regions	No. of vehicles	Non-levy of tax	Short levy of tax	Total	Penalty leviable	
1	5 ^A	36	9.01	0.74	9.75	19.50	Motor vehicles not found at the place of declaration/found plying.
2	15 ^B	132	7.69	15.92	23.61	47.19	Stage carriages plying without valid route permit.
Total		168	16.70	16.66	33.36	66.69	

On this being pointed out in audit (between July 2000 and April 2001), all the taxing officers concerned agreed (between July 2000 and April 2001) to realise the dues.

The above matter was referred to the Government on 2 May 2001. The material was forwarded to the Secretary on 14 May 2001 followed up with a reminder on 27 June 2001. However, inspite of such efforts, only an interim reply was received from the STA (September 2001).

A Bargarh, Bolangir, Chandikhol, Dhenkanal and Rourkela.

B Balasore, Bargarh, Bhubaneswar, Bolangir, Chandikhol, Cuttack, Dhenkanal, Ganjam, Kalahandi, Keonjhar, Koraput, Mayurbhanj, Phulbani, Puri and Rourkela

3.5 Non-realisation of taxes

Under the OMVT Act, 1975, tax due on motor vehicles should be paid in advance within the prescribed period at the rates specified in the taxation schedule unless exemption from payment of such tax is allowed for the period for which necessary undertaking of temporary discontinuance of use of the vehicle is to be delivered by the owner of the vehicle to the taxing officer on or before the expiry of the terms for which tax has been paid. Further, according to the instructions issued (February 1966) by the Transport Commissioner, Orissa, demand notices for realisation of unpaid taxes should be issued within 30 days from the date of expiry of the grace period (15 days) for payment of tax.

A test check of daily collection register and registration certificate of vehicles of 16 regions²⁰ (between July 2000 to April 2001) revealed that tax in respect of 6,281 vehicles was not paid during April 1997 to March 2000 and in respect of another 315 vehicles, tax was not paid for intervening periods falling between April 1997 and March 2000 though these vehicles were neither covered by off-road declarations nor had they intimated the deposit of tax in any other region. Due to non-observance of the prescribed procedure and inaction on the part of the taxing officers, tax amounting to Rs.6.17 crore remained unrealised. In addition, penalty amounting to Rs.12.34 crore was also leviable.

On this being pointed out in audit (between July 2000 and April 2001), all the taxing officers concerned agreed (between July 2000 and April 2001) to issue demand notices for realisation of dues. The Transport Commissioner, Orissa, stated (September 2001) that in 3 cases, tax of Rs.0.14 lakh and penalty of Rs.0.28 lakh has been realised.

The above matter was referred to the Government on 01 May 2001. No response was received from them. The material was forwarded to the Secretary on 14 May 2001 followed up with a reminder on 26 June 2001. However, inspite of such efforts, no reply was received from the Government (October 2001).

3.6 Short realisation of composite tax under National Permit Scheme

As per Government of Orissa notification (February 1999), composite tax in respect of goods carriages belonging to other States/Union Territories plying in Orissa under the National Permit Scheme shall be payable at the rate of Rs.5000 per annum per vehicle in advance in one installment.

Mention was made in para 3.9 of the Comptroller and Auditor General of India's Report (Revenue Receipts) for the year ended March 2000 about the

²⁰ Balasore, Baragarh, Bhubaneswar, Bolangir, Chandikhol, Cuttack, Dhenkanal, Ganjam, Kalahandi, Keonjhar, Koraput, Mayurbhanj, Phulbani, Puri, Rayagada and Rourkela.

short-realisation of composite tax of Rs.48.40 lakh during 1998-99. Government had asked the Transport Commissioner, State Transport Authorities (STA), Orissa, on 26 May 2001 to furnish compliance. A further test check of records in the office of the STA Orissa, revealed (August 2000) that composite tax in respect of another 2,338 goods carriages belonging to other States authorised to ply in Orissa during 1999-2000 under National Permit Scheme was short realised as the vehicle operators had paid composite tax at incorrect rates or paid for part of the year. This resulted in short realisation of composite tax of Rs.53.85 lakh.

On this being pointed out in audit (August 2000), the Transport Commissioner, Orissa, stated (September 2000) that action would be taken for realisation of the dues.

The above matter was referred to the Government on 27 December 2000. No response was received from them. The material was forwarded to the Secretary on 23 January 2001 followed up with a reminder on 23 May 2001. However, inspite of such efforts, no reply was received from the Government (October 2001).

3.7 Non/short realisation of motor vehicles tax/additional tax on stage carriages under reciprocal agreement

Where in pursuance of any agreement between the Government of Orissa and the Government of any other State, a stage carriage plies on a route partly within the State of Orissa and partly within another State under reciprocal agreement, such stage carriage is liable to pay tax/additional tax calculated on the total distance covered by it on such route in the State of Orissa at the rates and in the manner specified under the OMVT Act, 1975 and rules made thereunder.

During the course of audit of STA, Orissa and 7 regions²¹, it was noticed (between July 2000 and April 2001) that tax/additional tax amounting to Rs.11.67 lakh for the period from March 1997 to March 2000 in respect of 55 stage carriages was not realised/short-realised. Further, a penalty amounting to Rs.23.34 lakh was also leviable.

On this being pointed out in audit (between July 2000 and April 2001), the Transport Commissioner, Orissa, and all taxing officers concerned agreed (between July 2000 and April 2001) to realise the dues by issue of demand notices.

The above matter was referred to the Government on 20 April 2001. An interim response was received from the STA (September 2001). The material was forwarded to the Secretary on 4 May 2001 followed up with a reminder

21 Baragarh, Bolangir, Cuttack, Ganjam, Keonjhar, Koraput and Mayurbhanj.

on 18 June 2001. However, inspite of such efforts, no reply was received from the Government (October 2001).

3.8 Short realisation of tax due to incorrect determination of distance

In exercise of the powers conferred under sub-section 5 of section 88 of the Motor Vehicles Act, 1988, the States of Orissa and Andhra Pradesh entered into a supplementary reciprocal transport agreement in February 1982 exempting stage carriages from payment of motor vehicles taxes plying on enclave routes not exceeding 16 kms. This provision was, however, deleted in September 1991 through a supplementary agreement.

During the course of audit of State Transport Authority, Orissa, it was noticed (between June 2000 and January 2001) that motor vehicles tax/additional tax in respect of 26 stage carriages for the period April 1995 to March 2000 was realised at a lower rate as a result of excluding the distances of the enclave routes. This resulted in short realisation of tax to the extent of Rs.5.98 lakh.

On this being pointed out in audit (between June 2000 and January 2001), the Transport Commissioner, Orissa, stated that instructions had been issued to the concerned Regional Transport Officers to realise dues from August 2000 at the time of issue of permit for enclave routes and that action would be taken separately for the previous dues.

The above matter was referred to the Government on 5 March 2001. No response was received from them. The material was forwarded to the Secretary on 20 March 2001 followed up with a reminder on 23 May 2001. However, inspite of such efforts, no reply was received from the Government (October 2001).

3.9 Short realisation of tax in respect of stage carriages used as contract carriages

Under the OMVT Act, 1975, as amended from time to time, when a motor vehicle in respect of which tax for any period has been paid as per registration is proposed to be used in a manner for which higher rate of tax is payable, the owner of the vehicle is liable to pay the differential tax. In determining such differential tax, any broken period in a month is to be considered as a full month.

During the course of audit of 15 regions²², it was revealed (between July 2000 and April 2001) that 121 stage carriages were permitted for different periods (between April 1997 and March 2000) to ply temporarily as contract carriages

22 Balasore, Bhubaneswar, Bolangir, Chandikhol, Cuttack, Dhenkanal, Ganjam, Kalahandi, Keonjhar, Koraput, Mayurbhanj, Phulbani, Puri, Rayagada and Rourkela

for which higher rate of tax was leviable but not levied. This resulted in short realisation of tax amounting to Rs.3.23 lakh. In addition, penalty amounting to Rs.6.46 lakh was also leviable.

On this being pointed out in audit (between July 2000 and April 2001), all the taxing officers concerned agreed (between July 2000 and April 2001) to realise the dues after issue of demand notices. The Transport Commissioner, Orissa, stated (September 2001) that in one case tax of Rs.0.02 lakh and penalty of Rs.0.03 lakh has been realised.

The above matter was referred to the Government on 2 May 2001. No response was received from them. The material was forwarded to the Secretary on 11 May 2001 followed up with a reminder on 25 June 2001. However, inspite of such efforts, no reply was received from the Government (October 2001).

3.10 Non/short levy of penalty for belated payment of motor vehicles tax/additional tax

Under the OMVT Act, 1975, and rules made thereunder, penalty shall be leviable if a vehicle owner has not paid tax/additional tax in respect of motor vehicles within the specified period. In case of delay, the vehicle owner shall be liable to pay penalty ranging from 25 per cent to 200 per cent of the tax/additional tax due depending upon the period of delay.

During the course of audit of 15 regions (between June 2000 and April 2001), it was noticed that there was non/short levy of penalty during April 1997 to March 2000 amounting to Rs.25.99 lakh in 407 cases as per details given below:

Sl. No.	Number of regions	Number of vehicles	(Rupees in lakh)		
			Amount of penalty		
			Not levied	Short levied	Total
1	15 ^A	262	15.85	--	15.85
2	13 ^B	141	--	10.14	10.14
Total		403	15.85	10.14	25.99

On this being pointed out in audit (between June 2000 and April 2001), all the taxing officers concerned agreed (between June 2000 and April 2001) to realise the dues. The Transport Commissioner, Orissa, stated (September 2001) that in 7 cases, penalty of Rs.0.90 lakh has been realised.

The above matter was referred to the Government on 2 March 2001. No response was received from them. The material was forwarded to the

A Balasore, Bargarh, Bhubaneswar, Bolangir, Chandikhol, Cuttack, Dhenkanal, Ganjam, Kalahandi, Keonjhar, Koraput, Mayurbhanj, Phulbani, Puri and Rourkela.

B Balasore, Bhubaneswar, Bolangir, Chandikhol, Cuttack, Dhenkanal, Ganjam, Keonjhar, Koraput, Mayurbhanj, Phulbani, Puri and Rourkela.

Secretary on 11 May 2001 followed up with a reminder on 25 June 2001. However, inspite of such efforts, no reply was received from the Government (October 2001).

3.11 Non/short realisation of composite tax in respect of goods vehicles under reciprocal agreement

Under the provisions of the Orissa Motor Vehicles Taxation Act, 1975, where a goods vehicle enters the State of Orissa under 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 rate. However, in respect of goods vehicles belonging to the State of Andhra Pradesh authorised to ply in Orissa under reciprocal agreement, the Government decided (August 1986) to levy Rs.1500 annually on each vehicle as composite tax in lieu of tax payable for each entry with effect from July 1986. The tax was to be paid in advance in lump sum on or before 15th April every year by crossed bank drafts to the State Transport Authority, Andhra Pradesh, for onward transmission to STA, Orissa. In case of delay in payment, penalty of Rs.100 for each calendar month or part thereof is leviable.

During the course of audit of STA, Orissa, it was noticed (July 2000) that out of 900 goods vehicles belonging to the State of Andhra Pradesh authorised to ply in Orissa during 1999-2000, composite tax in respect of 258 goods vehicles amounting to Rs.3.87 lakh was not realised. In addition, penalty of Rs.3.10 lakh (calculated up to March 2000) was also leviable but not levied although the dues amounting to Rs.13.26 lakh in respect of Orissa vehicles plying in Andhra Pradesh in the corresponding period has been paid in toto.

On this being pointed out in audit (July 2000), the Transport Commissioner, Orissa, stated (September 2000) that STA, Andhra Pradesh has been moved (September 2000) to realise the dues.

The above matter was referred to the Government on 08 January 2001. No response was received from them. The material was forwarded to the Secretary on 25 January 2001 followed up with a reminder on 23 May 2001. However, inspite of such efforts, no reply was received from the Government (October 2001).

3.12 Short realisation of motor vehicles tax and additional tax due to application of incorrect rates

The OMVT Act, 1975, as amended prescribes different rates of motor vehicle tax and additional tax in respect of goods carriages on the basis of the registered laden weight (RLW) of the vehicles.

During the course of audit (between June 2000 and April 2001) of 9 regions²³, it was noticed that motor vehicles tax/additional tax in respect of 41 goods carriages for the period from April 1997 to March 2000 were not realised according to the rates specified in the Act which resulted in short realisation of tax/additional tax amounting to Rs.1.12 lakh. In addition, penalty amounting to Rs.2.24 lakh was also leviable.

On this being pointed out in audit (between June 2000 and April 2001) all the taxing officers concerned agreed (between July 2000 and April 2001) to issue demand notices for realisation of the dues.

The above matter was referred to the Government on 01 May 2001. No response was received from them. The material was forwarded to the Secretary on 11 May 2001 followed up with a reminder on 25 June 2001. However, inspite of such efforts, no reply was received from the Government (October 2001).

3.13 Short realisation of motor vehicles tax due to misclassification

Under the provisions of the Orissa Motor Vehicles Taxation Act, 1975, read with Motor Vehicles Act, 1988, a private service vehicle means a motor vehicle carrying more than six persons excluding driver and used by or on behalf of the owner for the purpose of carrying persons in connection with his trade or business otherwise than for hire or reward. The tax for such vehicle is realisable as per rates prescribed in the Act.

During the course of audit of 2 regions (Puri and Rourkela), it was noticed (between August 2000 and February 2001) that 3 buses owned by companies for use in their trade or business were paying tax at a rate lower than the rate prescribed. This resulted in short realisation of tax amounting to Rs.1.04 lakh for the period from June 1993 to March 2000. In addition, penalty of Rs.2.07 lakh was also leviable.

On this being pointed out in audit (between August 2000 and February 2001), the taxing officers concerned agreed to realise the dues.

The above matter was referred to the Government on 2 May 2001. No response was received from them. The material was forwarded to the Secretary on 11 May 2001 followed up with a reminder on 25 June 2001. However, inspite of such efforts, no reply was received from the Government (October 2001).

23 Balasore, Bolangir, Dhenkanal, Ganjam, Kalahandi, Keonjhar, Koraput, Puri and Rourkela.

3.14 Non-realisation of tax/fees on trade certificate

Under the OMVT Act, 1975, read with the Central Motor Vehicles Rules 1989, manufacturers or dealers in motor vehicles are required to obtain a trade certificate from the registering authority within whose area they have their place of business by paying the requisite tax/fees annually in advance. Under the Motor Vehicles Act, 1988, a dealer includes a person who is engaged in the manufacture of motor vehicles or in building bodies for attachment to the chassis or in the business of hypothecation, leasing or hire purchase of motor vehicles.

During the course of audit of 3 regions²⁴, it was noticed (between July 2000 and February 2001) that trade certificate tax (Rs.0.78 lakh) and fees (Rs.0.78 lakh) were not collected during the period between April 1999 and March 2000 from 83 motor vehicle dealers resulting in non-realisation of revenue amounting to Rs.1.56 lakh.

On this being pointed out in audit (between July 2000 and February 2001), all the taxing officers concerned agreed (between July 2000 and February 2001) to realise the dues. The Transport Commissioner, Orissa, stated (September 2001) that in one case, tax and fees of Rs.0.02 lakh has been realised.

The above matter was referred to the Government on 30 April 2001. No response was received from them. The material was forwarded to the Secretary on 4 May 2001 followed up with a reminder on 18 June 2001. However, inspite of such efforts, no reply was received from the Government (October 2001).

24 Bhubaneswar, Cuttack and Rourkela.

CHAPTER-4 : LAND REVENUE, STAMP DUTY AND REGISTRATION FEES

(A) LAND REVENUE

4.1 Results of Audit

Test check of records relating to assessment and collection of Land Revenue conducted during the year 2000-2001 revealed non-assessment, under-assessment and non-realisation of revenue amounting to Rs.66.11 crore in 8,550 cases which may broadly be categorised as follows:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1	Non-collection of premium etc. from land occupied by local bodies/private parties	48	19.10
2	Non/short assessment and short collection of water rates	145	6.13
3	Non/short realisation of royalty on minor minerals	3	0.02
4	Non lease/irregular lease of sairat sources	127	0.18
5	Blockade of Government revenue due to non-finalisation of Orissa Land Reform cases	930	1.08
6	Non-realisation of revenue due to delay in finalisation of Orissa Estate Abolition cases	7233	5.73
7	Miscellaneous/other irregularities	63	0.11
8	Review on "Alienation of Land by State Government for Public Purposes"	1	33.76
Total		8550	66.11

During the course of the year 2000-2001, the department accepted under-assessment etc. of Rs.19.22 lakh in 51 cases which had been pointed out by audit in earlier years and had recovered the amount in full.

A few illustrative cases highlighting important audit observations involving Rs.44.33 lakh and findings of a review on "Alienation of Land by State Government for Public Purposes" involving Rs.33.76 crore are mentioned in the following paragraphs.

4.2 ALIENATION OF LAND BY STATE GOVERNMENT FOR PUBLIC PURPOSES

4.2.1 Introduction

The State Government provides land to its own Departments, Central Government Departments, Government Undertakings, Public Bodies and Authorities for various public purposes. The land so provided may be Government land or private land specifically acquired under the Land Acquisition Act, 1894, and rules framed thereunder as amended from time to time. Government land can be provided to any body or organisation on lease basis on payment of premium, annual ground rent and cess at the rate prescribed for various categories of lessees. In case of default, the occupier shall be liable to pay interest at the rate of six *per cent* up to 27 November 1992 and 12 *per cent* thereafter till the date of payment of the dues.

4.2.2 Organisational set up

Revenue Department of the State Government formulates policies and issues executive instructions on alienation of Government land. The Board of Revenue, Orissa, executes the same with the assistance of 3 Revenue Divisional Commissioners, 30 District Collectors, 171 Tahasildars. The Tahasildars have been declared as alienation officers in respect of alienation of land and assessment and levy of premium, ground rent, cess and interest. The Tahasils are divided into revenue circles headed by Revenue Inspectors who are responsible for collection of land revenue at village level and maintaining initial records.

4.2.3 Scope of Audit

The records for the period from 1995-96 to 1999-2000 were test checked (August 2000–March 2001) in the Revenue Department, Board of Revenue, 5 District Collectorates²⁵ and 43²⁶ out of 171 Tahasils on the basis of cases involving value of more than Rupees one lakh to examine *inter-alia* whether the system designed ensured proper administration and realisation of government revenue pertaining to alienation of land.

25 Angul, Dhenkanal, Jagatsinghpur, Jharsuguda and Sundargarh.

26 Angul, Anandapur, Baripada, Balasore, Bhadrak, Bolangir, Bheden, Berhampur, Bhubaneswar, Chandabali, Chatrapur, Cuttack, Dhamnagar, Dhenkanal, Dharamagarha, Hindol, Jajpur, Jharsuguda, Khurda, Kishorenagar, Kendrapara, Kuchinda, Kujanga, Karanjia, Koraput, Kamakhyanager, Lakhanapur, Niali, Nimapara, Panposh, Patnagarh, Puri, Rourkela, Rairangpur, Rajgangpur, Sundargarh, Sukinda, Sonepur, Talcher, Tangi-Choudwar, Tirtol, Titilagarh and Udala.

4.2.4 Highlights

Premium, ground rent and cess to the extent of Rs.15.43 crore due from IDCO was not realised despite IDCO collecting an amount of Rs.14.35 crore on re-allotment of land. Besides, interest of Rs.5.07 crore for non-payment of dues was also leviable.

{Para 4.2.6 (a)}

Premium and other dues relating to other organisations amounting to Rs.1.44 crore including interest were not realised.

{Para 4.2.6 (b)}

Non-regularisation of Government land led to blockage of revenue of Rs.9.45 crore.

{Para 4.2.7}

Ac 115.80 of Government land was sub-leased off by the Paradeep Port Trust in contravention of Government instructions. Further, dues on account of sub-lease amounting to Rs.2.32 crore was not realised.

{Para 4.2.8}

4.2.5 Lack of System of Monitoring

The department does not have any mechanism to collect, maintain or monitor the overall position of alienation of Government land pending for disposal. As a result, pendency of alienation cases for the State as a whole could not be ascertained.

At the instance of audit, the department furnished the position of pendency of lease as well as alienation cases in respect of 5 district Collectorate²⁷ covered under the review for the period from 1995-96 to 1999-2000 as follows:

Year	Opening Balance as on 1 st April of the Year	No. of cases instituted during the year	Total	No. of cases disposed of during the year	Closing Balance as on 31 st March of the year	Percentage of cases disposed off (Col. 5 to Col. 4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1995-1996	1937	277	2214	203	2011	9.16
1996-1997	2011	287	2298	244	2054	10.61
1997-1998	2054	383	2437	129	2308	5.29
1998-1999	2308	365	2673	218	2455	8.15
1999-2000	2455	244	2699	196	2503	7.26

It would be seen that the disposal of cases was meagre ranging between 5.29 and 10.61 *per cent* and had in fact declined from 10.61 *per cent* in 1996-97 to

²⁷ Angul, Dhenkanal, Jagatsinghpur, Jharsuguda and Sundargarh.

7.26 per cent in 1999-2000. The pendency of cases has gone up from 1,937 in 1995-96 to 2,503 during 1999-2000 which shows that no remedial measures are being taken to dispose of the cases. In the absence of any system of monitoring, the department failed to review the position or take remedial action.

4.2.6 Non/short realisation of revenue

(a) From Industrial Infrastructure Development Corporation (IDCO)

Revenue Department Resolution No.16281 dated 8 March 1983 stipulates that Government land may be leased out in favour of IDCO for further allotment to industrial entrepreneurs. While IDCO was to pay the rent and cess on the demised land, the premium of the land was to be realised by book adjustment from loans sanctioned to IDCO by the Industry Department for the purpose. In case of default, the interest at the rates prescribed shall be charged.

(i) It was observed that in 6 Tahasils,²⁸ alienation of Government land measuring Ac.2424.783 was demised in favour of IDCO by the respective Collectors between the years 1991-92 and 1997-98 without payment of premium amounting to Rs.14.70 crore as no action was taken by the Industry Department for sanction of loans. In the meantime, the Corporation collected Rs.14.35 crore from the industrial entrepreneurs towards cost of land allotted to them but had not paid the Government dues so far. This resulted in non-realisation of premium to the tune of Rs.14.70 crore.

On this being pointed out, the Industry Department stated (August 2001) that on receipt of information from the respective Collectors, loan will be sanctioned which is yet to be materialised. The sanction of a separate loan to IDCO to discharge the liabilities towards payment of premium was not warranted as the cost of land on re-allotment was already realised by IDCO from the industrial entrepreneurs. Besides, interest amounting to Rs.5.07 crore was leviable due to non-payment of dues.

The retention of the proceeds of alienated land with IDCO over the past four years was not only unjustified but also deprived the State exchequer of dues of Rs.19.77 crore.

(ii) Short realisation of ground rent and cess from IDCO

Revenue Department Resolution dated March 1983 provides that the annual ground rent will be realised annually in advance from IDCO at the rate of 1 per cent of the area rate till the date of transfer/allotment/hire of the land in favour of any intending entrepreneur and after transfer/allotment in favour of any industrial entrepreneur at the rate of 10 per cent which was subsequently (1997) revised to 1 per cent. Ground rent and cess at the prescribed rate due to

28 Baripada, Berhampur, Chatrapur, Jharsuguda, Kujanga and Sukinda.

be realised from IDCO in the above cases was Rs.1.01 crore of which Rs.0.28 crore was paid leaving a balance of Rs.0.73 crore.

(b) From Other Organisations

Government land can be leased out for the purpose of industrial, commercial and other non-agricultural uses to local bodies, public sector undertakings, commercial departments, etc. on payment of premium fixed by the Revenue Authority on the basis of market value together with annual ground rent and cess at prescribed rates. In case of default, interest is to be levied.

Audit scrutiny revealed non-realisation of premium, ground rent and interest in 4 Tahasils amounting to Rs.1.44 crore for the period from 1988-89 to 1999-2000 involving five cases as under:

(Rupees in crore)						
Sl. No.	Name of the Tahasils	Organisation	Amount not realised			
			Premium	Ground Rent	Interest	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Angul.	State Warehousing Corporation.	0.17	0.03	0.31	0.51
2	Angul.	TAMRIT, ²⁹ Angul.	0.25	0.02	0.21	0.48
3	Cuttack.	Cuttack Development Authority.	0.12	-	-	0.12
4	Kishore Nagar	Telecommunication Department.	0.12	-	0.03	0.15
5	Udala	-do-	0.18	-	-	0.18
Total			0.84	0.05	0.55	1.44

On this being pointed out, the Tahasildar Angul stated (September 2000) that the parties are not paying the dues while Tahasildar Udala stated that the party has moved the Collector for reduction of cost of land. The Tahasildars Cuttack and Kishore Nagar stated that efforts are being made for realisation of Government dues.

4.2.7 Non-regularisation of advance possession of land - blockage of revenue

As the process of alienation of Government land is a time consuming process, advance possession of the land may be given at a time to the indenting organisation to start the projects expeditiously in the field. The Orissa Government Land Settlement (Amendment) Rules, 1987, empowered different authorities to sanction alienation of Government land in both rural and urban areas provided they submit the proposals alongwith a recommendation to the next higher authority under intimation to Government.

Scrutiny of records in 4 Tahasils³⁰ revealed that advance possession of Government land measuring Ac.519.215 was taken in 8 lease cases by the Bhubaneswar Development Authority, the Cuttack Development Authority

29 Talcher, Angul, Meramundali, Regional Improvement Trust.

30 Bhubaneswar, Rourkela, Cuttack and Bolangir.

and the Orissa State Housing Board during the period January 1985 and July 1999 for different public purposes. Out of the above land, advance possession for Ac.494.215 was sanctioned by Government and balance Ac.25 of land was occupied in 1988 (Bolangir Tahasil) though advance possession was not sanctioned. In all these cases, though the advance possession of land was sanctioned, the cases have not been finally regularised by way of sanction of lease despite lapse of 15 years resulting in blockage of revenue to the extent of Rs.9.45 crore towards premium, rent and cess as of March 2000.

4.2.8 Non-collection of revenue on sub-leased land

The Revenue Department issued (May 1990) instructions to the Chairman, Paradeep Port Trust (PPT), Paradeep that no action be taken by the Trust to lease/alienate any land either on temporary or permanent basis.

Test check of records (March 2001) of Tahasildar Kujang disclosed that PPT sub-leased land measuring Ac.115.80 to Indian Oil Corporation and Hindustan Petroleum Corporation in 1992-93 and collected consideration money at the rate of Rs.4.00 lakh per acre from the sub-lessees. Subsequently, in a meeting held (January 2000) by the Commissioner-cum-Secretary to Government, Revenue Department, it was decided that the PPT shall pay to Government 50 per cent of the consideration money received from the sub-lessees in respect of accreted land³¹ already alienated to the PPT. The department has not taken any step to collect the revenue amounting to Rs.2.32 crore.

4.2.9 Blockage of Government dues on account of failure to conduct survey and establish exact extent of land under possession of IDCO

Scrutiny of records in Sukinda Tahasil (February 2001) revealed that Government land measuring Ac.3,960.84 was sanctioned (between 1992 and 1998) in favour of IDCO out of which possession of Ac.2161.14 was given to IDCO between 1990-1991 and 1995-96. But IDCO stated (September 1996) that it had taken possession of land of only Ac.1874.82. As such, possession of Ac.286.32 remained unsettled for want of actual survey. The Collector ordered (January 1996) the Tahasildar to undertake a survey in order to bring out the actual area under the possession of IDCO. But the Tahasildar failed to take any steps to conduct the survey till date (June 2001) as a result of which the dispute over the possession of land measuring Ac.286.32 remained unsettled.

³¹ Coastal land formed by sea deposits.

4.2.10 Blockage of stamp duty and registration fees

Under the Indian Registration Act, 1908, lease deeds for a period exceeding one year are compulsorily registrable documents. Besides registration fees, these documents are chargeable with stamp duty under the Indian Stamp Act. As per terms and conditions stipulated in the sanction of lease, the lessee shall get the lease deed executed and registered within six months from the date of issue of sanction order.

Test check of records in six Tahasils³² (September 2000 to February 2001) revealed that Government land measuring Ac.25.630 was alienated during the period 1984-85 to 1996-97 in favour of 4 organisations³³. Though premium etc. were paid and possession of land taken, no lease deeds were executed. This resulted in blockage of Government revenue of Rs.5.40 lakh towards registration fees and stamp duty.

On this being pointed out in audit, the Tahasildars (Lakhanpur, Koraput and Patnagarh) stated that the lessees have not turned up for execution of deeds while in case of Karanjia and Anandpur the Tahasildars stated that the re-validation of sanction orders are awaited.

4.2.11 Conclusion

Non-compliance with the provisions of the relevant Acts and Rules and prescribed procedures in alienation of Government land by various Revenue Authorities led to non-execution and non-registration of lease deeds, non-regularisation of cases where advance possession of land was taken, abnormal delay in disposal of land alienation cases and inadequate maintenance of records. There was no evidence of any concerted attempt to monitor progress and disposal of such cases at any level and as a result the State Government was deprived of revenue amounting to Rs.33.76 crore which was 63 *per cent* of the annual collection of Rs.53.26 crore under Land Revenue during 2000-2001.

The above matter was referred to the Government on 24 April 2001. No response was received from them. The material was forwarded to the Secretary to the Department (July 2001) followed by reminder to the Secretary on 10 July 2001. However, in spite of such efforts, no reply was received from the Government (October 2001).

32 Anandpur, Berhampur, Karanjia, Koraput, Lakhanpur, Patnagarh.

33 Grid Corporation of Orissa (GRIDCO), Orissa Power Generation Corporation (OPGC), Orissa State Housing Board (O.S.H.B.), State Bank of India (S.B.I.).

4.3 Non/short realisation of licence fee for drawing water from Government water sources

Under the provisions of the Orissa Irrigation (Amendment) Act, 1993, and the rules made thereunder read with Government of Orissa Revenue and Excise Department notification dated 26 September 1994, an industrial unit using water from Government water sources for industrial/commercial purposes is liable to pay licence fee at the rate of Rs.200 per one lakh gallon of water used. For drawal of water from Government water sources, the user has to obtain a licence from the proper authority and install a flow meter to measure the actual quantity of water consumed.

During the course of audit (between July 2000 and January 2001) of three Tahasils,³⁴ it was revealed that no agreement had been entered into with the authorities by the industrial units for drawal of water from Government water source as required under rules. The flow meters were also not installed. However, in the absence of flow meters, the assessments were made from the capacity of pumps/water treatment plants by the authority concerned. No regular monthly demands as required under the rules was raised by the Tahasildars/Executive Engineers. This resulted in non/short realisation of licence fees of Rs.38.44 lakh as detailed below:

(Rupees in lakh)							
Sl. No.	Name of the Tahasil/ Irrigation Division	Name of the Industry	Period of drawal of water	Quantity of water drawn (in lakh gallon)	Amount of licence fee due	Amount paid	Balance to be realised
1	Rajgangpur/ Sundargarh Irrigation Division	Larsen & Tubro, Kansabahal	26.9.94 to 31.3.2000	17,723.20	35.45	10.00	25.45
2	Aska/ Bhanjanagar Irrigation Division	Aska Co-operative Sugar Industry	-do-	5,680.16	11.36	-	11.36
3	Darpan/Jajpur Irrigation Division	Konark Jute Industry	-do-	815.69	1.63	-	1.63
Total					48.44	10.00	38.44

On this being pointed out in audit (between July 2000 and January 2001), the Tahasildar Sundargarh stated (January 2001) that the demand has been sent to the Executive Engineer, Sundargarh Irrigation Division, for realisation and an amount of Rs.5.00 lakh has been realised in March 2001.

The above matter was referred to the Government on 24 April 2001. No response was received from them. The material was forwarded to the Secretary on 9 May 2001 followed up with a reminder on 22 June 2001. However, inspite of such efforts, no reply was received from the Government (October 2001).

34 Aska, Darpan, Rajgangpur

4.4 Non/short realisation of premium and ground rent for conversion of agriculture land

Under the Orissa Land Reform Act, 1960, a raiyat is liable to eviction if he has used agricultural land for any purpose other than agriculture. Under the Orissa Land Reform (Amendment) Act, 1993 and the rules made thereunder, such land can on an application made by him in prescribed form be re-settled on lease basis on payment of premium at the rate prescribed plus ground rent at one *per cent* of premium per annum. Such land is deemed to be settled on lease basis on payment of premium equal to 50 *per cent* of prescribed rate if conversion is made prior to the commencement (1 July 1994) of the amended Act.

During the course of audit (between January 2000 and March 2001) of 4 Tahasils, it was noticed that Revenue Inspectors reported (between August 1991 and August 1999) that agriculture land measuring 22.67 acres in 10 cases were used for purposes other than agriculture. Based on these reports, the cases were booked and notices were issued (between August 1998 and December 2000) to the defaulting raiyats. However, the cases have not been disposed off so far (March 2001). This resulted in non/short realisation of revenue amounting to Rs.5.89 lakh up to March 2000 as detailed below:

(Rupees in lakh)									
Sl No	Name of Tahasil	Area converted (in acre)	Year of conversion	Purpose of conversion	No. of cases	Premium	Ground rent	Amount paid	Amount to be realised
1	Berhampur	1.670	1992-93	College building	1	2.51	0.18	0.80 (paid in 2000-01)	1.89
2	Panposh	5.480	Between 1992-95	Homestead	3	1.64	0.09	-	1.73
3	Puri	14.520	Between 1991 & 1996	Homestead	5	2.03	0.16	-	2.19
4	Lakhanpur	1.000	1995-96	Industry	1	0.08	0.003	-	0.083
Total		22.67			10	6.26	0.433	0.80	5.893

On this being pointed out in audit (between January 2000 and March 2001), the Tahasildar Puri instituted certificate cases in 4 cases while in one case steps have been taken to realise the dues. Tahasildar Berhampur stated (March 2001) that the raiyat had agreed to pay the dues. The Tahasildars Panposh and Lakhanpur stated (March 2001) that demand notices had been issued in two cases.

The above matter was referred to the Government on 24 April 2001. No response was received from them. The material was forwarded to the Secretary on 4 May 2001 followed up with a reminder on 18 June 2001. However, inspite of such efforts, no reply was received from the Government (October 2001).

(B) STAMP DUTY AND REGISTRATION FEES

4.5 Results of Audit

Test check of records relating to Stamp duty and Registration fees in the office of the District Sub-Registrar/Sub-Registrar during 2000-2001 revealed under-valuation, non-levy and irregular exemption of Stamp duty and Registration fees amounting to Rs.16.80 crore in 22,843 cases which may broadly be categorised as under:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1	Short levy of Stamp duty and Registration fees due to under-valuation of documents (pending 47-A cases)	22811	16.64
2	Non/short levy of Stamp duty and Registration fees due to misclassification	25	0.08
3	Irregular exemption and other irregularities of Stamp duty and Registration fees	7	0.08
Total		22843	16.80

During the year 2000-2001, the department accepted under-valuation etc. of Rs.4.07 lakh in 53 cases pointed out in audit in the year 2000-2001 which has been recovered in full.

An illustrative case highlighting important audit observation involving financial effect of Rs.7.72 lakh is mentioned in the following paragraph.

4.6 Under valuation of instruments due to change of classification

The Indian Stamp Act, 1899, provides that the 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 failing which penalty up to Rs.5000 is chargeable against offenders.

Test check of records (between June 2000 and April 2001) of two Sub-Registrars (SR) and one District Sub-Registrar (DSR) revealed that in 28 cases, the executants had incorrectly classified the land with lower value with an intention to under-pay Stamp Duty and Registration fees. This resulted in loss of Stamp Duty and Registration fees of Rs.6.32 lakh as detailed below:

(Rupees in Lakh)

Sl. No.	Name of the Registering Officer	No. of cases	Amount of differential Stamp duty and Registration fee short realised		
			Stamp duty	Registration fees	Total
1.	D.S.R, Dhenkanal	10	4.88	0.65	5.53
2.	S.R., Hindol	15	0.53	0.09	0.62
3.	S.R., Kanika	3	0.14	0.03	0.17
Total		28	5.55	0.77	6.32

In addition, penalty to the extent of Rs.1.40 lakh is also leviable.

On this being pointed out in audit (between June 2000 and April 2001), the Sub-Registrars agreed to realise the amount short levied while the District Sub-Registrar Dhenkanal issued notices to the person concerned.

The above matter was referred to the Government on 18 April 2001. No response was received from them. The material was forwarded to the Secretary on 4 May 2001 followed up with a reminder on 22 June 2001. However, inspite of such efforts, no reply was received from the Government (October 2001).

CHAPTER-5 : STATE EXCISE

5.1 Results of Audit

Test check of records in the offices of the Deputy Commissioners of Excise and Superintendents of Excise conducted during 2000-2001 revealed non/short realisation and loss of revenue amounting to Rs.8.21 crore in 984 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	180	6.66
2	Loss of revenue due to delay in granting of licence	50	1.23
3	Other irregularities	754	0.32
Total		984	8.21

During the course of the year 2000-2001, the department accepted under-assessment etc. of tax amounting to Rs.1.28 crore in 129 cases which had been pointed out in audit in earlier years. Of these, the department recovered Rs.0.09 lakh in one case.

A few illustrative cases highlighting important audit observations involving Rs.68.26 lakh are mentioned in the following paragraphs.

5.2 Sub-normal yield of spirit from molasses

Under the Board's Excise Rules, 1965, samples of raw materials used in distilleries for manufacture of spirit and spirit manufactured therefrom shall be sent to the Chemical Examiner for examination once in July and again in December each year and at other times, if required, to determine the output of spirit for the purpose of levy of duty.

Loss of revenue arising out of shortfall in production in a co-operative managed distillery under the control of Superintendent of Excise, Ganjam, when compared with the report of the Chemical Examiner was commented in para 5.2 of the Audit Reports (Revenue Receipts) of the Comptroller and Auditor General of India for the years 1998 and 1999. No action was taken by the department to recover the loss.

During the course of audit (July 2000) of Superintendent of Excise, Ganjam, Chatrapur, it was noticed that 6801.452 Metric tonne (MT) of molasses was used in the distillery during 1999-2000 for manufacture of spirit. Based on the reports of the Chemical Examiner on the samples of molasses sent to him during August 1999 and February 2000, the outturn of spirit from 6801.452 MT of molasses should have been 3185470.927 London Proof Litre (LPL) at the rate of 468.351 LPL per tonne of molasses against actual production of 31,26,748 LPL. This resulted in short production of spirit of 58,722.927 LPL and further loss of revenue of Rs.52.85 lakh in excise duty.

On this being pointed out in audit (September 2000), the Superintendent of Excise Ganjam stated that action would be taken to realise the differential dues.

Government stated (July 2001) that the report of the Chemical Examiner only indicates probable yield and cannot be treated as final and the actual variation was only marginal. The contention is not acceptable as there being no other norm evolved for the purpose, the Chemical Examiner's report should be taken as a guideline to determine output for purpose of levy of duty or else the report becomes totally infructuous. Further, in other three distilleries of the State, the outturn of spirit conforms to the Chemical Examiner's report. Despite the matter being brought to the notice of Government through earlier audit reports, no action has been taken to evolve any norm of permissible variation or to realise the duty involved.

5.3 Loss of revenue due to delay in confirmation of settlement of IMFL off-shops

The Bihar and Orissa Excise Act, 1915, and rules made thereunder stipulate that licence for the wholesale or retail vend of intoxicants may be granted for one year from 1 April to 31 March following.

Due to delay in finalisation of Excise Policy for the year 1999-2000, Government of Orissa issued instructions for renewal of existing licences for a

period of two months from 1 April and subsequently in phased manner till 31 March 2000. Government while issuing instructions in October 1999 ordered for settlement of unsettled shops through auction followed by tender followed by negotiation.

(a) During the course of audit (June 2000) of Superintendent of Excise, Balasore, it was noticed that two IMFL off-shops were not renewed from 1 April 1999 and another from 1 June 1999 as the existing licensees did not opt for renewal. Collector, Balasore, brought this to the notice of the Excise Commissioner in April and June 1999. Government issued instructions (11 October 1999) for settlement of shops through auction. The shops were put to auction in December 1999 and the Collector forwarded the case to Government for confirmation. However, Government did not confirm the settlement of the shops which resulted in a loss of revenue Rs.8.08 lakh during the year 1999-2000.

On this being pointed out in audit (June 2000), Government stated (April 2001) that the confirmation of provisional settlement was delayed due to implementation of model Code of Conduct for elections to the State Legislative Assembly. The reply is not tenable as Government had nearly 9 months time before the coming into force of the model Code of Conduct on 8 January 2000 to take a decision on the provisional settlement and confirmation of the shops.

The above matter was referred to the Government on 24 April 2001. No response was received from them. The material was forwarded to the Secretary on 27 April 2001 followed up with a reminder on 11 June 2001. However, inspite of such efforts, no reply was received from the Government (October 2001).

(b) During the course of audit (December 2000) of Superintendent of Excise, Deogarh, it was noticed that one outstill shop at Ballam and its branch at Dantaribahal were not renewed as the licensee did not opt for renewal. Collector, Deogarh, brought this matter to the notice of the Excise Commissioner and Government in March, April and August 1999. Government issued instructions for settlement of the shops through auction only on 11 October 1999. The shop and the branch were settled for a consideration money of Rs.36,204 per month. Government confirmed the settlement and licence was issued on 20 December 1999. As a result of issue of Government instructions as late as in October 1999 for settlement of closed shops, Government sustained a loss of Rs.3.12 lakh for the period from April 1999 to December 1999.

On this being pointed out in audit (December 2000), the Superintendent of Excise replied that steps were repeatedly taken to seek instructions from higher authorities which was delayed.

The above matter was referred to the Government on 19 April 2001. No response was received from them. The material was forwarded to the Secretary on 24 April 2001 followed up with a reminder on 8 June 2001.

However, inspite of such efforts, no reply was received from the Government (October 2001).

5.4 Short realisation of Excise duty on medicinal preparations

Under Section-3 of the Medicinal and Toilet Preparations Act, 1955, read with the rules made thereunder, every person who manufactures any dutiable goods or who stores such goods in a warehouse shall pay the duty or duties leviable on such goods at rates prescribed. Allopathic medicinal preparation containing alcohol which are capable of being consumed as ordinary alcoholic beverages are chargeable to excise duty at the rate of 20 *per cent ad valorem* or Rs.20 per litre of pure alcohol consumed whichever is higher.

During the course of audit (July 2000) of District Excise Office, Ganjam, it was revealed that during the years 1997-98 to 1999-2000, two bonded pharmaceuticals manufactured medicines i.e. Dill water concentration I.P. and cinnamon water concentration B.P. consuming 42095.382 litres of pure alcohol on which duty of Rs.4.21 lakh was levied at the rate of Rs.10 per litre of pure alcohol instead of Rs.20. This resulted in short levy of excise duty of Rs.4.21 lakh.

The above matter was referred to the Government on 9 November 2000. Government stated (February 2001) that Superintendent of Excise, Ganjam, had been directed to collect the short levy of excise duty of Rs.4.21 lakh by issuing demand notice to the concerned manufacturers and Superintendent of Excise stated (June 2001) that demand notices have since been raised. Further reply awaited (October 2001).

CHAPTER-6: FOREST RECEIPTS

6.1 Results of Audit

Test check of records maintained in various Forest Divisions conducted during the year 2000-2001 revealed non/short levy of interest, loss of revenue, etc. amounting to Rs.25.67 crore in 7,886 cases which may broadly be categorised as under:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1	Non/short levy of interest on belated payment of royalty	931	0.37
2	Non-realisation of compensation	80	6.22
3	Non-realisation of royalty	2408	10.82
4	Loss of revenue due to short delivery/ shortage of forest produce	231	1.29
5	Other irregularities	4236	6.97
Total		7886	25.67

During the course of the year 2000-2001, the department accepted under-assessment etc. amounting to Rs.2.82 crore in 98 cases which had been pointed out in audit in earlier years. Of these, the department recovered Rs.1.52 lakh in two cases.

A few illustrative cases highlighting important audit observations involving Rs.1.28 crore are mentioned in the following paragraphs.

6.2 Loss of revenue due to delay in finalisation of policy on lease of minor forest produce

Government in Forest and Environment Department settled (November 1990) lease of 28 Minor Forest Produce (MFP) items in favour of M/s Utkal Forest Produce Limited for a period of 10 years with effect from October 1990. The agreement executed (April 1992) with the company envisaged that such contract may be terminated at any time in case of violation of any terms and conditions of the agreement.

During the course of audit (November 2000) of the Principal Chief Conservator of Forests (PCCF), it was seen that the above agreement was terminated (November 1998) due to default in payment of royalty and the PCCF moved Government (January 1999) for issue of orders for re-sale of the contract along with the MFP at depots. Government orders to this effect were however issued only in October 1999 allowing the Divisional Forest Officers to permit the interested parties to lift the forest produce on payment of royalty at the rates as applicable to the previous contractor. The orders were received after the expiry of collection season (October 1998-September 1999). As such, non-collection/non-disposal of MFP due to delay in issue of Government orders led to loss of revenue to the extent of Rs.30.05 lakh based on royalty per year to be paid by the contractor previously.

On this being pointed out in audit (November 2000), the PCCF stated that some delay was unavoidable in finalising the termination procedure to avoid future legal complications. The reply is not tenable as the termination was effective from November 1998 and Government order was received in October 1999 after 11 months. Given the revenue implications involved, it was incumbent upon Government to act expeditiously to minimize revenue loss.

The above matter was referred to the Government on 02 May 2001. No response was received. The material was forwarded to the Secretary on 10 May 2001 followed up with a reminder on 25 June 2001. However, inspite of such efforts, no reply was received from the Government (October 2001).

6.3 Loss of revenue due to supply of excess timber for Ratha Yatra, Puri

Under the provisions of the Puri Car Festival Code of 1983, the Divisional Forest Officer (DFO), Nayagarh, supplies timber free of cost for construction of the chariots for the annual Car Festival (Rath Yatra). The Additional District Magistrate and Administrator, Sri Jagannath Temple, Puri estimated (September 1986) that 8,444 cft. of timber of different species and size was required for construction of the chariots.

In course of audit of Nayagarh Forest Division (March 2001), it was noticed that the DFO supplied 21,678 cft of timber in excess of the requirement of the

Temple Administrator for the Car Festivals of 1996 to 2000 resulting in loss of Rs.10.40 lakh as shown in the table below:

Car Festival year	(R u p e e s i n l a k h)				
	Timber supplied (based on DFO letter dtd.4.9.2000) and received by Temple Authority (in cft)	Timber required ³⁵	Excess supplied	Rate per cft (in Rupees)	Total
1996	15,085	8,444	6,641	43	2.86
1997	11,802	8,444	3,358	47	1.58
1998	12,961	8,444	4,517	49	2.21
1999	12,369	8,444	3,925	51	2.00
2000	11,681	8,444	3,237	54	1.75
Total	63,898	42,220	21,678	--	10.40

On being pointed out in audit (March 2001), the DFO attributed the excess supply to non-availability of the required size of timber and supply of timber of higher dimensions. The factual position of non-availability of timber of required length and girth could not be accepted in audit as no records could be produced to audit indicating steps taken to ensure trees of the required girth and the basis for marking of trees in the forest plots.

Thus, failure of the Forest Department to ensure supply of proper size logs to the Temple Administration in a systematic manner coupled with lack of adequate monitoring of the supplies actually being made led to loss of revenue of Rs.10.40 lakh.

The above matter was referred to the Government on 30 April 2001. No response was received. The material was forwarded to the Secretary on 10 May 2001 followed up with a reminder on 27 June 2001. However, inspite of such efforts, no reply was received from Government (October 2001).

6.4 Non-levy of interest on belated payment of royalty

Under the Orissa Forest Contract Rules, 1966, if a contractor fails to pay any installment of consideration money for sale of forest coupe(s) by the due date, he is liable to pay interest at the rate of 6.25 *per cent* per annum on the installments in default. This provision was also applicable to the Orissa Forest Development Corporation (OFDC) who acts as a contractor.

During the course of audit of 17 forest divisions³⁶, it was noticed (between June 2000 and January 2001) that OFDC had made payment of royalty after delay ranging from 3 months to 36 months in case of 793 divisional forest lots relating to the years 1993-94 to 1998-99. But the interest amounting to Rs.29.80 lakh was not levied.

35 As per formula for calculation of volume of timber adopted by the Forest Department viz. volume = (Girth divided by 4) to the power of 2 multiplied by length.

36 Angul, Athagarh, Athamallick, Baliguda, Bamra, Baripada, Bonai, Deogarh, Ghumusar(s), Karanjia, Keonjhar, Khurda, Nawarangpur, Nayagarh, Paralakhemundi, Phulbani, Sambalpur.

On this being pointed out in audit (between June 2000 and January 2001), the DFOs stated that the demands have since been raised (between June 2000 and July 2001).

The above matter was referred to the Government on 30 April 2001. No response was received. The material was forwarded to the Secretary on 11 May 2001 followed up with a reminder on 25 June 2001. However, inspite of such efforts, no reply was received from the Government (October 2001).

6.5 Loss of revenue due to non-disposal of timber seized in undetected forest offence cases

Government of Orissa Forest and Environment Department in their order (28 July 1989) instructed for early disposal of timber seized in undetected (UD) forest offence cases either by prompt delivery to the Orissa Forest Development Corporation (OFDC) or by public auction in order to avoid loss of revenue due to deterioration in quality and value of such materials due to prolonged storage.

During the course of audit (between June 2000 and February 2001) of 16 forest divisions³⁷, it was noticed that 24828.93 cft of timber, 10553 nos. of poles and 183.1 kgs. of Sandal wood seized in UD offence cases between 1987-88 and 1999-2000 were not disposed off till the date of audit (February 2001) resulting in blockage of Government revenue of Rs.50.96 lakh. In addition, 14769.77 cft of timber and 1175 nos. of poles seized in UD offence cases in Baripada and Keonjhar divisions lying undisposed off were finally damaged resulting in a loss of Rs.7.02 lakh to the Government.

On this being pointed out in audit, the concerned DFOs (except Rajnagar, Phulbani, and Rayagada) stated that 5428.967 cft of timber and 25 nos. of poles of UD cases valued at Rs.14.21 lakh have been delivered to OFDC while 1428.34 cft of timber and 950 poles valued at Rs.3.43 lakh were sold through auction realising an amount of Rs.1.79 lakh (between April 2000 and May 2001). DFO, Rajnagar, stated that the upset price has been fixed for auction of materials. Balance quantity of 17971.623 cft, 9,578 nos. of poles and 183.1 kgs. of sandal wood in these 16 divisions is yet to be disposed of.

The above matter was referred to the Government on 2 May 2001. No response was received. The material was forwarded to the Secretary on 14 May 2001 followed up with a reminder on 27 June 2001. However, inspite of such efforts, no reply was received from the Government (October 2001).

³⁷ Athagarh, Athamallick, Bamra, Baripada, Bonai, Deogarh, Karanjia, Keonjhar, Khurda, Nawarangpur, Nayagarh, Paralakhemundi, Phulbani, Rajnagar, Rayagada and Sambalpur.

CHAPTER-7: MINING RECEIPTS

7.1 Results of Audit

Test check of records of the office of the Deputy Director of Mines and Mining Officers during 2000-2001 revealed non/short levy of royalty, non/short realisation of royalty, non/short recovery of interest and other irregularities amounting to Rs.20.51 crore in 162 cases which may broadly be categorised as under:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1	Non/short levy of royalty/surface rent/dead rent	3	0.50
2	Non/short recovery of interest	59	7.80
3	Miscellaneous	100	12.21
Total		162	20.51

During the course of the year 2000-2001, the department accepted under-assessment etc. amounting to Rs.2.21 crore in 94 cases which had been pointed out by audit in earlier years. Of these, the department recovered only Rs.7.88 lakh in 50 cases.

A few illustrative cases highlighting important audit observations involving Rs.13.64 crore are mentioned in the following paragraphs.

7.2 Blockage of revenue due to non-disposal of seized Gems

Mining of gemstones constitute an important source of revenue to the State Government. To curb widely prevalent clandestine mining and illegal trading of gemstones and to safeguard revenue, the State Government formulated (June 1998) a Gemstone Policy providing for grant of mining leases to private parties by de-reserving gemstone bearing tracts excluding the areas already leased out to M/s Orissa Mining Corporation Ltd. Pursuant to the Gemstone Policy, 1998, the State Government notified (December 1998) an area of 1,746 square kilometers for grant of mining leases to private parties in Kalahandi, Bolangir and Sambalpur circles subject to certain conditions.

As per extant instructions, the entire processing of lease applications is to be completed within a period of one year of their receipt allowing a period of 3 months at the mining circle level, 3 months at the Directorate of Mining and 6 months at Government level and thereafter lease agreements were to be executed with the approved lessee. After a grace period of one year from the date of execution of lease deed, the lessee would be liable to pay dead rent. In the event of gemstone being mined (even in first year), royalty at prescribed rate would be payable evaluated on price of gemstone mined and dispatched, if any, as per provisions of Sec.9A of the Mines and Minerals (Regulation & Development) Act, 1957.

During the course of audit of 4 mining circles³⁸, it was noticed (between March 2000 and January 2001) that 165 applications were received during the period from January 1999 to March 2000 in the above circles. The position of applications disposed off at different levels was as under:

At the level of	No. of applications received	No. of applications sent in time	No. of applications sent late	No. of applications under process	Period of delay
Mining Officer/ Deputy Director of Mines	165	21	123	21	1 month to 17 months
Director of Mines	144	68	43	33	2 months to 11 months

Scrutiny further revealed that though 111 applications were received by the Government for finalisation, only 2 applications could be approved (June 2000) and lease covering an area of only 12.051 hectares executed (between August 2000 and October 2000). As delay in execution of lease leads to consequential delay in accrual of dead rent, the loss of revenue on account of delay in finalisation of applications by way of dead rent was Rs.7.58 lakh per annum. This apart, the delay also postpones accrual of Government revenue in terms of royalty as well as facilitates illegal mining. The reserves of gemstone in the tracts proposed to be leased had not even been estimated.

It was further noticed that materials valued at Rs.2.59 crore were seized in 241 mining offence cases during the period from 1990-91 to 1999-2000 by the

³⁸ Bolangir, Kalahandi, Koraput and Sambalpur.

departmental officers, Forest authorities and Police authorities and kept in District Treasuries, Police Malkhanas and with Departmental officers. In addition, there were 64 pieces of diamond and 4 packets of crysoberyl, cat's eye and diamond whose value had not been determined. Of the above cases, 8 cases involving 21,845 gms. (value Rs.0.19 lakh) plus the above mentioned packets of gemstone and 64 pieces of diamond had been finalised by the Court (between February 1991 and July 1998) and handed over to the Director of Mines for disposal. However, no action was taken by the Government for their disposal. On it being pointed out in audit (between March 2000 and January 2001), Government constituted (June 2000) a Valuation Committee to determine the value of the seized gems for disposal. But the committee has yet (April 2001) to meet to make the valuation of the gems.

It was further observed that the Collector, Kalahandi, had proposed (September 1994) for filing prayer before different Courts where cases were pending seeking final verdict so as to dispose off the seized gemstones. But no action was taken by the department to either expedite final disposal of the cases pending in the Courts or to seek release of the seized gems (65,96,532 gms.) for sale in the interest of Government revenue by resorting to provisions of Section 451 of the Code of Criminal Procedure, 1973, which envisages inter alia that in case of property produced before a Criminal Court, the Court may, if it considered it expedient to do so and after recording of such evidence as it thinks necessary, order it to be sold or otherwise disposed of pending conclusion of the trial. Thus, inspite of extant provisions and rules, the department failed to take appropriate action to enable early disposal of the seized gemstones which resulted in blockage of revenue to the tune of Rs.2.59 crore.

On this being pointed out in audit (between March 2000 and January 2001), Deputy Director of Mines of Koraput and Mining Officer, Bolangir Circle, stated that action would be taken to move the concerned Courts for release and disposal of the gems. The Deputy Director of Mines, Sambalpur, stated that the seized gemstones were semi-precious stones of low value and that unless huge quantities are produced, it has no market and hence no action would be taken on seizures. The reply is not tenable since the materials have to be disposed of regardless of value. Moreover, the value of the seized materials has not yet been determined by the Valuation Committee set up during June 2000 for the purpose. Mining Officer, Bhawanipatna, Kalahandi circle, stated that steps would be taken for disposal of seized gemstones after finalisation of the cases by the Court but no action was initiated for expediting the disposal of the cases.

Government stated (July 2001) that action would be taken to dispose of the seized materials relating to Kalahandi circle. In other cases, final reply is awaited (October 2001).

7.3 Non-levy of interest on belated payment of cess on mining dues

As per the Cess and Other Taxes on Minerals (Validation) Act, (16 of 1992), the levy of cess on minerals remained in force up to 4 April 1991. The State Government instructed (between September 1992 and January 1996) the concerned assessing officers to recover the outstanding amount of cess dues in installments from the lessees with the stipulation that principal amount of cess would carry interest at the rates prescribed. Further, it was judicially held³⁹ that the levy of cess up to 4 April 1991 was valid and lawful.

During the course of audit (between September 2000 and March 2001) of seven mining circles,⁴⁰ it was noticed that interest amounting to Rs.8.02 crore on belated payment of cess on mining dues during the period 1991-92 to 1999-2000 was not levied in 57 cases. The delay ranged from one to eight years.

On this being pointed out (between September 2000 and March 2001), Government stated (July 2001) that in one case, an amount of Rs.0.19 lakh has been realised and in 52 cases demand notices for an amount of Rs.7.93 crore has been issued and in balance cases the matter is under consideration. Further reply is awaited (October 2001).

7.4 Short levy of royalty on minerals due to beneficiation

Under Section 9 of the Mines and Minerals (Regulation and Development) Act, 1957, the holder of a mining lease is liable to pay royalty in respect of any minerals removed or consumed from the lease-hold area at the rate specified in the Act. No loss or wastage is admissible under the Act *ibid*. It had been judicially held⁴¹ (August 1998) that removal of any mineral from the seam in the mine and extracting the same through the pit's mouth to the surface satisfies the requirement of the Act and gives rise to a liability for royalty.

During the course of audit of Deputy Director of Mines (Joda and Keonjhar), it was noticed (between September 2000 and February 2001) that 11 lessees including M/s Steel Authority of India Limited had fed 120.43 lakh MT of unprocessed iron ore in their beneficiation plants and recovered therefrom 98.13 lakh MT of processed ore during the period 1994-95 to 1999-2000. The Mining Officer concerned levied (between 1994-95 and 1999-2000) royalty on 98.13 lakh MT of processed ore instead of on 120.43 lakh MT of unprocessed ore despite the judgement of the Hon'ble Supreme Court (August 1998) which was within the knowledge of the Department resulting in short levy of royalty of Rs.2.52 crore.

39 AIR-1996 Supreme Court 2560

40 Jajpur Road, Joda, Kalahandi, Keonjhar, Koira, Rourkela and Talcher.

41 In civil appeal Nos-3693-94 of 1998 between State of Orissa and others Vrs. M/s Steel Authority of India Ltd. 1998 (6) Supreme Court-281.

On this being pointed out in audit (between September 2000 and February 2001), the Deputy Director of Mines, Joda, stated that the matter would be examined while the Mining Officer, Keonjhar, raised demand for Rs.0.87 lakh.

Government stated (July 2001) that Rs.0.87 lakh has been realised (March 2001) and demand notice for Rs.2.51 crore has been issued. Further reply is awaited (October 2001).

7.5 Non-realisation of dead rent and interest thereon

As per Section 11(2) of the Coal Bearing Areas (Acquisition and Development) Act, 1957, right of mining lease acquired under the Act vests in the Government company and from the date of vesting, the company becomes a lessee of the State Government as for a mining lessee under the Mineral Concession Rules, 1960, and is liable to pay either dead rent or royalty, whichever is higher, at the rates fixed by the Central Government from time to time. Interest at the rate of 24 *per cent* per annum is leviable for belated payment of dead rent from the sixtieth day of the expiry of the due date till default continues.

During the course of audit (March 2001) of the Deputy Director of Mines, Rourkela, it was noticed that M/s Mahanadi Coal Fields Limited (M/s MCL) had acquired two mining areas (one in Block-VIII Gopalpur and the other in Block-XI Extension Gopalpur) of 3,089 hectares and 4941.05 hectares comprising of different revenue villages under two separate notifications dated 10 July 1989 and 29 October 1990 respectively. M/s MCL discontinued paying dead rent in respect of both the mining areas after 31 December 1996 as production in Block-VIII (Gopalpur) started from January 1997 and the royalty was more than dead rent in this area. Since Block-XI extension (Gopalpur) mining area was acquired under separate notification in a different area, M/s MCL was required to pay dead rent for the same as working in that area was not started during that period. The liability of dead rent calculated from 01 January 1997 to 30 June 2000 worked out to Rs.45.01 lakh along with interest calculated up to March 2000.

Similarly, during the course of audit (February 2001) of Deputy Director of Mines, Talcher, it was noticed that M/s MCL had acquired 1063.560 hectares of land vide notification dated 21 January 1997 for operating mines. Accordingly, the company was required to pay dead rent for the period 21 January 1997 to 31 December 1999 as during the above period there was no liability for payment of royalty. The dead rent of Rs.3.24 lakh is payable by the company for the period 21 January 1997 to 31 December 1999 including interest leviable for the period calculated up to March 2000.

On this being pointed out in audit (March 2001), Government stated (August 2001) that the Deputy Director of Mines, Rourkela and Talcher had raised (August 2001) demand for Rs.45.01 lakh and Rs.3.24 lakh respectively on M/s MCL Ltd. Further reply is awaited (October 2001).

7.6 Non-levy of interest on belated payment of mining dues

Under the Mineral Concession Rules, 1960, (as amended from time to time), in case of belated payment of dead rent, royalty or other Government dues, simple interest at the rate of 24 *per cent* per annum on the amount in default is chargeable from the sixtieth day of the expiry of the due date till the default continues.

During the course of audit (between December 2000 and March 2001) of the Mining Officer, Bolangir and Deputy Director of Mines, Koirā, it was noticed that interest on belated payment of royalty and dead rent of Rs.2.91 lakh in respect of two lessees was not levied during the period 1996-97 to 1999-2000.

On this being pointed out in audit (between December 2000 and March 2001), Government stated (September 2001) that the amount of Rs.2.91 lakh has since been realised.

CHAPTER-8: OTHER DEPARTMENTAL RECEIPTS

8.1 Results of Audit

Test check of assessment records and other connected documents pertaining to departmental receipts in the Departments of Food Supplies and Consumer Welfare, Co-operation, Energy, General Administration, Finance and Home during 2000-2001 revealed non-realisation of revenue, non/short levy of duties, fees, etc. amounting to Rs.202.39 crore in 1,49,107 cases which may broadly be categorised as under:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1.	Non-realisation of revenue	57,094	0.09
2.	Non/short levy of revenue	89,753	99.58
3.	Other irregularities	2,259	66.33
4.	Review on "Non-realisation of Interest on Loans from Co-operative Societies"	1	36.39
Total		1,49,107	202.39

During the course of the year 2000-2001, the departments accepted short levy, non-levy etc. of Rs.15.98 crore in 1434 cases out of which one case involving Rs.14.78 lakh was pointed out during 2000-2001 and the rest in the previous years. Of these, the department recovered Rs.9.11 crore in one case.

A few illustrative cases highlighting important audit observations involving Rs.126.91 crore and findings of a review on "Non-realisation of Interest on Loans from Co-operative Societies" involving Rs.36.39 crore are mentioned in the following paragraphs.

8.2 NON-REALISATION OF INTEREST ON LOANS FROM CO-OPERATIVE SOCIETIES

8.2.1 Introduction

The Orissa Co-operative Societies Act, 1962 provides for direct partnership of the State Government in the co-operative societies by way of subscription to their share capital and or by extending State-aid viz. loans or making advances and extending guarantees on behalf of the co-operative societies in respect of loans raised by them. The Registrar of Co-operative Societies monitors sanction of loans and their recovery along with interest and other dues such as audit fee, dividend, guarantee fee, etc. from the co-operative societies and maintains the required records for the purpose. The repayment of loans and interest has to be completed within the period stipulated in the sanction orders. Any default attracts penal interest at the rate not less than 2 *per cent* above the normal rate of interest subject to a minimum of 6 *per cent* per annum under the Orissa General Financial Rules (OGFR).

8.2.2 Organisational set up

The Registrar of Co-operative Societies, Orissa, is vested with the powers of registration, election, supervision and inspection of all co-operative societies in Orissa. The Registrar is assisted by the Additional Registrar of Co-operative Societies and 3 Joint Registrars at State Headquarters. The Deputy Registrars at district level and the Asst.Registrars at sub-divisional level supervise the functioning of the co-operative societies. Audit of co-operative societies is conducted by the Auditor General of Co-operative Societies, Orissa, who is assisted by Asst.Auditors General of Co-operative Societies at Divisional level for conducting the audit.

8.2.3 Scope of Audit

With a view to ascertaining the position of realisation of revenue such as interest, audit fee, guarantee fee, dividend and miscellaneous fees viz. execution fee, arbitration fee, etc., the records maintained in the Co-operation Department, Registrar of Co-operative Societies, 10⁴² out of 47 Asst. Registrars of Co-operative Societies, 8⁴³ out of 16 Assistant Auditors General

42 Aska, Athagarh, Bargarh, Berhampur, Bhawanipatna, Bhubaneswar, Cuttack-I, Cuttack-II, Nayagarh and Puri.

43 Aska, Bargarh, Berhampur, Bhawanipatna, Cuttack-I, Cuttack-II, Khurda and Puri.

of Co-operative Societies and 14⁴⁴ numbers of major defaulting co-operative societies comprising more than 88 *per cent* of total outstanding dues for the period from 1995-96 to 1999-2000 were test checked during the period from November 2000 to March 2001.

The Public Accounts Committee in its 6th Report (11th Assembly) had directed (March 1996) that the administrative Departments concerned should review every case of loan from time to time in order to ensure that the loans are recovered within the period of limitation, if necessary by approaching Certificate Courts or other Courts of Law within the period of limitation and in event of a case being time-barred, the erring official should be taken to task. Compliance of these directions by the Department was also reviewed in audit.

8.2.4 Highlights

Interest amounting to Rs.15.19 crore due from co-operative sugar industries was not realised.

(Para 8.2.6)

Loans of Rs.14.40 crore extended to the Orissa State Co-operative Marketing Federation was converted into share capital contribution of State Government. However, outstanding interest of Rs.11.62 crore was not demanded.

(Para 8.2.8)

Incorrect calculation of interest resulted in short demand of interest amounting to Rs.2.70 crore.

(Para 8.2.10)

Loans amounting to Rs.4.83 crore drawn between 1997-98 and 1999-2000 retained in Civil Deposit without disbursement.

(Para 8.2.11)

In disregard of instructions of Finance Department for assessment of repaying capacity of loanees before sanction of fresh loans, further loans of Rs.0.37 crore were sanctioned despite non-recovery of overdue loans and interest.

(Para 8.2.12)

44 Aska Co-operative Sugar Industries Ltd., Aska Central Multipurpose Co-operative Society Ltd., Aska Wholesale Co-operative Society Ltd., Aska Central Co-operative Bank, Baragarh Co-operative Sugar Mills Ltd., Badamba Co-operative Sugar Industries Ltd., Berhampur Wholesale Co-operative Society Ltd., Bhawanipatna Central Co-operative Bank Ltd., Cuttack Central Co-operative Bank Ltd., Cuttack Wholesale Consumer Co-operative Society Ltd., Nayagarh Co-operative Sugar Industries Ltd., Orissa State Co-operative Marketing Federation Ltd., Puri-Nimapada Central Co-operative Bank Ltd. and Puri Wholesale Consumer Co-operative Society Ltd.

8.2.5 Recovery of Loans, Interest and other Dues

The Demand, Collection and Balance position of loans, interest and other revenues during the period from 1995-96 to 1999-2000 as reported by the Registrar of Co-operative Societies, Orissa, is as shown in the table below:

(Rupees in crore)

Year	Nature of dues	Opening balance of amount due	Amounts falling due during the year	Total	Collection	Balance	Percentage of collection
1995-96	Loans	13.57	6.18	19.75	3.05	16.70	15.44
	Interest	14.51	2.50	17.01	1.71	15.30	10.05
	Audit fee	0.65	0.46	1.11	0.60	0.51	54.05
	Dividend	0.64	0.19	0.83	0.08	0.75	9.64
	Guarantee fee	0.13	--	0.13	-	0.13	-
	Misc. fee	-	1.80	1.80	0.37	1.43	20.55
	Total	29.50	11.13	40.63	5.81	34.82	14.30
1996-97	Loans	16.70	8.86	25.56	2.25	23.31	8.80
	Interest	15.30	2.65	17.95	1.11	16.84	6.18
	Audit fee	0.51	0.48	0.99	0.51	0.48	51.51
	Dividend	0.75	0.15	0.90	0.16	0.74	17.78
	Guarantee fee	0.13	0.16	0.29	0.05	0.24	17.24
	Misc. fee	1.43	1.65	3.08	1.65	1.43	53.57
	Total	34.82	13.95	48.77	5.73	43.04	11.75
1997-98	Loans	23.31	8.50	31.81	1.85	29.96	5.81
	Interest	16.84	2.73	19.57	1.43	18.14	7.31
	Audit fee	0.48	0.49	0.97	0.51	0.46	52.58
	Dividend	0.74	0.15	0.89	0.20	0.69	22.47
	Guarantee fee	0.24	--	0.24	-	0.24	-
	Misc. fee	1.43	0.90	2.33	2.00	0.33	85.84
	Total	43.04	12.77	55.81	5.99	49.82	10.73
1998-99	Loans	29.96	8.89	38.85	3.91	34.94	10.06
	Interest	18.14	3.71	21.85	1.84	20.01	8.42
	Audit fee	0.46	0.57	1.03	0.58	0.45	56.31
	Dividend	0.69	0.14	0.83	--	0.83	--
	Guarantee fee	0.24	0.01	0.25	--	0.25	--
	Misc. fee	0.33	1.65	1.98	0.17	1.81	8.59
	Total	49.82	14.97	64.79	6.50	58.29	10.03
1999-2000	Loans	43.46*	3.41	46.87	1.74	45.13	3.71
	Interest	51.19*	2.19	53.38	1.21	52.17	2.27
	Audit fee	0.45	0.63	1.08	0.56	0.52	51.85
	Dividend	0.83	-	0.83	0.14	0.69	16.87
	Guarantee fee	0.25	-	0.25	-	0.25	-
	Misc. fee	1.51*	0.25	1.76	0.22	1.54	12.50
	Total	97.69*	6.48	104.17	3.87	100.30	3.72

* The difference between opening balance and closing balance was attributed by the department to adoption of reconciled figures.

The realisation of loans, interest and other revenue continuously declined during 1995-96 to 1999-2000 with the *percentage* of recovery plunging from 14.30 in 1995-96 to 3.72 in 1999-2000 of the total demands. The outstanding balance of loans increased from Rs.16.70 crore in 1995-96 to Rs.45.13 crore in 1999-2000. Interest due but not realised increased from Rs.15.30 crore in 1995-96 to Rs.52.17 crore in 1999-2000.

The low percentage of collection was attributed to the unsound financial condition of the co-operative societies under the administrative control of the Registrar of Co-operative Societies, Orissa.

8.2.6 Non-realisation of interest from Co-operative Sugar Industries

The Co-operation Department sanctioned and paid eleven numbers of loans aggregating to Rs.20.19 crore between January 1965 and March 1999 to four co-operative sugar industries for modernisation, clearance of liabilities and purchase of tools. The repayment of loans excluding moratorium period was to be completed by June 2006. It was, however, noticed that principal amount of Rs.8.87 crore had not been re-paid till now. In addition, interest amounting to Rs.15.19 crore has also become due.

8.2.7 Non-levy of penal interest

Rule 209(2) of OGFR (Vol.I) provides that in case of default in repayment of principal or payment of interest, sanctioning authority may enforce penal rate of compound interest upon all overdue installments of interest or principal and interest. Such penal rate should be 2 *per cent* above the ordinary interest on the loans subject to a minimum of 6 *per cent* per annum.

Bargarh Co-operative Sugar Industry was sanctioned 9 numbers of interest free loans aggregating Rs.5.69 crore during 1983-84 to 1986-87 for rehabilitation, modernisation, ways and means advances, purchase of tools and plants, purchase of vehicle, etc. subject to repayment within stipulated period from August 1997 to January 2001. The sugar industry failed to pay the loans of Rs.5.69 crore. The Departmental authorities failed to take any step for realisation of the overdue installments of interest free loans.

8.2.8 Non-realisation of interest

In pursuance of Government orders of March 1994, the Registrar of Co-operative Societies, Orissa, ordered (November 1995) conversion of loans of Rs.14.40 crore sanctioned during March 1988 to July 1990 (repayable by July 1993) to the Orissa State Co-operative Marketing Federation into share capital contribution of State Government by adjustment in the books of accounts and

reducing the amount of outstanding principal dues to that extent. However, the outstanding interest of Rs.11.62 crore calculated up to 15 November 1995 (date of conversion) in respect of such adjusted loans was not realised to date.

8.2.9 Non-realisation of interest from Central Multipurpose Co-operative Society, Aska

The Central Multipurpose Co-operative Society, Aska, did not repay loan amounting to Rs.43.93 lakh out of the loans of Rs.57.61 lakh sanctioned between June 1966 and May 1980. The interest of Rs.96.52 lakh besides principal as of March 2000 is payable by the Society. The Society had become defunct for the last fifteen years. Government has been studying (July 2000) the issue of rehabilitation of the Society and clearance of the dues of the creditors.

8.2.10 Short demand of interest due to incorrect calculation

Test check of interest calculated and demanded by the Registrar of Co-operative Societies, Orissa, disclosed short demand of interest amounting to Rs.2.70 crore from seven co-operative societies due to incorrect calculation as detailed below:

(Rupees in crore)

Name of the Society	Number of cases in which mistake detected	Amount of interest due after repayment of loans	Amount of interest demanded	Amount short demanded
C.C.Bank, Cuttack	24	2.41	1.85	0.56
C.C.Bank, Bhawanipatna	14	1.36	1.24	0.12
C.C.Bank, Puri-Nimapara	16	1.06	0.69	0.37
C.C.Bank, Aska	12	1.00	0.80	0.20
OSCMF (Markfed)	2	20.02	18.65	1.37
Co-operative Sugar Industry, Nayagarh	1	0.88	0.84	0.04
Co-operative Sugar Industry, Baramba	1	0.88	0.84	0.04
Total	70	27.61	24.91	2.70

On being pointed out in audit, the Registrar, Co-operative Societies, confirmed (April 2001) the facts and incorporated the same in his records for inclusion of the short demand in the demands for the next year.

8.2.11 Retention of sanctioned loans under “8443–Civil Deposits” without disbursement

Subsidiary Rule 242 of the Orissa Treasury Code (Vol.I) stipulates that no money shall be drawn from the Treasury unless it is required for immediate disbursement. As reported by the Co-operation Department (November 2000), loans amounting to Rs.3.40 crore sanctioned to 7 Co-operative Banks during 1997-98 and 1998-99 and Rs.1.43 crore sanctioned to the Orissa State Co-operative and Agricultural Rural Development Bank in 1999-2000 were drawn

and kept under 8443-Civil Deposits (not bearing interest) without disbursement in contravention of the codal provisions.

8.2.12 Non-realisation of interest from Central Co-operative Banks

The records of the Registrar of Co-operative Societies, Orissa, relating to the Orissa State Co-operative Bank, Orissa, the State Co-operative and Agricultural Rural Development Bank, Central Co-operative Banks (CC Banks) and the Primary Agricultural Co-operative Societies/Large Agricultural Multipurpose Societies depicted overdue loans to the tune of Rs.8.05 crore as principal and Rs.9.68 crore as interest as on 31 March 2000. Out of the above amount, the four⁴⁵ test checked Co-operative Banks held loans (paid between March 1969 and March 1995) to the tune of Rs.4.76 crore (principal) and Rs.5.91 crore (interest) as shown below:

(Rupees in crore)

Sl. No.	Name of the Bank	Amount overdue		Last date of repayment
		Principal	Interest	
1.	C.C.Bank, Cuttack	1.78	2.50	March 1999
2.	C.C.Bank, Bh.Patna	1.17	1.65	March 1999
3.	C.C.Bank, Aska	0.91	0.79	March 1999
4.	C.C.Bank, Puri-Nimapara	0.90	0.97	March 1999
Total		4.76	5.91	

The period of repayment was between March 1978 and March 1999. The over due principal and interest of Rs.4.76 crore and Rs.5.91 crore respectively was pending for over 22 years since 1978 onwards for want of action by the Department.

The Government of Orissa, Finance Department, had issued instructions that departments which sanction loans to various organisations and individuals shall make a realistic assessment of the ability of the loanees to repay before the loans are sanctioned. It was, however, observed that though the Co-operative Banks, Cuttack, Aska and Puri-Nimapara had defaulted in the repayment of loans and interests during the years ending March 1978 to March 1999, loans amounting to Rs.0.37 crore were again sanctioned in their favour during March 1999.

8.2.13 Other points of interest

Out of 15,585 units of Societies due for audit every year, the Auditor General of Co-operative Societies had completed audit of over 9,992 units (64 per cent) during the year 1999-2000 pointing out various irregularities in the functioning of the co-operative societies including recoveries due from their office bearers. Of the left over 5,593 units, 2,130 units (38 per cent) were not

45 Aska, Bhawanipatna, Cuttack and Puri-Nimapara.

audited over the past six years. The shortfall in coverage of audit of co-operative societies ranged from 32 to 44 *per cent* during the period from 1995-96 to 1999-2000. The department attributed the shortfall in coverage of audit to shortage of staff, lack of supervision facilities, non-provision of vehicles, etc. Non-conducting of audit of a sizeable number of societies (38 *per cent*) for a period over six years indicates the inadequacy of internal control for monitoring the activities of the co-operative societies by the Government.

It has, however, been noticed that the department had initiated surcharge proceedings in 1,172 cases involving Rs.46.41 crore on the basis of audit findings since July 1999 out of which only 93 cases involving Rs.1.49 crore could be disposed off.

8.2.14 Conclusion

It was evident that failure of the Department to assess the financial viability of the co-operative societies while sanctioning loans coupled with lack of meaningful action to collect overdues of Government by resorting to extant provisions of the rules and law led to non-realisation of Government dues of Rs.36.39 crore. There was clear disregard of the directions of PAC issued in March 1996 as well as extant instructions of the Finance Department. As most of the co-operative societies were stated to be financially unstable, it was evident that not only was the objective of strengthening the co-operative movement not achieved, but the Government also failed to safeguard its interest of revenue.

The above matter was referred to the Department on 23 April 2001. No response was received from them. The material was demi-officially forwarded to the Secretary to the Government for reply within 6 weeks. The matter was followed up by a reminder to the Secretary on 10 July 2001. However, inspite of such efforts, no reply was received from the Government (October 2001).

8.3 Loss on account of Electricity Duty

The Orissa Electricity (Duty) Act, 1961 (OED Act) and rules made thereunder stipulate that Electricity Duty (ED) shall be levied and paid on the energy consumed by any person generating energy. In case of default, interest at the rate of 18 *per cent* per annum is leviable where such ED payable was not paid to the Government by the person concerned. Auxiliary consumption⁴⁶ of energy being energy consumed under the OED Act is liable to levy and payment of ED. This was upheld by the Hon'ble Supreme Court in the case of State of Mysore vrs. W.C.P. mills (1975).

46 Energy consumed for running the captive power plant is known as auxiliary consumption.

Audit scrutiny (between July 2000 and March 2001) of the records of Chief Electrical Inspector (CEI), Bhubaneswar, and three⁴⁷ zonal Electrical Inspectors revealed that despite the clear provisions of the OED Act and the subsequent judicial pronouncements, the Department failed to take any action to levy ED on auxiliary consumption. It was only in November 1999 that the Department of Energy instructed the CEI to levy ED on auxiliary consumption with retrospective effect. These instructions were modified (March 2001) to levy ED on auxiliary consumption with effect from 6 November 1999 without issue of any notification exempting levy for the past period. Such inaction or belated action on the part of Government resulted in loss of ED of Rs.66.23 crore from four⁴⁸ public sector and three⁴⁹ private sector companies between the period September 1986 and October 1999. In addition, interest of Rs.60.16 crore is also leviable.

Government in Department of Energy while accepting the audit findings stated (July 2001) that it might not be required to issue any exemption notification for the period prior to 6 November 1999 as the order for levy of ED with prospective effect had the concurrence of the Finance Department. The contention is not tenable as prospective levy of ED even with the concurrence of Finance Department does not have the automatic effect of exempting levy for the past period for which a specific notification exempting the units from payment of ED otherwise leviable under the OED Act is mandatory.

8.4 Non-realisation of Guarantee Fee

Government of Orissa, Finance Department, issued (April 1980) guidelines providing for guarantees by the State Government for repayment of borrowings (loans, bonds, etc.) together with interest thereon by local bodies, co-operative institutions, companies, corporations, etc. which are usually raised to meet their capital needs. For such service rendered and contingent liability undertaken, a "Guarantee Fee" shall be levied by the State as per the rates indicated in the guidelines.

As per agreements entered into by the State Government with the debtor institutions, Government has the right to recover the amount due as a "Public Demand" under the Orissa Public Demand Recovery Act, 1962, in case of default in payment of fees. The Act provides that interest at the rate of 12.5 *per cent* per annum may be levied from the date of signing of the certificate upto the date of realisation of the dues.

A test check (March 2001) of records of four departments viz. Forest and Environment, Fisheries and Animal Resources Development, Water Resources and Agriculture Departments for the period 1987-88 to 1999-2000 revealed non-levy and non-realisation of Government dues amounting to Rs.52.14 lakh

47 Berhampur, Bhubaneswar and Rourkela.

48 Fertiliser Corporation of India, Talcher; Kalinga Iron Works, Barbil; NALCO and Rourkela Steel Plant.

49 Indian Charge Chrome Ltd., Choudwar; J.K. Paper Mills, Rayagada and Orient Paper Mill, Brajarajnagar.

as on March 2001 due to failure of Government to invoke the above mentioned provisions. The details of the outstanding dues are as follows:

Sl. No.	Department	Debtor/Loanee	Period	Amount of Guarantee	(Rupees in lakh)			
					Due	Paid	Balance	Period of payment
1	Forest and Environment	Orissa Forest Development Corporation	1994-95 to 1999-2000	10275.00	77.88	46.38	31.50	February 1999 to February 2001
2	Fisheries & Animal Resources Development	Utkal Gomangal Samiti	1991-92	192.01	8.64	Nil	8.64	--
3	Water Resources	Orissa Construction Corporation Ltd.	1997-98 to 1998-99	1100.00	12.50	5.00	7.50	NA
4	Agriculture	Orissa Agro Industries Corporation Ltd.	1987-88	150.00	9.75	5.25	4.50	July 1990 to April 1994
Total				11717.01	108.77	56.63	52.14	

On this being pointed out (March 2001) in audit, the Fisheries and Animal Resources Development and Forest and Environment Department stated that non-payment of guarantee fee by borrowing institutions was due to paucity of funds with them. The reply is not tenable as the borrowing institutions have to discharge their legitimate liability to Government. The Fisheries and Animal Resources Development Department added (September 2001) that Rs.3.25 lakh was realised (April 2001). Agriculture Department stated that the Managing Director Orissa Agro Industries Corporation Ltd. was instructed (March 2001) to deposit the outstanding guarantee fee. Reasons for non-realisation has not been furnished by the Water Resources Department.

While accepting the factual position, Government in Finance Department stated (May 2001) that guarantee fees have not been paid in full due to cumulative loss of the borrowing institutions. It added that resort to the provisions of OPDR Act has not been made as the borrowing institutions are semi-government institutions. The fact remains that Government dues of Rs.48.89 lakh remained uncollected and no action had been taken except issue of routine demand notices to collect the Government dues.

8.5 Non-realisation of reimbursement of cost of police personnel

Rule 526 read with Rule 999 of the Orissa Police Rules provide for deployment of State Police personnel to different organisations/establishments of the Union Government or other State Governments on the basis of reimbursement of the cost of such deployment by the borrowing agency. As per the extant procedure, such claims are to be periodically preferred by the State Government to the borrowing establishments.

Scrutiny of the records of the State Police Headquarters at Cuttack revealed non-realisation of revenue of Rs.4.81 crore as on 31 December 2000 in respect of the following establishments due to inaction or inadequate action by the Department as summarised below:

(Rupees in crore)

Sl. No.	Name of the borrowing establishment	Period	Outstanding amount	Remarks
1	A.R.C., Charbatia	01 October 1994 to 31 December 1994	0.64	In February 1995, Cabinet Secretariat sent a demand draft for Rs.0.64 crore to Secretary to Government of Orissa, Home Department, for reimbursement of cost of deployment of State Police at ARC, Charbatia. The Bank Draft was however stated to be not received. No action was thereafter taken to investigate the matter or obtain a second Bank Draft from the Cabinet Secretariat except to send routine reminders.
2	Government of Andhra Pradesh	08 February 1978 to 04 July 1995	0.38	Department delayed in submitting Statements of Expenditure to the AG(A&E), Orissa. The Statement of Expenditure for the period 1994-95 and 1995-96 amounting Rs.0.12 crore and Rs.0.08 crore respectively was submitted to AG(A&E), Orissa during January 2001. For the rest of the amount i.e. Rs.0.18 crore (Rs.0.38 crore - Rs.0.20 crore) the details of claim preferred could not be made available to audit.
3	Government of West Bengal	21 March 1987 to 27 March 1987	0.01	A cheque was received but could not be encashed due to late receipt and returned to DG Police, West Bengal, during July 1994. No further action taken to pursue the matter except issuing routine reminders.

(Rupees in crore)

Sl. No.	Name of the borrowing establishment	Period	Outstanding amount	Remarks
4	Government of Punjab	07 September 1985 to 06 October 1985	0.35	Claims pertaining to September/October 1985 has remained unrealised for over 15 years. Punjab Government had initially stated that reimbursement was to be made by Central Government. But the latter clarified in January 1995 that Central Government was not involved. After that, except for routine reminders, no meaningful effort was made to pursue the matter at Government level to realise the dues.
5	Government of Bihar	08 August 1966 to 01 August 1981	0.20	The matter has remained under correspondence between Bihar and Orissa Government. In August 1995, Bihar Government requested Government of Orissa to adjust the dues of Irrigation Department of Bihar which was not accepted by Orissa Government during February 1996 intimating that the revenue receipt of Home Department cannot be adjusted against dues of Irrigation Department. No further action was taken to pursue the claim.
6	MSF (Machkund Security Force)	1983 to 1999	3.23	The amount was due for providing security for the Machkund Hydro Electric Project. The amount has remained pending due to its entangling with issue of energy accounting and due to non-reconciliation of accounts. No meaningful action was taken to resolve this issue except to issue reminder at level of Director General of Police.
Total			4.81	

It was evident that no meaningful action was taken to effectively pursue these long-pending claims. The lackadaisical approach to the matter was evident from the fact that an amount of Rs.64.34 lakh (ARC, Charbatia Rs.63.64 lakh and Government of West Bengal Rs.0.70 lakh) could not be realised merely because draft not received or cheque time-barred could not be re-validated or re-issued. As a result, Government was deprived of revenue of Rs.4.81 crore.

The above matter was referred to the Department on 26 April 2001. No response was received from them. The material was demi-officially forwarded to the Secretary to the Government for reply within 6 weeks. The matter was followed up with a reminder to the Secretary on 28 June 2001. However, inspite of such efforts, no reply was received from the Secretary (October 2001).

Bhubaneswar
Dated :

(R.K.GHOSE)
Accountant General (Audit)-II
Orissa

Countersigned

New Delhi
Dated :

(V.K.SHUNGLU)
Comptroller and Auditor General of India

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