REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2009

(REVENUE RECEIPTS)

GOVERNMENT OF ORISSA

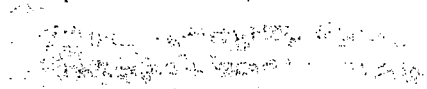
TABLE OF CONTENTS

PREFACE

This report for the year ended 31 March 2009 has been prepared for submission to the Governor under Article 151(2) of the Constitution.

The audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This Report presents the results of audit of receipts comprising sales tax/value added tax (VAT)/entry tax, taxes on motor vehicles, land revenue, stamp duty and registration fees, other tax receipts, 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 2008-09 as well as those noticed in earlier years but could not be included in the previous years' reports.



OVERVIEW

I General

This report contains 47 paragraphs including two reviews pointing out non-levy or short levy of tax, interest, penalty, revenue foregone, etc., involving Rs. 578.83 crore. Some of the major findings are mentioned below:

The Government's total revenue receipts for the year 2008-09 amounted* to Rs. 24,610 crore against Rs. 21,967 crore in the previous year. Of this, 45.39 *per cent* was raised by the State through tax revenue (Rs. 7,995 crore) and non-tax revenue (Rs. 3,176 crore). The balance 54.61 *per cent* was received from the Government of India in the form of State's share of divisible Union taxes (Rs. 8,280 crore) and grants-in-aid (Rs. 5,159 crore).

(Paragraph 1.1)

As on 30 June 2009, 3,168 inspection reports issued up to 31 December 2008 containing 8,917 audit observations involving Rs. 3,901.84 crore were outstanding for want of comments/final action by the concerned departments.

(Paragraph 1.8)

Test check of the records of sales tax/value added tax (VAT)/entry tax, motor vehicles tax, land revenue, state excise, forest receipts, mining receipts and other departmental offices conducted during the year 2008-09 revealed underassessment/short levy/loss of revenue, etc., amounting to Rs. 1,502.69 crore in 2,79,083 cases. During the year 2008-09, the concerned departments accepted underassessment and other deficiencies of Rs. 118.21 crore involved in 85,766 cases which were pointed out in 2008-09 and earlier years. The departments also recovered Rs. 176.26 crore during the year in 5,495 cases.

(Paragraph 1.13)

II Sales Tax, Value Added Tax and Entry Tax

A review on "**Transition from sales tax to value added tax**" revealed the following:

- The reorganisation of ranges and circles was done belatedly. Manpower shortage and handling of huge number of assessments pertaining to the repealed Orissa Sales Tax Act for 2004-05 and earlier years affected the transition process.

(Paragraph 2.2.7)

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* Chapter-I figures in the overview have been rounded off to the nearest crore.

- There were various lacunae in the Orissa Value Added Tax Act/Rules. Necessary provisions were not made making it mandatory for the dealers to furnish, along with the return, the supporting documents or evidences.

(Paragraph 2.2.9)

- Tax audit of dealers was neglected as there were shortfalls in tax audits ranging between 38 and 97 *per cent*. Audit module in the computerised VAT Information System remained non-operational.

(Paragraphs 2.2.10.3 and 2.2.10.4)

- There was inordinate delay in submission of audit visit reports as well as completion of audit assessments.

(Paragraphs 2.2.10.5 and 2.2.14.1)

- Inadmissible input tax credit of Rs. 46.79 lakh was allowed to the dealers in respect of the opening stock as on 1 April 2005.

(Paragraph 2.2.11.2)

Undue concession to the captive power plants installed by different industrial units was allowed for which differential tax of Rs. 139.51 crore was leviable.

(Paragraph 2.4)

Tax and penalty of Rs. 14.33 crore leviable on sugarcane, sugar and textile fabrics was not levied.

(Paragraph 2.5.1)

Penalty of Rs. 11.66 crore leviable for non-submission/delayed submission of audited accounts by the dealers was not levied.

(Paragraph 2.5.2)

Payment of tax at lower rates by the dealers was irregularly accepted by the assessing authorities in assessment resulting in short levy of tax and penalty of Rs. 2.31 crore.

(Paragraph 2.5.3)

Penalty of Rs. 1.47 crore leviable for suppression of turnover of Rs. 7.42 crore in the return by a dealer was not levied in the assessment.

(Paragraph 2.5.4.1)

Exemption of sales tax of Rs. 1.40 crore was allowed to two industrial units under the sales tax incentive scheme due to erroneous computation of tax and in excess of the admissible limit.

(Paragraph 2.5.5)

Tax on raw tobacco (un-manufactured tobacco) was neither paid by the dealer nor was it demanded in the assessment resulting in non-levy of tax and penalty of Rs. 1.29 crore.

(Paragraph 2.5.6)

Interest and penalty of Rs. 89.65 lakh leviable for delay in payment/ non-payment of tax was not levied.

(Paragraph 2.5.7)

In two cases there was short determination of taxable turnover which led to underassessment of tax and penalty of Rs. 3.49 crore.

(Paragraph 2.6.1)

Irregular allowance of exempted sale by the assessing authorities without supporting declaration forms resulted in underassessment of tax of Rs. 1.06 crore.

(Paragraph 2.7.1)

III Motor Vehicles Tax

A review on **"Information Technology audit of "Vahan" in the Motor Vehicles Department"** revealed the following:

- Non-imposition of penalty/daily damages amounting to Rs. 1.87 crore due to delay in completion of the smart card based registration certificate project.

(Paragraph 3.2.8.1)

- Non-imposition of penalty of Rs. 1.06 crore for not achieving the scheduled commercial operation date by the concessionaire.

(Paragraph 3.2.8.2)

- Non-imposition of late fine of Rs. 29.31 lakh for delay in issue of smart card based registration certificates by the concessionaire.

(Paragraph 3.2.9)

- Short realisation of one time tax and non-realisation of entry tax due to non-inclusion of ET field in the database.

(Paragraph 3.2.13.1)

- Inadequacy of input controls resulting in duplication of engine and chassis numbers.

(Paragraph 3.2.13.2)

- Inadequacy of input controls resulting in registration of two or more vehicles under the same insurance cover note.

(Paragraph 3.2.13.3)

- Partial data capture resulting in presence of incorrect data in key fields.

(Paragraph 3.2.13.4)

- Inadequacy of validation controls resulting in capturing of irrelevant dates and incorrect values in various fields, rendering the database unreliable.

(Paragraph–3.2.13.5)

Motor vehicles tax and additional tax of Rs. 63.58 crore including penalty was either not realised or realised short in respect of 30,521 different categories of vehicles.

(Paragraph 3.4.1)

Countersignature fee/process fee in respect of 1.44 lakh cases amounting to Rs. 1.55 crore was not realised from the vehicle owners.

(Paragraph 3.5.1)

IV Land Revenue, Stamp Duty and Registration Fees

Non-finalisation of alienation cases resulted in non-realisation of Rs. 29.26 crore towards premium, ground rent, cess and interest.

(Paragraph 4.3.1.1)

Non-raising of demand towards capitalised value of cess from two organisations resulted in short demand of Rs. 3.61 crore including interest.

(Paragraph 4.3.1.2)

Non-raising of demand for premium, ground rent etc., in respect of an encroached land from a local body resulted in non-realisation of Rs. 1.15 crore including interest.

(Paragraph 4.3.2)

Misclassification of instruments resulted in short levy/loss of revenue of Rs. 21.54 crore.

(Paragraph 4.6.2)

Non-registration of lease deeds/sale agreements resulted in non-realisation of stamp duty and registration fee of Rs. 14.80 crore though sale agreements executed in three cases and physical transfer of land in four cases were completed before April 2008.

(Paragraph 4.6.3)

Non-inclusion of development charges of land, ground rent, cess etc., in the consideration money resulted in escapement of stamp duty and registration fee of Rs. 1.57 crore.

(Paragraph 4.6.5.1)

Acceptance of valuation below benchmark value in registration of 52 documents resulted in short realisation of stamp duty and registration fee of Rs. 1 crore.

(Paragraph 4.6.6)

There was short realisation of stamp duty and registration fee of Rs. 97.84 lakh in 87 documents due to non-consideration of highest sale value of similar land.

(Paragraph 4.7)

V Other Tax Receipts

There was escapement of profession tax of Rs. 14.00 crore including penalty due to non-enrolment of persons liable for payment of profession tax.

(Paragraph 5.3)

Non-levy of bottling licence fee in respect of export brand beer resulted in non-realisation of revenue of Rs. 57.39 lakh.

(Paragraph 5.4)

VI Forest Receipts

Non-disposal of timber and poles resulted in blockage of Government revenue of Rs. 41.66 lakh.

(Paragraph 6.3.1)

Interest of Rs. 38.14 lakh from the Orissa Forest Development Corporation Limited was not realised though there was delay in payment of royalty on timber.

(Paragraph 6.3.2)

VII Mining Receipts

Non-levy of royalty on coal dispatched from the leasehold area resulted in short levy of royalty of Rs. 1.94 crore.

(Paragraph 7.3.1.1)

Levy of royalty on processed mineral instead of unprocessed mineral resulted in short levy of royalty of Rs. 1.85 crore.

(Paragraph 7.3.2.1)

There was short levy of royalty of Rs. 1.42 crore due to levy of royalty on limestone at a lower rate considering the mineral as minor mineral, though mining lease was granted for major mineral.

(Paragraph 7.4)

VIII Other Departmental Receipts

Non-levy of special water rate in respect of use of water by Upper Indravati Hydro Electric Project resulted in non-realisation of revenue of Rs. 200.03 crore.

(Paragraph 8.3.1)

Non-raising of demand of special water rate/licence fee on unauthorised drawal of water resulted in non-realisation of revenue of Rs. 7.09 crore.

(Paragraph 8.3.2)

Electricity duty on loss of energy over and above the admissible transmission and distribution loss payable by the licensee was not levied resulting in non-realisation of duty of Rs. 6.38 crore.

(Paragraph 8.5)

Failure of the department in raising demand against an electricity distribution company towards inspection fee resulted in non-realisation of revenue of Rs. 1.18 crore.

(Paragraph 8.6)

Non-levy of interest for delayed payment of electricity duty resulted in non-realisation of interest of Rs. 1.69 crore.

(Paragraph 8.7)

Non-recovery of sewerage charges and short recovery of water charges from occupants of Government residential buildings resulted in non-realisation of revenue of Rs. 3.49 crore.

(Paragraph 8.8)

CHAPTER-I: GENERAL

1.1 Trend of revenue

1.1.1 The tax and non-tax revenue raised by the Government of Orissa during the year 2008-09, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(Rupees in crore)

		2004-05	2005-06	2006-07	2007-08	2008-09
I	**Revenue raised by the State Government**					
	• Tax revenue	4,176.60	5,002.28	6,065.07	6,856.09	7,995.20
	• Non-tax revenue	1,345.52	1,531.90	2,588.12	2,653.58	3,176.15
	Total	**5,522.12**	**6,534.18**	**8,653.19**	**9,509.67**	**11,171.35**
II	**Receipts from the Government of India**					
	• State's share of divisible Union taxes	3,977.66	4,876.75	6,220.42	7,846.50	8,279.96[1]
	• Grants-in-aid	2,350.41	2,673.78	3,159.02	4,611.02	5,158.70
	Total	**6,328.07**	**7,550.53**	**9,379.44**	**12,457.52**	**13,438.66**
III	**Total receipts of the State Government (I+II)**	**11,850.19**	**14,084.71**	**18,032.63**	**21,967.19**	**24,610.01**
IV	**Percentage of I to III**	**46.60**	**46.39**	**47.98**	**43.29**	**45.39**

The above table indicates that during the year 2008-09, the revenue raised by the State Government was 45.39 *per cent* of the total revenue receipts (Rs. 24,610.01 crore) against 43.29 *per cent* in the preceding year. The balance 54.61 *per cent* of receipts during 2008-09 was from the Government of India.

1 For details, please see Statement No. 11- Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Orissa for the year 2008-09. Figures under the minor head 901-Share of net proceeds assigned to the States under the major heads 0020 – Corporation tax; 0021 - Taxes on income other than corporation tax; 0028 - Other taxes on income and expenditure; 0032 - Taxes on wealth; 0037 - Customs; 0038 - Union excise duties; 0044 - Service tax and 0045 - Other taxes and duties on commodities and services booked in the Finance Accounts under A-Tax revenue have been excluded from the revenue raised by the State and exhibited as State's share of divisible Union taxes.

1.1.2 The following table presents the details of tax revenue raised during the period from 2004-05 to 2008-09:

(Rupees in crore)

Sl. No.	Heads of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+) or decrease (-) in 2008-09 over 2007-08
1.	Sales tax/VAT	2,061.23	2,524.18	3,042.34	3,567.16	4,268.72	(+) 19.67
	Central sales tax	410.16	487.55	722.48	551.27	534.61	(-) 3.02
2.	Taxes and duties on electricity	261.89	353.13	282.58	327.46	365.03	(+) 11.47
3.	Land revenue	131.59	69.62	226.38	276.16	348.79	(+) 26.30
4.	Taxes on vehicles	338.11	405.86	426.54	459.42	524.43	(+) 14.15
5.	Taxes on goods and passengers	384.93	463.34	574.00	626.90	638.32	(+) 1.82
6.	State excise	306.61	389.33	430.07	524.93	660.07	(+) 25.74
7.	Stamp duty and registration fees	197.87	236.06	260.49	404.76	495.66	(+) 22.46
8.	Other taxes and duties on commodities and services	25.14	6.75	26.59	31.59	47.39	(+) 50.02
9.	Other taxes on income and expenditure-tax on professions, trades, callings and employments	59.07	66.46	73.60	86.44	112.18	(+) 29.78
Total		**4,176.60**	**5,002.28**	**6,065.07**	**6,856.09**	**7,995.20**	

The reasons for variation in receipts for 2008-09 from those of 2007-08 in respect of principal heads of revenue were as follows:

Sales tax/VAT: The increase (19.67 *per cent*) was mainly due to increase in the number of assessees, system development and overall better administration.

Land revenue: The increase (26.30 *per cent*) was mainly due to conversion of land, alienation of land to different agencies and collection of premium thereof and collection of more royalty.

Taxes on vehicles: The increase (14.15 *per cent*) was mainly due to increase in vehicle population, better enforcement activities and effective supervision.

State excise: The increase (25.74 *per cent*) was mainly due to opening of new outlets and increase in lifting of India made foreign liquor and beer.

The other departments did not intimate (October 2009) the reasons for variation in receipts from those of the previous year despite being requested in April 2009.

1.1.3 The following table presents the details of major non-tax revenue realised during the period 2004-05 to 2008-09:

(Rupees in crore)

Sl. No.	Heads of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+) or decrease (-) in 2008-09 over 2007-08
1.	Non-ferrous mining and metallurgical industries	670.52	805.03	936.60	1,126.06	1,380.60	(+) 22.60
2.	Forestry and wild life	84.72	59.13	130.63	82.66	139.29	(+) 68.51
3.	Interest receipts	249.04	298.02	398.42	570.39	654.67	(+) 14.78
4.	Education	15.76	42.99	41.94	41.95	10.65	(-) 74.61
5.	Irrigation & inland water transport	40.45	44.05	54.41	48.90	52.95	(+) 8.28
6.	Public works	17.05	18.23	24.96	31.61	38.31	(+) 21.20
7.	Police receipts	21.24	23.05	23.39	29.17	22.25	(-) 23.72
8.	Medical and public health	12.98	9.26	13.07	14.28	32.18	(+) 125.35
9.	Power	4.19	2.91	1.23	1.05	0.63	(-) 40.00
10.	Miscella-neous general services	31.70	7.62	777.36	396.95	388.85	(-) 2.04
11.	Other non-tax receipts	160.97	212.51	169.28	290.96	444.38	(+) 52.73
12.	Co-operation	2.72	2.13	2.39	2.29	2.01	(-) 12.23
13.	Other administrative services	34.18	6.97	14.44	17.31	9.38	(-) 45.81
Total		**1,345.52**	**1,531.90**	**2,588.12**	**2,653.58**	**3,176.15**	

The reasons for variation in receipts for 2008-09 from those of 2007-08 in respect of principal heads of revenue were as follows:

Non-ferrous mining and metallurgical industries: The increase (22.60 *per cent*) was mainly due to increase in dispatch of coal, bauxite, manganese and

limestone as compared to the previous year and increase in collection of revenue from minor minerals.

Forestry and wildlife: The increase (68.51 *per cent*) was mainly due to deposit of excess amount by the Orissa Forest Development Corporation (OFDC) Limited towards *kendu* leaves.

Police receipts: The decrease (23.72 *per cent*) was mainly due to non-payment of arrear dues by the South Eastern Railways, East Coast Railways, Aviation Research Centre, Charbatia and Machhkund Security Force.

The other departments did not intimate (October 2009) the reasons for variation in receipts from those of the previous year despite being requested in April 2009.

1.2 Variations between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2008-09 in respect of principal heads of tax and non-tax revenue are mentioned below:

(Rupees in crore)

Sl. No.	Heads of revenue	Budget estimates	Actual receipts	Variations increase (+) shortfall (-)	Percentage of variation
Tax revenue					
1.	Sales tax/VAT	4,770.37	4,803.33	(+) 32.96	(+) 0.69
2.	Taxes on goods and passengers	580.90	638.32	(+) 57.42	(+) 9.88
3.	Taxes and duties on electricity	379.72	365.03	(-) 14.69	(-) 3.87
4.	Land revenue	260.24	348.79	(+) 88.55	(+) 34.03
5.	Taxes on vehicles	590.79	524.43	(-) 66.36	(-) 11.23
6.	State excise	620.76	660.07	(+) 39.31	(+) 6.33
7.	Stamp duty and registration fees	350.54	495.66	(+) 145.12	(+) 41.40
Non-tax revenue					
8.	Mines and minerals	1,250.00	1,380.60	(+) 130.60	(+) 10.45
9.	Forestry and wildlife	127.52	139.29	(+) 11.77	(+) 9.23
10.	Education	43.86	10.65	(-) 33.21	(-) 75.72
11.	Interest receipts	310.00	654.67	(+) 344.67	(+) 111.18
12.	Police receipts	45.60	22.25	(-) 23.35	(-) 51.21

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

Land revenue: The increase (34.03 *per cent*) was mainly due to conversion of land, alienation of Government land to different agencies and collection of premium thereof and collection of more royalty.

Taxes on vehicles: The decrease (11.23 *per cent*) was mainly due to downward trend in registration of new commercial vehicles as compared to the previous year.

Forestry and wildlife: The increase (9.23 *per cent*) was mainly due to deposit of excess amount by OFDC Limited towards *kendu* leaves.

Police receipts: The decrease (51.21 *per cent*) was mainly due to non-collection of arrears from the South Eastern Railways, East Coast Railways, Aviation Research Centre, Charbatia and Machhkund Security Force.

The other departments did not intimate (October 2009) the reasons for variation despite being requested in April 2009.

1.3 Analysis of collection

The break up of total collection at pre-assessment stage and after regular assessment of sales tax/VAT, profession tax, entry tax, luxury tax and entertainment tax for the year 2008-09 and the corresponding figures for the preceding two years as furnished by the department is mentioned below:

(Rupees in crore)

Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Amount of arrear demand collected	Amount refunded	Net collection	Per-centage of column 2 to 6
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Sales tax/VAT						
2006-07	3,592.01	136.46	84.08	39.73	3,772.82	95.00
2007-08	4,036.30	31.66	77.69	27.22	4,118.43	98.01
2008-09[2]	4,790.08	15.19	32.26	34.19	4,803.34	99.72
Profession tax						
2006-07	69.98	0.10	--	--	70.08	99.00
2007-08	76.85	0.11	0.20	--	77.16	99.60
2008-09[2]	91.96	0.02	0.08	--	92.06	99.89
Entry tax						
2006-07	537.82	30.49	5.39	0.18	573.52	93.70
2007-08	612.71	19.84	8.61	0.29	640.87	95.61
2008-09[2]	629.94	7.52	2.37	0.84	638.99	98.58
Luxury tax						
2006-07	0.01	--	--	--	0.01	100.00
2007-08	0.01	--	--	--	0.01	100.00
2008-09[2]	0.03	--	--	--	0.03	100.00

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

(Rupees in crore)

Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Amount of arrear demand collected	Amount refunded	Net collection	Per-centage of column 2 to 6
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Entertainment tax						
2006-07	2.46	--	0.08	--	2.54	97.00
2007-08	2.45	0.01	0.19	--	2.65	92.45
2008-09[2]	2.33	--	0.07	--	2.40	97.08

Thus, the collection of tax at pre-assessment stage during the last three years ranged between 92.45 and 100 *per cent*.

1.4 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the years 2006-07, 2007-08 and 2008-09 along with the relevant all India average percentage of expenditure on collection to gross collection for 2007-08 are mentioned 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 2007-08
Sales tax/ VAT[3]	2006-07	4,439.01	26.59	0.60	0.83
	2007-08	4,863.36	30.11	0.62	
	2008-09	5,601.22	44.45	0.79[4]	
Taxes on vehicles	2006-07	426.54	12.25	2.87	2.58
	2007-08	459.42	14.71	3.20	
	2008-09	524.43	32.59	6.21	
State excise	2006-07	430.07	15.28	3.55	3.27
	2007-08	524.93	17.54	3.34	
	2008-09	660.07	24.76	3.75	
Stamp duty and registration fees	2006-07	260.49	10.92	4.19	2.09
	2007-08	404.76	11.81	2.92	
	2008-09	495.66	15.23	3.07	

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

4 Percentage of expenditure to gross collection for 2008-09 includes entry tax, entertainment tax and profession tax in addition to sales tax/VAT.

The above table indicates that percentage of expenditure on gross collection in respect of sales tax was lower than the all India average percentage while in all other cases it was higher.

The increase (41.16 *per cent*) in expenditure on collection of taxes on vehicles was stated to be due to increase in plan expenditure like road safety awareness, modernisation in the department and creation of new regional transport offices.

1.5 Analysis of arrears of revenue

As on 31 March 2009, the arrears of revenue under principal heads of revenue as reported by the departments were aggregating Rs. 5,460.92 crore as mentioned in the following table:

(Rupees in crore)

Sl. No	Heads of revenue	Amount of arrears as on 31 March 2009	Arrears more than five years old	Remarks		
1.	Sales tax/VAT	3,588.57	928.27	The stages of arrears were as under:		
				◦	Amount covered by show cause and penalty	1,274.34
				◦	Recoveries stayed by	
				➢	Departmental authorities	1,399.96
				➢	Supreme Court/High Court	617.57
				◦	Demands covered by certificate proceedings/tax recovery proceedings	291.16
				◦	Amounts proposed to be written off	5.54
2.	Entry tax	110.57	17.44	The stages of arrears were as under:		
				◦	Amount covered by show cause and penalty	23.67
				◦	Recoveries stayed by departmental authorities	33.96
				◦	Demand stayed by the High Court	42.68
				◦	Demand covered by certificate/tax recovery proceedings	10.26
3.	Entertainment tax	6.56	5.11	The stages of arrears were as under:		
				◦	Demand covered by certificate/tax recovery proceedings	4.46
				◦	Amount covered by show cause and penalty	1.80
				◦	Recoveries stayed by	
				➢	Departmental authorities	0.18
				➢	High Court	0.12

(Rupees in crore)

Sl. No	Heads of revenue	Amount of arrears as on 31 March 2009	Arrears more than five years old	Remarks		
4.	Profession tax	0.67	0.01	All the arrears were under show cause and penalty proceedings.		
5.	Land revenue	30.45	NA[5]	Item-wise break up was as follows:		
				◦	Rent	3.17
				◦	Cess	5.01
				◦	*Nistar* cess	0.15
				◦	*Sairat*	8.04
				◦	Misc. revenue	14.08
6.	Other departmental receipts (Rent) General Administration department	8.37	3.09	The arrears were due from:		
				◦	Non-residential buildings	0.91
				◦	Residential buildings	
				➢	Retired Government servants	3.41
				➢	MLAs and ex MLAs	0.50
				➢	Boards and corporations	0.50
				➢	Private parties	0.70
				➢	Transferred Government servants	1.18
				➢	Certificate cases	0.10
				➢	Central Government employees occupying State Government quarters	0.22
				➢	Usual house rent	0.69
				➢	Recovery stayed by the High Court and other judicial authorities	0.16
7.	Forest receipts	81.24	NA	The arrears were due from:		
				◦	OFDC	70.16
				◦	TDCC[6]	4.49
				◦	Forest contractors	2.98
				◦	Other agencies	3.61
8.	Police receipts	39.59	10.80	Of the arrears Rs. 2.31 crore is proposed to be written off.		
9.	Water rate	154.24	NA	◦	Industrial Water Rate	118.50
				◦	Irrigation Water Rate	35.74
10.	Taxes on vehicles	129.01	NA	The stages of arrears were as under:		
				◦	Demands covered by certificate proceedings	51.77

5 NA-Not available

6 Orissa Tribal Development Co-operative Corporation.

(Rupees in crore)

Sl. No	Heads of revenue	Amount of arrears as on 31 March 2009	Arrears more than five years old	Remarks		
				◦	Recoveries stayed by:	
				➢	High Court/ Supreme Court/other judicial authorities	4.50
				➢	Departmental authorities	1.74
				◦	Arrears under dispute	5.54
				◦	Proposed to be written off	0.15
				◦	Other stages	65.31
11.	State excise	21.01	NA	The stages of recovery were as under:		
				◦	Demand covered by certificate proceedings	13.37
				◦	Recoveries stayed by the High Court/ Supreme Court/other judicial authorities	3.87
				◦	Amounts under dispute	0.77
				◦	Proposed to be written off	0.03
				◦	Other stages of recovery	2.97
12.	Interest	141.15	NA	◦	Co-operation Department	81.20
				◦	Textile and Handloom department	24.50
				◦	Industries department	35.45
					The arrears were due from:	
				➢	Industrial Development Corporation	7.53
				➢	Industrial Promotion and Investment Corporation of Orissa Limited	13.50
				➢	Orissa Small Industries Corporation	2.89
				➢	Orissa State Leather Corporation	0.85
				➢	Orissa Instrument Company	0.63
				➢	Orissa State Financial Corporation	
					Interest on :	
				◊	State aided rural industries programme loan	1.25
				◊	Sales tax loan	5.47
				◊	Electricity duty loan	2.99

(Rupees in crore)

Sl. No	Heads of revenue	Amount of arrears as on 31 March 2009	Arrears more than five years old	Remarks		
				◊	*Panchayat Samiti* Industries loan	0.34
13.	Electricity duty	1,025.51	NA	Of the arrears Rs. 1.85 crore was covered under certificate proceedings and Rs. 707.42 crore was locked up in litigation in the Supreme Court/High Court/other judicial authorities.		
14.	Stationery & printing	0.86	0.08	Stages at which arrears were pending was not furnished by the department.		
15.	Guarantee fee	0.45	NA	Co-operation department		
16.	Cooperative receipts (Audit fee)	1.04	NA	Recoverable amount		0.88
				Proposed to be written off		0.16
17.	Dividend receipts (Industries department)	0.14	NA		The arrears were due from -	
				•	Orissa Oil Industries	0.11
				•	Orissa Ceramic Industries	0.01
				•	Pilot project companies	0.02
18.	Miscellaneous General service receipts (Industries department)	7.90	NA		The arrears were due from -	
				•	Industrial Development Corporation	7.87
				•	Panchayat Samiti industrial units	0.01
				•	Pilot project companies	0.02
19.	Village and small industries receipts (Industries department)	0.28	NA		The arrears were due from -	
				•	Industrial estate rent	0.12
				•	Government Pottery Centre, Jharsuguda	0.15
				•	Miscellaneous receipts	0.01
20.	Mining Receipts	113.31	7.15	The stages of recovery were as under:		
				•	Demand covered by certificate proceedings	1.50
				•	Demand locked up in litigation in the High Court and other judicial fora	1.72
				•	Amount under dispute	3.62
				•	Amount covered under write off proposal	2.34
				•	Recoverable amount	104.13
Total		**5,460.92**	**971.95**			

1.6 Arrears in assessments

The details of the cases pending assessment at the beginning of the year 2008-09, cases becoming due for assessment during the year, cases disposed

during the year and the number of cases pending at the end of the year 2008-09 in respect of sales tax/VAT, profession tax and entry tax and the corresponding figures in respect of sales tax and entry tax for the preceding four years as furnished by the department were as under:

Heads of revenue	Year	Opening balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year	Percentage of column 6 to 5
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sales tax	2004-05	2,84,385	2,70,549	5,54,934	2,09,000	3,45,934	37.66
	2005-06	3,45,934	2,49,728	5,95,662	2,21,492	3,74,170	37.18
	2006-07	3,74,170	80,863	4,55,033	2,11,261	2,43,772	46.43
	2007-08	2,70,487[7]	23,342	2,93,829	2,62,609	31,220	89.37
	2008-09	31,220	9,545	40,765	22,795	17,970	55.92
VAT	2008-09	457	2,416	2,873	1,573	1,300	54.75
Profession tax	2008-09	96,773	40,567	1,37,340	32,753	1,04,587	23.85
Entry tax	2004-05	58,916	1,44,741	2,03,657	91,773	1,11,884	45.08
	2005-06	1,11,884	1,19,836	2,31,720	83,078	1,48,642	35.85
	2006-07	1,48,642	57,218	2,05,860	89,382	1,16,478	43.42
	2007-08	1,16,478	31,899	1,48,377	1,01,024	47,353	68.09
	2008-09	47,353	7,885	55,238	53,574	1,664	96.99

The above table indicates that the percentage of assessments completed under the above heads during the years from 2004-05 to 2008-09 ranged between 23.85 and 96.99 *per cent*.

1.7 Evasion of tax

The number of cases of evasion of tax detected and assessments finalised during 2008-09 as reported by the Commercial Tax Department are mentioned below:

Sl. No.	Name of tax	Cases pending as on 31 March 2008	Cases detected during 2008-09	Total	Assessments/ investigations completed and additional demand including penalty etc., raised		No. of cases pending finalisation as on 31 March 2009
					No. of cases	Demand (Rs. in crore)	
1.	Sales tax	881	20	901	411	0.57	490
2.	VAT	579	928	1,507	609	14.47	898
3.	CST	31	65	96	50	18.04	46
4.	Entry tax	13	149	162	99	6.05	63
Total		**1,504**	**1,162**	**2,666**	**1,169**	**39.13**	**1,497**

Thus, disposal of detected cases was 43.85 *per cent*. The department did not furnish the revenue involved in the pending cases.

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

1.8 Failure to enforce accountability and protect interest of the Government

Audit observations on incorrect assessments, short levy of taxes, duties, fees etc., as also defects in the maintenance of initial records noticed during audit and not settled on the spot are communicated to the heads of departments/offices and other departmental authorities through inspection reports (IRs). The heads of departments/offices are required to take corrective action in the interest of revenue and furnish compliance within a period of one month.

The number of IRs and audit observations relating to revenue receipts issued upto 31 December 2008 which had not been settled by the departments as on 30 June 2009 along with the corresponding figures for the preceding two years are mentioned below:

	2007	2008	2009
Number of IRs pending settlement	3,368	3,316	3,168
Number of outstanding audit observations	9,772	9,429	8,917
Amount of revenue involved (Rupees in crore)	2,576.21	3,144.73	3,901.84

Department wise break up of IRs and audit observations outstanding as on 30 June 2009 is mentioned in the following table.

Department	Nature of receipts	Number of outstanding		Amount of receipts involved (Rs. in crore)	Year to which observations relate	No. of IRs to which first reply not received
		IRs	Audit observ-ations			
Finance	Sales tax	538	1,570	529.47	1981-82 to 2008-09	37
	Value added tax	21	38	139.08	2007-08 and 2008-09	22
	Entertain-ment tax	44	59	1.44	1984-85 to 2003-04	-
	Entry tax	153	255	77.75	2002-03 to 2008-09	28
Commerce and transport (Transport)	Taxes on vehicles	252	2,525	416.08	1997-98 to 2008-09	2
	Taxes on goods and passenger	70	237	1.09	1973-74 to 1987-88	-
Revenue	Land revenue	707	1,551	832.31	1985-86 to 2008-09	147
	Stamp duty and registration fees	473	745	518.06	1977-78 to 2008-09	173
Excise	State excise	218	450	132.79	1991-92 to 2008-09	18
Forest and environment	Forest receipts	484	1,107	267.38	1981-82 to 2008-09	72

Department	Nature of receipts	Number of outstanding		Amount of receipts involved (Rs. in crore)	Year to which observations relate	No. of IRs to which first reply not received
		IRs	Audit observ-ations			
Steel and mines	Mining receipts	84	152	273.80	1980-81 to 2008-09	18
Energy	Electricity duty/fees	81	168	686.51	1992-93 to 2008-09	2
Co-operation	Departmental receipts	18	25	16.08	1995-96 to 2006-07	-
Food supplies and consumer welfare	-do-	20	30	3.08	1998-99 to 2008-09	3
General administration (Rent)	-do-	1	1	0.02	2003-04	-
Works	-do-	4	4	6.90	2003-04 to 2008-09	-
Total		**3,168**	**8,917**	**3,901.84**		**522**

It indicates that the heads of departments/offices, whose records were inspected by the Accountant General (Commercial, Works & Receipts Audit), failed to discharge due responsibility as they did not send reply to a large number of IRs/paragraphs and also did not take any remedial measures for the defects, omissions and irregularities pointed out by the AG. Since the outstanding amount represents unrealised revenue, the Government needs to take speedy and effective action on the issues raised in the IRs.

1.9 Departmental audit committee meetings

In order to expedite settlement of the outstanding audit observations contained in the IRs, departmental audit committees have been constituted by the Government. The representatives of the Finance Department, Administrative Department and office of the AG attended the meetings of the committee. The committees are expected to meet regularly to expedite clearance of the outstanding audit observations and ensure that final action is taken on all audit observations outstanding for more than a year. Department wise position of audit committee meetings held during the year 2008-09 is furnished in the following table:

Sl. No.	Name of the department	Subject	No. of meetings held	No. of IRs settled	No. of audit observations settled
1.	Finance	Sales tax/VAT/ Entry tax	14	46	160
2.	Transport	Motor vehicle tax	13	--	99
3.	Excise	Excise duty	2	17	51
4.	Revenue	Land revenue	15	39	167
5.	Forest and Environment	Forest receipts	7	15	81
6.	Steel and Mines	Mining receipts	1	10	21
Total			**52**	**127**	**579**

However, no audit committee meeting was held during 2008-09 in Revenue department in respect of stamp duty and registration fees, Food Supplies and Consumer Welfare, Energy and Co-operation departments. As the pendency of IRs and paragraphs are accumulating, the Government may instruct all the departments to conduct more audit committee meetings to expedite clearance.

1.10 Response of the departments to draft audit paragraphs

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

Fifty DPs including two reviews (clubbed in 47 paragraphs) being considered for inclusion in this Report were demi-officially forwarded to the Secretaries/Principal Secretaries of the concerned departments between January and September 2009 with a request for verification of the factual position and also for comments thereon. Demi-official reminders were also issued after the expiry of six weeks time in each case. The position of response to the draft paragraphs is mentioned in the following table.

Sl. No.	Name of the department/Nature of receipts	No. of draft paras forwarded including review	No. of draft paras in respect of which replies were received	No. of draft paras in which replies were not received
1.	Finance (Sales tax & entry tax)	18	15	3
2.	Transport (Motor vehicles tax)	10	--	10
3.	Excise (Excise duty and fees)	2	2	--
4.	Forest and Environment (Forest receipts)	2	2	--
5.	Steel & Mines (Mining receipts)	4	--	4
6.	Revenue (Land revenue, stamp duty and registration fees)	8	--	8[8]
7.	Water resources	1	1	--
8.	Energy	4	3	1
9.	Housing and Urban Development	1	1	--
Total		**50**	**24**	**26**

8 Of this, out of three cases involved in a drat para, reply in respect of one case received.

1.11 Follow-up on Audit Reports - summarised position

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

Review of outstanding explanatory memoranda on paragraphs included in the reports of the CAG (Revenue Receipts) as of September 2009 disclosed that the departments had not submitted remedial explanatory memoranda on 20 paragraphs for the years from 1999-2000 to 2007-08 as mentioned below:

Year	No. of paragraphs in the audit report	No. of paragraphs discussed in PAC	No. of paragraphs pending for discussion	No. of paragraphs for which compliance notes have not been received
1991-92	63	62	1	--
1992-93	54	53	1	--
1993-94	44	43	1	--
1994-95	47	44	3	--
1997-98	38	3	35	--
1998-99	40	1	39	--
1999-00	34	-	34	3
2000-01	45	5	40	--
2001-02	45	7	38	--
2002-03	57	10	47	1
2003-04	63	9	54	--
2004-05	62	12	50	--
2005-06	53	33	20	1
2006-07	48	9	39	4
2007-08	44	--	44	11
Total	**737**	**291**	**446**	**20**

Thus, non-compliance to the audit paragraphs stood at 8.47 *per cent* of total paragraphs (236) presented to the Assembly during the related years.

With a view to ensuring accountability of the executive in respect of all the issues dealt with in the Audit Reports, the Public Accounts Committee (PAC), as early as in May 1966, issued instructions to all the departments of the State Government to submit action taken notes (ATN) on the recommendations made by the PAC for further consideration within six months of the presentation of the PAC Report to the Legislature. It was noticed from the PAC reports submitted during 10th, 11th, 12th and 13th Assembly that 56 Reports containing 501 paras/recommendations were presented by the PAC before the Legislature between February 1991 and December 2008 after examination of the Audit Report (Revenue Receipts) of 14 departments for the years 1985-86 to 2005-06. However, ATNs have not been received in respect of 53 recommendations of the PAC from nine departments[9] as of September 2009.

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

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

1.12 Compliance with the earlier audit reports

In the Audit Reports 2003-04 to 2007-08, audit observations relating to under assessments, non/short levy of taxes, loss of revenue, failure to raise demands, etc., involving Rs. 2,257.26 crore were included. Of these, as of October 2009, the departments concerned had accepted under assessments and other deficiencies involving Rs. 867.57 crore and had recovered Rs. 353.13 crore. Audit Report wise details of amount accepted and revenue recovered are as under:

(Rupees in crore)

Sl. No.	Year	Money value of audit report	Amount accepted by the department	Amount recovered
1.	2003-04	558.63	37.94	10.02
2.	2004-05	560.81	221.43	45.56
3.	2005-06	136.70	47.37	21.61
4.	2006-07	516.32	431.34	273.81
5.	2007-08	484.80	129.49	2.13
Total		**2,257.26**	**867.57**	**353.13**

1.13 Results of audit

Test check of the records of sales tax/value added tax (VAT)/entry tax, motor vehicles tax, land revenue, state excise, forest receipts, mining receipts and other departmental offices conducted during the year 2008-09 revealed underassessment/short levy/loss of revenue, etc., amounting to Rs. 1,502.69 crore in 2,79,083 cases. During the year 2008-09, the concerned departments accepted underassessment and other deficiencies of Rs. 118.21 crore involved in 85,766 cases which were pointed out in 2008-09 and in earlier years. The departments also recovered Rs. 176.26 crore during the year in 5,495 cases.

The report contains 47 paragraphs including two reviews relating to under assessment/non/short levy etc. involving Rs. 578.83 crore. The department/ Government accepted audit observations involving Rs. 65.64 crore of which Rs. 3.65 crore had been recovered upto October 2009. These are discussed in succeeding chapters II to VIII.

CHAPTER-II: SALES TAX, VALUE ADDED TAX AND ENTRY TAX

2.1 Results of audit

Test check of the assessments, refund cases and other records on sales tax, value added tax (VAT) and entry tax in commercial tax offices during the year 2008-09 revealed underassessment of tax, non/short levy of tax/surcharge/ interest/penalty, incorrect grant of exemption, incorrect computation of taxable turnover, application of incorrect rate of tax etc., amounting to Rs. 310.61 crore in 340 cases which fall under the following categories:

(Rupees in crore)

Sl. No.	Categories	No. of cases	Amount
Sales tax/VAT			
1.	**Transition from sales tax to value added tax (A review)**	1	3.39
2.	Undue concession to captive power plants of industrial units	17	139.51
3.	Underassessment of tax due to incorrect grant of exemption	68	51.47
4.	Underassessment of tax due to application of incorrect rate of tax	49	41.99
5.	Short levy of tax due to incorrect computation of taxable turnover	34	24.04
6.	Non/short levy of surcharge/interest/penalty	33	3.68
7.	Other irregularities	39	18.69
	Total	**241**	**282.77**
Entry tax			
1.	Incorrect computation of taxable turnover	49	14.70
2.	Non/short levy of penalty	24	5.77
3.	Application of incorrect rate of tax	11	3.68
4.	Underassessment of tax due to grant of incorrect exemption	10	3.19
5.	Other irregularities	5	0.50
	Total	**99**	**27.84**
	Grand total	**340**	**310.61**

During the year 2008-09, the department accepted underassessment etc., of Rs. 4.88 crore in 84 cases, which were pointed out in audit in earlier years. Of these, the department recovered Rs. 73.65 lakh in 23 cases.

A review on **"Transition from sales tax to value added tax"** involving Rs. 3.39 crore and a few illustrative audit observations involving Rs. 179.35 crore are discussed in the following paragraphs.

2.2 Transition from sales tax to value added tax

Highlights

The reorganisation of ranges and circles was done belatedly. Manpower shortage and handling of huge number of assessments pertaining to the repealed Orissa Sales Tax Act for 2004-05 and earlier years affected the transition process.

(Paragraph 2.2.7)

There were various lacunae in the Orissa Value Added Tax Act/Rules. Necessary provisions were not made making it mandatory for the dealers to furnish, along with the return, the supporting documents or evidences.

(Paragraph 2.2.9)

Tax audit of dealers was neglected as there were shortfalls in tax audits ranging between 38 and 97 *per cent*. Audit module in the computerised VAT Information System remained completely non-operational.

(Paragraphs 2.2.10.3 and 2.2.10.4)

There was inordinate delay in submission of audit visit reports as well as completion of audit assessments.

(Paragraphs 2.2.10.5 and 2.2.14.1)

Inadmissible input tax credit of Rs. 46.79 lakh was allowed to the dealers in respect of the opening stock as on 1 April 2005.

(Paragraph 2.2.11.2)

2.2.1 Introduction

The Empowered Committee of State Finance Ministers in a conference held on 16 November 1999 issued a 'White Paper' for introduction of Value Added Tax (VAT) in India. Accordingly, the Committee unanimously decided in January 2002 to implement VAT. The white paper envisaged that after introduction of VAT-

- The cascading effect of the existing taxation laws of the States would be eliminated due to credit of tax paid on purchase for resale or for use in manufacture.
- Other taxes would be abolished and overall tax burden would be rationalised. The Central Sales Tax would also be phased out.
- Overall tax would increase and there would be higher revenue growth.
- There would be self assessment by the dealers and set off would be given for input and tax paid on previous purchases.

The Government of Orissa repealed the Orissa Sales Tax (OST) Act, 1947 and enacted the Orissa Value Added Tax (OVAT) Act, 2004 effective from 1 April 2005.

Some of the differences between the newly introduced OVAT Act and the repealed Act are as under:

- While the VAT is a multi point taxation system, the repealed Act had a single point taxation system.
- The VAT system relies more on the dealers to pay tax willfully and submit self assessed returns whereas under the repealed Act supporting documents were required to be produced along with the returns.
- The VAT Act provides for identification of 20 *per cent* of the dealers[10] for tax audit. No norm has been fixed for separate assessment and the number of assessments depends on the results of tax audits whereas under the repealed Act, hundred *per cent* dealers were being assessed.
- The executives have a reduced control over the dealers under the VAT regime whereas it had more control over the dealers earlier.

Under the OST Act the goods were taxable under six different tax groups i.e. one *per cent*, two *per cent*, four *per cent*, eight *per cent*, 12 *per cent* and 20 *per cent* under two schedules. In addition, surcharge at the rate of 10 *per cent* of the tax assessed was also leviable on goods other than the declared goods. Under the OVAT Act, the goods are taxable under four different tax groups i.e. one *per cent*, four *per cent*, 12.5 *per cent* and 20 *per cent* under two schedules and there is no provision for levy of surcharge.

The review was taken up covering the tax period from 2005-06 to 2007-08 to study the measures taken by the Government for smooth transition from OST to OVAT. The review revealed deficiencies in the transition process as well as a number of other deficiencies which have been discussed in the succeeding paragraphs.

2.2.2 Organisational set up

The OVAT Act is administered by the Commissioner of Commercial Taxes (CCT) under the administrative control of the Finance Department. He is assisted by the Additional Commissioners of Commercial Taxes (Addl. CCTs), Joint Commissioners of Commercial Taxes (JCCTs), Assistant Commissioners of Commercial Taxes (ACCTs) and Commercial Tax Officers (CTOs). The organisation of the Commercial tax department at the field level under the OST and OVAT regimes is given in the following table.

10 In case of large tax paying dealers tax audit of all the dealers under a Range was to be covered within an audit cycle of two years.

Units of tax administration	Under the OST regime		Under the OVAT regime			
			Upto 31 March 2008		After 31 March 2008	
	Number	Headed by	Number	Headed by	Number	Headed by
Ranges	9	ACCT	10	ACCT	12	ACCT upto 7 August 2008 and redesignated as JCCT thereafter
Circles	29	CTO	44	CTO	44	CTO upto 7 August 2008 and redesignated as ACCT thereafter

2.2.3 Audit objectives

The review was conducted to ascertain whether:-

(i) Planning for implementation and the transition from the OST Act to OVAT Act was effected timely and efficiently;

(ii) organisational structure was adequate and effective;

(iii) the provisions of the OVAT Act and the Rules made thereunder were adequate and enforced properly to safeguard the revenues of the State; and

(iv) the internal control mechanism existed in the Department and was adequate and effective to prevent leakage of revenue.

2.2.4 Scope and methodology of audit

The review was conducted between October 2008 and April 2009 in 15 circles and nine related ranges[11] covering the tax period from 2005-06 to 2007-08. Of the above, 14 circles[12] and their connected ranges were selected on the basis of stratified random sampling method and Cuttack II circle was taken up for review on best judgment basis. Filing and scrutiny of returns, tax audit and audit assessment and monitoring of refund cases were identified as risk areas.

2.2.5 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Finance Department in providing necessary information to audit. The audit objectives, criteria and methodologies were discussed with the officers of the Commercial Tax Department in an entry conference held on 22 October 2008. However, no exit conference could be held, though requested.

11 Balasore, Bolangir, Cuttack I, Cuttack II, Ganjam, Koraput, Puri, Sambalpur and Sundargarh.

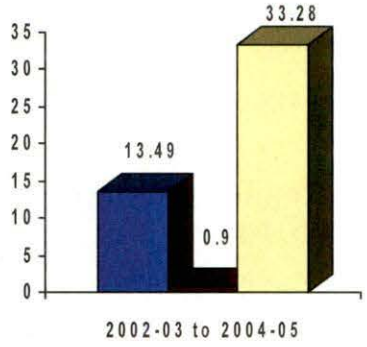
12 Bhadrak, Bhubaneswar II, Bhubaneswar IV, Bolangir, Cuttack I (City), Cuttack I (East), Dhenkanal, Gajapati, Ganjam II, Kendrapara, Malkangiri, Nuapada, Rourkela II and Sambalpur II.

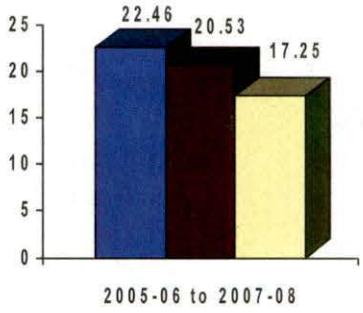
Audit findings

2.2.6 Pre-VAT and post-VAT tax collection

The comparative position of pre-VAT (2002-03 to 2004-05) sales tax collection and post-VAT (2005-06 to 2007-08) tax collection including VAT and the growth rate in each of the years is furnished below:

Pre-VAT			Post-VAT		
Year	**Actual collection (Rs. in crore)**	**Percentage of growth**	**Year**	**Actual collection (Rs. in crore)**	**Percentage of growth**
2002-03	1,532.69	13.49	2005-06	2,524.18	22.46
2003-04	1,546.47	0.90	2006-07	3,042.34	20.53
2004-05	2,061.23	33.28	2007-08	3,567.16	17.25





The average growth rate during 2002-03 to 2004-05 under the repealed Act was 15.89 *per cent* while the average growth rate for 2005-06 to 2007-08 under the OVAT Act was 20.08 *per cent*. Thus, the average growth rate in the post VAT period registered an increase of 4.19 *per cent*. However, the percentage of growth is declining from year to year.

2.2.7 Preparedness and transitional process

2.2.7.1 Planning for implementation of VAT in the State

The OVAT Act, 2004 enacted by the State Legislature received the assent of the President of India in March 2005 and was published in the Orissa Gazette in the same month. The implementation of the Act was made effective from 1 April 2005.

2.2.7.2 Creation of awareness among the stakeholders

During the initial period before and after introduction of the OVAT Act, the State Government publicised the contents and intents of the Act in the local newspapers as well as in the electronic media for generating awareness among the stakeholders.

2.2.7.3 Computerisation of Taxation Department

The system of administration of VAT was computerised through the VAT Information System (VATIS) application software. There were various deficiencies in the VATIS, which were reported in paragraph 2.2 of the Report of the Comptroller and Auditor General of India on Government of Orissa (Revenue Receipts) for the year ended 31 March 2007[13].

The review reported that, the provisions of OVAT Act and Rules were not incorporated fully into the application software (VATIS), resulting in various irregularities such as acceptance of wrong entries, generation of wrong report, acceptance of invalid registration number, vehicle number, waybill number etc. Besides, the integrity of the data was questionable in view of lack of proper security and access control.

The Government stated in January 2009 that the following rectificatory measures had been taken:-

- Initiation of steps to ensure the use of other modules of the VATIS starting with 'Audit' and 'Assessment' modules;
- four major check gates were upgraded to 2 Mbps;
- necessary tuning of the system had been done after upgradation of the leased line; and
- the software had been rectified for generation of correct management information system (MIS) report.

2.2.7.4 Slow pace of reorganisation

Under the OST regime, while the circles were entrusted with registration of dealers, assessment and collection of tax, the ranges were working mainly as appellate authorities and were looking after overall supervision of the circles under them. However, under the VAT regime, while the registration, assessment and collection of tax in respect of TIN dealers were entrusted to the assessing authorities (AAs) of the ranges, the functions of the circles were limited to registration, assessment and collection of tax of SRIN dealers and acceptance and scrutiny of returns of all the dealers under the OVAT Act.

As per the OVAT Rules, the Government was to reconstitute several circles into ranges and several areas into circles over which a JCCT/ACCT would exercise jurisdiction. It was, however, noticed that although the OVAT Act was made effective from 1 April 2005, the reorganisation was made only in October 2006. Similarly, redesignation of the existing officers under the repealed Act for the purpose of VAT administration was made in August 2008. The ACCT, Bhubaneswar IV, a newly created circle, stated in January 2009 that the required accomodation and manpower had not been provided to the circle and the records relating to the dealers to be assessed in the circle had also not been transferred from the parent circle even by January 2009. In three

13 http://www.cag.gov.in/html/cag_report/Orissa/rep_2007/rev_chap_2.pdf

circles[14] the required connectivity to the computerised VATIS have not been made till the date of audit (between 8 March 2009 and 18 April 2009) and necessary data entry in respect of the returns filed by the dealers were being done in the parent circles.

For achieving better tax efficiency, though one or two large taxpayers' units (LTUs) under each range were constituted in December 2005, the identification of large tax payers was notified only in September 2007 with retrospective effect from December 2005 assigning the records of the identified large dealers to the range LTUs. Thus, delay in reorganisation was a hindrance in smooth transition and also resulted in huge shortfall in tax audits and audit assessments as discussed in the succeeding paragraphs which affected the collection of VAT revenue.

2.2.7.5 Manpower management

Manpower management is a key factor for smooth and efficient working of a department and shortage of personnel is a serious problem that impacts output. The overall position of sanctioned strength vis-à-vis the vacancies in the cadres from Group A to Group C as furnished by the CCT is given below:

Year	Category of post	Sanctioned strength	Persons-in-position	Vacancy	Percentage of vacancy
2004-05	Group A	104	89	15	
	Group B	244	201	43	
	Group C	1,328	1,085	243	
Total		**1,676**	**1,375**	**301**	**17.96**
2005-06	Group A	104	87	17	
	Group B	244	203	41	
	Group C	1,328	1,077	251	
Total		**1,676**	**1,367**	**309**	**18.44**
2007-08	Group A	121	100	21	
	Group B	468	164	304	
	Group C	1,533	977	556	
Total		**2,122**	**1,241**	**881**	**41.52**

The shortage of manpower during the above years ranged from 17.96 to 41.52 *per cent*, which adversely affected the transition process. Further, though the sanctioned strength was increased in 2007-08 the number of vacancies also increased.

2.2.7.6 Compilation of manuals and training of staff

The Department published manuals in eight volumes for reference of the field officers for successful implementation of the VAT. The department has also been imparting training to the officers/officials on the taxation system on a regular basis. However, the department could not furnish the details of the

14 Dhenkanal, Gajapati and Kendrapara.

number of training courses conducted and officials trained during the years 2005-06 to 2007-08 although sought for in July 2009.

2.2.7.7 Completion of assessments under the repealed Act

The Department was overburdened with finalising assessments of a large number of cases under the Sales Tax Act. It was seen that 9,68,846 assessments relating to 2004-05 and earlier years pertaining to the repealed Act including assessments under the Central Sales Tax (CST) Act and Orissa Entry Tax (OET) Act were completed during the years from 2005-06 to 2007-08 as shown in the following table.

Year	Opening balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year
2005-06	4,57,818	3,69,564	8,27,382	3,04,570	5,22,812
2006-07	5,22,812	1,38,081	6,60,893	3,00,643	3,60,250
2007-08	3,86,965[15]	55,241	4,42,206	3,63,633	78,573

As of 31 March 2008, 78,573 assessments under the OST/CST/OET Act were pending. This indicated that the department lacked proper planning for finalisation of the assessments under the repealed Act as and when those became due without waiting for three years' period provided under the Act in order to avoid accumulation of huge number of pending assessments.

2.2.7.8 Collection of arrears of taxes due under the repealed Act

The Sales Tax Officers (STOs) under the repealed Act were also functioning as Tax Recovery Officers for collection of arrears of sales tax including arrears of entry tax, entertainment tax and profession tax. Besides this, the officers were also engaged in finalising the appeal cases and following up of cases pending in the Tribunal and High Court. These were also factors responsible for slow pace of transition from OST to VAT.

2.2.8 Registration and database of dealers

A dealer registered under the repealed Act and who continued to be so registered on the day immediately before 1 April 2005 and who was liable to pay tax was deemed to be registered under the OVAT Act. Besides, the OVAT Rules and executive instructions provide for conducting survey for identification of dealers and getting them registered under the Act. Every retailer registered under the Act whose annual gross turnover does not exceed Rs. 20 lakh and every registered dealer of any specific class or category as the Government may by notification, direct, shall pay turnover tax and would be assigned with a unique "Small Retailers' Identification Number (SRIN)". Registered dealers other than the SRIN dealers would be assigned with "Taxpayers' Identification Number (TIN)".

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

2.2.8.1 Creation of database of dealers

The Commercial Tax Department has been maintaining a database of registered dealers in VATIS, which is being updated through conducting surveys of unregistered dealers who become liable for registration. The dealers registered under the OST Act who continued to be registered under that Act on 1 April 2005 were also added to the VATIS database.

2.2.8.2 Cancellation of registration of dealers

Although the OVAT Act provides for cancellation of registration certificates of dealers in certain circumstances, yet no time limit has been fixed thereunder for such cancellation in the event of non-filing of returns by the dealers. As a result, a large number of dealers who did not file returns consecutively for the years from 2005-06 to 2007-08 remained active in the database and no step was taken to cancel their registration certificates after verifying their existence.

2.2.8.3 Database of dubious/ risky dealers

The department has neither maintained a database of dubious/ risky dealers nor created any database of the dealers having grey track records based on their past history under the OST Act.

2.2.8.4 Survey and registration of dealers

The OVAT Act provides that no dealer who is liable to pay tax under the Act, shall carry on business as a dealer unless he has been registered under the Act and possesses a certificate of registration.

The Act provides for conducting periodical survey for identification of unregistered dealers who are liable to pay tax under the Act. The CCT issued instructions in September 2005 to all territorial ranges to register all the dealers to check escapement of tax on value addition at each point of sale. For this purpose, targets were also to be fixed for departmental officers for conducting survey of liable unregistered dealers as per the action plan. The CCT further instructed that the inspectors (now ACTOs) under each range should maintain a register indicating therein the names and addresses of dealers visited / surveyed, results of survey, etc., and submit a report every fortnight to the Range ACCTs (now JCCTs).

It was seen in eight test checked circles that though the circle wise targets for the year 2005-06 were fixed for registration of liable unregistered dealers, there were huge shortfalls in achievement of targets as detailed in the table below:

Sl. No.	Name of the circle	Target fixed by CCT	Achievement	Shortfall	Percentage of shortfall
1.	Bhubaneswar-II	6,500	1,514	4,986	77
2.	Bolangir	1,000	668	332	33
3.	Cuttack-I (East)	1,550	492	1,058	68
4.	Cuttack-II	2,400	1,505	895	37
5.	Dhenkanal	2,400	1,403	997	42

Sl. No.	Name of the circle	Target fixed by CCT	Achievement	Shortfall	Percentage of shortfall
6.	Ganjam-II	1,650	741	909	55
7.	Rourkela-II	2,700	858	1,842	68
8.	Sambalpur-II	1,400	669	731	52
Total		**19,600**	**7,850**	**11,750**	

It would be seen from the table above that the shortfall ranged between 33 and 77 *per cent.* This indicates that the instructions of the CCT for sustained survey and registration of dealers was not adhered to by the circle level officers.

2.2.9 Returns

2.2.9.1 Deficiencies in forms for submitting returns

It was observed that the return form (VAT-201) prescribed under the Act is not suitable for works contractors as it does not provide a column for filling in the specific transactions relating to works contract.

2.2.9.2 Inadequate documentation along with the returns

Under the OVAT Act, the self assessed returns filed by the dealers are accepted after scrutiny until and unless selected for tax audit. The AA has no scope for calling for any information or production of any record by the dealer and has to rely on the self assessed returns filed by the dealer until such audit is conducted. Therefore, the Act should have contained necessary safeguards making the dealer liable to furnish, along with the return, supporting documents or evidences such as statement of opening and closing stock, details of purchases and sales, type of goods purchased and sold, etc. In the absence of such provision in the Act, the scrutiny of the returns was restricted to mere check of arithmetical accuracies, leaving no scope to detect evasion of tax, if any.

2.2.9.3 Absence of provision for furnishing annual returns

The Act provides for furnishing of annual audited accounts by registered dealers having annual gross turnover exceeding Rs. 40 lakh or any other amount as the Commissioner may specify by notification duly certified by Chartered Accountants. No provision was, however, made in the Act requiring the dealers to furnish annual returns or statements of annual purchases and sales and amount of tax paid, etc., for correlation of the same with the annual audited accounts. As a result, submission of annual audited accounts virtually did not serve any purpose.

2.2.9.4 Scrutiny and verification of returns

The Act provides for manual or system based scrutiny of returns of all the dealers. However, no time limit has been prescribed in the Rules for completing the scrutiny of returns. Registers have also not been prescribed to record the receipt of returns and their scrutiny. As a result, the department is

not having an effective control mechanism over the receipt and scrutiny of the returns.

2.2.9.5 System based scrutiny of returns

Mention was made vide para 2.2 of the Comptroller and Auditor General's Report (Revenue Receipts) for the year 2006-07 about the deficiencies in the VATIS as a result of which the IT system was unable to address the business needs of the department and the computerisation efforts did not yield the expected results.

It was seen in the test checked ranges and circles that although a module had been developed in the VATIS for system based scrutiny of the returns filed by the dealers, the same remained unutilised and system based scrutiny was not carried out during the period covered under the review.

2.2.9.6 Dealers not filing returns

During the review it was noticed in four[16] ranges/circles that a large number of TIN dealers had not filed any return during the three years from 2005-06 to 2007-08 as shown in the table below:

Year	Total number of TIN dealers required to file return	Number of TIN dealers who did not file returns	Percentage of dealers who did not file returns
2005-06	18,704	4,796	26
2006-07	22,412	5,903	26
2007-08	24,616	7,454	30

It was further noticed in Rourkela II and Cuttack I (East) circles as well as in Ganjam range that 1,431 TIN dealers[17] had not filed any return consecutively for the last three years from 2005-06 to 2007-08. Though the registration certificates of the dormant dealers were to be suspended initially after issuing notice to explain the reasons for non-filing of return and then cancelled after verifying their existence or liability to pay tax, yet no such steps had been taken by the circles/ranges.

2.2.9.7 Non-transmission of the returns of TIN dealers to the range offices

In accordance with the provisions of the OVAT Rules, the CCT reiterated in October 2005 that the returns in respect of all the TIN dealers were to be transmitted to the range offices concerned after effecting necessary data entry at the circle level. It was, however, noticed in the test checked ranges that the circle offices under them did not transmit the returns of the TIN dealers to the range offices. Non-transmission of the returns to the concerned range offices not only violated the provisions of the Rules but also affected the monitoring of receipt and scrutiny of returns by the ranges.

16 Balasore Range, Ganjam Range, Cuttack I(East) circle and Rourkela II circle.

17 Cuttack I (East) circle: 367, Ganjam Range: 457 and Rourkela II circle: 607.

After this was pointed out, while the AA of Balasore range noted the observation for future guidance, the AA of Sundargarh range stated that the returns were not sent due to shortage of staff. The AA, Ganjam range stated that steps were being taken to regularise the matter. The AAs of Bolangir and Cuttack I (City) circles stated that the position had since changed after amendment of the Act. The other AAs did not furnish any reply.

2.2.9.8 Non-availability of returns in the assessment records

According to the OVAT Rules, all the documents[18] relevant to the making of any assessment in respect of any particular dealer shall be kept together and shall form an assessment case record. These records shall be preserved for a period of six years or until the assessment reaches its finality, whichever is later.

Scrutiny of the assessment records revealed that in seven circles[19] in almost all the cases, the returns filed by the dealers had not been kept in the assessment records. It was also seen that the returns had not been sorted out dealer wise since the introduction of VAT. It was further noticed that the hard copies of the returns of the dealers were kept in bundles and it was not possible to trace out the same dealer wise. This indicated that the returns filed by the dealers were not manually scrutinised as required under the Act nor were the details of those returns entered in the VATIS database required to be referred to while making system based scrutiny at a subsequent date to ensure whether all the details along with information in the annexure were entered in the computer correctly and the self assessments made by the dealer were correct.

2.2.10 Tax audit

According to the provisions of the OVAT Act and the Rules the Commissioner shall randomly select by 31st of January or by any date before the close of every year, not less than 20 *per cent* of the registered dealers for audit during the following year. For the assessment of the large tax payers the Commissioner may plan audit check of such dealers within an audit cycle of two years. After identification of individual dealers or a class of dealers for tax audit, audit of such dealers are to be conducted as per the approved programme.

2.2.10.1 Non-maintenance of registers/ records to watch the audit process

It was noticed that prior to April 2008, the Rules or executive instructions did not prescribe for maintenance of registers or records to watch the progress of tax audit. As a result, no records or registers were maintained in the ranges and circles test checked to watch the number of dealers selected for tax audit, name of the audit team to which audit was assigned, number of days provided vis-à-vis taken for audit, dates of commencement and completion of audit,

18 Returns filed by the dealer, Audit Visit Report (AVR), statements of the dealer during tax audit, statement of purchases and sales furnished at the time of assessment, statement of dealer furnished at the time of audit assessment on confrontation of findings of the AVRs, annual audited accounts duly certified by Chartered Accountant submitted by the dealer, etc.

19 Cuttack II, Dhenkanal, Gajapati, Ganjam II, Nuapada, Rourkela II and Sambalpur II.

number of Audit Visit Reports (AVRs) received, date of receipt of AVRs, number of audit assessments made, etc. Consequently, the correct position regarding the tax audit conducted could not be ascertained.

2.2.10.2 The form prescribed for AVR does not provide for obtaining the details of purchases such as invoice wise details of goods purchased by the dealer and names of the registered dealers from whom the goods were purchased on payment of tax to justify his claim for input tax credit (ITC) and cross verification of the same at the time of audit assessment. As such, non-verification of the claim of the dealer in regard to payment of tax on purchases is fraught with the risk of excess ITC which the dealer was not entitled to.

2.2.10.3 Shortfall in tax audit

It was noticed that annual selection/programme were not drawn up for conducting tax audit and only monthly/bi-monthly audit programme were made. The officers assigned with the tax audit were not being instructed to complete the audit timely and submit the AVR within the time prescribed. Further, it was seen that although there is no provision in the Rules for allowing postponement of audit at the request of the dealer, the officers in-charge of the audit were themselves giving extension of time frequently without the approval of the higher authorities, thereby resulting in dislocation of the audit programme and wastage of mandays. This led to huge shortfall in tax audit in eight selected ranges/circles ranging between 38 and 97 *per cent* as detailed in the table below. The information in respect of the other selected ranges/circles could not be made available in complete shape.

Sl. No.	Name of Range/ Circle	Year	Number of dealers required to be audited	Number of dealers selected for tax audit	Number of audit visits taken up	Shortfall with respect to Col. 4	Percentage of shortfall
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Bhadrak Circle	2005-06 to 2007-08	1,428	60	54	1,374	96
2.	Bolangir Range	2005-06 to 2007-08	4,257	1,526	280	3,977	93
3.	Cuttack I Range	2005-06 to 2007-08	4,657	341	156	4,501	97
4.	Cuttack II Range (LTU dealers)	2005-06 to 2007-08	150	150	93	57	38
5.	Cuttack II Circle	2005-06 to 2007-08	1,906	170	98	1,808	95
6.	Ganjam Range	2005-06 to 2007-08	4,743	833	528	4,215	89
7.	Rourkela II Circle[20]	2005-06 to 2007-08	2,120	1,956	106	2,014	95
8.	Sambalpur Range	2005-06 to 2007-08	3,759	2,580	575	3,184	85
	Total		**23,020**	**7,616**	**1890**	**21,130**	

Thus, though tax audit was a vital part of VAT administration the same could not be ensured due to huge shortfall in conducting tax audit.

20 Including the LTU of Sundargarh Range.

2.2.10.4 Audit module in the VATIS remained non-functional

A module for tax audit has been provided in the computerised VATIS. Despite the fact of non-operation of the module being pointed out vide para 2.2.3 of Audit Report 2006-07, the said module has not been made operational till March 2009. As such, neither has the module provided in VATIS for management of tax audit system and generation of report thereon been utilised nor has the functioning of tax audit been effectively monitored through the conventional method though more than three years have already elapsed after introduction of VAT.

2.2.10.5 Delay in submission of audit visit reports

The OVAT Act/Rules provide that after completion of tax audit of any dealer, the officer authorised to conduct such audit shall, within seven days from the date of completion of audit, submit the AVR to the AA in the prescribed form alongwith the statements recorded and documents obtained evidencing suppression of purchases or sales or both, erroneous claims of deductions including ITC and evasion of tax, if any, relevant for the purpose of investigation, assessment or such other purposes.

On scrutiny of the records relating to tax audit, it was seen that in eight circles[21] and seven ranges[22] 244 AVRs were submitted after delays ranging from one to 537 days (median delay ranging from 13 to 125 days). Delay in submission of AVRs resulted in delay in finalisation of audit assessments.

2.2.10.6 Non-finalisation of refund cases due to non-completion of tax audit

Under the OVAT Act/Rules, where any dealer claims refund in the return furnished for a tax period on account of sales in course of export out of the territory of India, he shall make an application to the AA of the circle or range, within thirty days from the date of furnishing such return. The AA on receipt of the application along with the documents shall refer the case for tax audit to determine the admissibility or otherwise of the claim of refund. If the claim for refund is found to be correct after tax audit and is supported by the required evidences, the AA shall sanction the refund claimed. Further, where any refund claimed is found to be admissible, it shall be granted within a period of 90 days from the date of application for such refund. The Act also provides that the dealer entitled to refund is also entitled to interest at the rate of eight *per cent* per annum after the expiry of the period of 90 days from the date of receipt of the application for grant of refund till the date of its sanction.

Scrutiny of the refund cases in Cuttack II and Sundargarh Ranges and Ganjam II circle revealed that 51 applications received from seven dealers between May 2005 and May 2008 for refund of Rs. 3.84 crore were pending

21 Bhubaneswar II, Cuttack I (East), Cuttack II, Gajapati, Ganjam II, Nuapada, Rourkela II and Sambalpur II.

22 Balasore, Bhubaneswar, Bolangir, Cuttack I, Cuttack II, Ganjam and Sundargarh.

for disposal due to non-completion of tax audits. The delay in disposal of the above refund cases may lead to payment of interest also, if refund is admissible.

It was also noticed that in Sundargarh Range the receipt of applications for refund and their disposal was not watched properly as the registers maintained for the purpose were not updated and the same did not depict a correct position of applications pending for disposal.

After the cases were pointed out, the AAs of Cuttack II and Sundargarh Ranges stated in December 2008 that refund would be made after completion of tax audit while the AA of Ganjam II circle stated in February 2009 that suitable action would be taken to finalise the cases. A report on further development has not been received (October 2009).

2.2.11 Input tax credit

2.2.11.1 Deficiencies in the return forms

The Act envisages that where a registered dealer sells or dispatches goods, both taxable and exempt under the Act, the ITC shall be allowed proportionately only in relation to the goods which are not so exempt. The Rules also provide for proportionate calculation of ITC in the above case by adopting the prescribed formula. However, the prescribed return form (VAT-201) did not provide any column for calculation of proportionate ITC by the dealer.

The Act and the Rules have not made it mandatory for the dealer to furnish along with the return, the details of purchases such as invoice wise details of goods purchased and names of the registered dealers from whom the goods were purchased on payment of tax to justify the claim for ITC.

2.2.11.2 Irregular allowance of credit of tax paid on the opening stock

According to the provisions of the OVAT Act/Rules, if a registered dealer had stock of goods on 1 April 2005 on which sales tax had been paid, he was entitled to claim credit of sales tax paid or sales tax suffered in respect of those goods in hand on that date, which were purchased on or after 1 April 2004. The Rules further provide that documentary evidence of payment of sales tax at the time of purchase or evidence that the goods had suffered tax at the first point of sale in a series of sales under the OST Act shall be made available for examination. However, the dealers paying turnover tax were not entitled to any ITC and the same was also not admissible on the amount of surcharge paid.

Scrutiny of the records revealed that in 139 cases the AAs allowed ITC of Rs. 3.16 crore on opening stock as on 1 April 2005. However, it was noticed that the same included inadmissible credit of Rs. 46.79 lakh as discussed below:

- The AAs in eight circles[23] irregularly allowed credit of surcharge of Rs. 21.05 lakh paid in 106 cases on sales tax under Section 5(A) of the OST Act.
- In 14 cases, the AAs of three circles[24] allowed credit of Rs. 16.68 lakh although documentary evidence in support of actual tax suffered at the first point of sale in a series of sales under the OST Act had not been furnished.
- The AAs of five circles[25] irregularly allowed credit of Rs. 7.03 lakh in nine cases though no documentary evidence in regard to purchase of goods between 1 April 2004 and 1 April 2005 were furnished by the dealers.
- Though the dealers paying turnover tax were not entitled to ITC yet the AA of Sambalpur II circle irregularly allowed ITC of Rs. 76,873 in three cases.
- In five cases, credit of Rs. 68,895 was allowed irregularly by the AAs of four circles[26] on goods purchased prior to 1 April 2004.
- The AA of Gajapati circle irregularly allowed ITC of Rs. 56,845 in two cases on goods which was not in the opening stock of the dealers as on 1 April 2005 but were received and accounted for after the appointed day i.e. 1 April 2005.

After the cases were pointed out, all the AAs stated between November 2008 and March 2009 that action would be taken after examination of the cases. A report on further development has not been received (October 2009).

2.2.12 Provision for cross verification

Deficiency in uploading/ updating data in TINXSYS

The Empowered Committee of State Finance Ministers has authored a website named 'TINXSYS.com' to serve as a repository of interstate transactions. This is mainly aimed at helping the commercial tax department to effectively monitor interstate trade. Test check of the records of four ranges[27] and information collected from them revealed that none of them had updated the data relating to issue of declaration forms C and F and utilisation thereof during the years 2005-06 to 2007-08 in the VATIS and consequently, the information on issue and utilisation of declaration forms could not be uploaded/ updated in the website by the office of the CCT.

23 Bhadrak (28 cases), Bhubaneswar-II (18 cases), Bolangir (four cases), Cuttack-I (East) (17 cases), Cuttack-II (five cases), Ganjam-II (14-cases), Rourkela-II (16 cases) and Sambalpur-II (four cases).

24 Cuttack-I-(East) (one case), Ganjam-II (one case) and Rourkela-II (12 cases).

25 Cuttack-I (East)(one case), Cuttack-II (three cases), Ganjam-II (two cases), Rourkela-II (two cases) and Sambalpur-II (one case).

26 Bhadrak (one case), Cuttack-I-(East) (two cases), Cuttack-II (one case) and Rourkela-II (one case).

27 Bhubaneswar, Cuttack-I, Cuttack-II and Ganjam.

2.2.13 Furnishing of annual audited accounts by the dealers

According to the provisions of the OVAT Act and the Rules, if in respect of any particular year, the gross turnover of a dealer exceeds Rs. 40 lakh or any other amount as the Commissioner may specify by notification in the Gazette, such dealer shall get his accounts in respect of such year audited by a Chartered Accountant within a period of six months from the date of expiry of that year and obtain within that period a report of such audit in the prescribed form containing the prescribed particulars duly signed and verified by such Chartered Accountant and in every such case, a true copy of such report shall be furnished by such dealer to the Commissioner by the end of the month following the expiry of the said period of six months.

Self assessed returns furnished by the dealers are accepted by the AAs until tax audit of the dealers is conducted. Till then, the AAs were to utilise the audited accounts as a tool to ascertain the correctness of the turnover declared by the dealers. However, the Rules or any instruction do not provide for maintenance of any record or register to monitor timely receipt of annual audited accounts from the dealers.

2.2.14 Audit assessment

2.2.14.1 Delay in audit assessments

As per the provisions of the OVAT Act/Rules, where the tax audit results in detection of suppression of purchases or sales or both, erroneous claims of deductions including claim of ITC, evasion of tax or contravention of any provision of the Act affecting the tax liability of the dealer, the AA, after giving prior notice to the dealer for production of records, is required to make assessment of the dealer within a period of six months from the date of receipt of AVR. The Act further provides that if for any reason the assessment is not completed within the time specified under the Act, the Commissioner may, on the merit of each case, allow such further time not exceeding six months for completion of the assessment proceedings.

Prior to April 2008 no records were prescribed under the Rules or under any executive instructions for monitoring the completion of audit assessments. It was noticed in three ranges[28] and two circles[29] that 398 AVRs received during the years 2006-07 and 2007-08 were pending for audit assessment as of 31 March 2008. The year to which the pending AVRs related could not be ascertained as the records were maintained in an irregular manner in absence of any prescribed provision for maintenance of the same.

It was further noticed that in five ranges[30] and six circles[31] in 55 cases, though audit assessments were completed after expiry of the stipulated period of six months raising demand of Rs. 2.51 crore, yet approval of the Commissioner

28 Bolangir, Cuttack I and Ganjam.

29 Cuttack II and Rourkela II.

30 Balasore, Bolangir, Cuttack I, Ganjam and Sundargarh.

31 Bhubaneswar II, Cuttack I(East), Cuttack II, Gajapati, Ganjam II and Sambalpur II.

was not obtained. Out of these, in five cases involving demand of Rs. 8.26 lakh, the assessments were made after expiry of one year.

2.2.14.2 Assessment of TIN dealers by circle officers-violation of jurisdiction

According to the OVAT Rules, the AA in respect of SRIN dealers are the CTOs (now ACCT) of the circles whereas the AAs in respect of TIN dealers are the ACCTs (now JCCT) of the Ranges.

It was, however, noticed that in Rourkela I and Rourkela II circles neither did the circle offices transmit the returns of all the TIN dealers to the Range offices nor were the assessments of TIN dealers except in the case of LTUs finalised by the AA of the Range. After conducting tax audit of TIN dealers, the audit assessments were also finalised by the AAs of the circles under the seal and signature of the Sales Tax Officer of the circle thereby violating the jurisdiction of the AAs provided in the Act.

It was also seen in Sundargarh range that in five cases involving demand of Rs. 2.92 crore the dealers challenged the jurisdiction of the AAs of the circles for making assessments for the years 2005-06 and 2006-07 and in all the said cases, the assessments were set aside between January and March 2008 by the High Court of Orissa for violation of jurisdiction of AAs. Thus, non-adherence to the provisions by the departmental officers led to blockade of revenue of Rs. 2.92 crore.

2.2.15 Internal audit

Internal audit is one of the most vital tools of the internal control mechanism and functions as the 'eyes' and 'ears' of the management and evaluates the efficiency and effectiveness of the mechanism. It also independently appraises whether the activities of the organisation/department are being conducted efficiently and effectively.

Mention was made in paragraph 2.18 of the Report of the Comptroller and Auditor General of India on Government of Orissa (Revenue Receipts) for the year ended 31 March 2003 as well as in paragraph 2.2.8 of the said Report for the year ended 31 March 2008 regarding non-functioning of the above internal audit wing (IAW) since 1999-2000 except for inspection of 15 units in 2001-02. It was recommended that the IAW may be revamped to check the leakage of revenue. However, the Government has not yet revived the IAW in the department.

Thus, due to the failure of the Government to revive the IAW, reduction of the risk of committing errors and irregularities within the department was not ensured.

2.2.16 Compensation of loss of revenue on introduction of VAT

The Government of India (GoI) had given their consent to compensate the State Government for loss of revenue consequent upon the implementation of

VAT. For this purpose, the VAT receipts were to be compared with the revenue of the pre-VAT period suitably extrapolated on the basis of the average growth rate of revenue of the previous five years. The compensation was to be allowed to the extent of 100 *per cent* of the shortfall of revenue during the first year of VAT implementation and 75 *per cent* and 50 *per cent* respectively during the subsequent two financial years computed as per the guidelines prescribed by the GoI in June 2006.

It was seen that against a loss of Rs. 103.32 crore during the year 2006-07, the claim for compensation of Rs. 77.49 crore (75 *per cent*) was made belatedly in July 2008 along with the claim of Rs. 97.63 crore (50 *per cent* of Rs. 195.26 crore) for the year 2007-08. Against the above claims, compensation of Rs. 142.59 crore relating to the above years was received in March and May 2009 as an ad-hoc payment. Besides the above, further compensation of Rs. 39.66 crore was also received in July 2009 based on additional instructions on compensation issued by the GoI in June 2009.

2.2.17 Conclusion

The transition from OST to VAT suffered due to several deficiencies in the transition process such as slow process of reorganisation of the administrative machinery, shortage of manpower and engagement of the existing manpower in finalisation of assessments and collection of arrears under the repealed Sales Tax Act. Adequate steps were not taken to watch receipt and scrutiny of the self assessed returns. Tax audit, a vital part of the VAT administration, was neglected as the prescribed quantum of tax audit could not be achieved. Several deficiencies in the Act and the Rules and absence of executive instructions also contributed to failure of the field functionaries in effectively implementing the Act.

2.2.18 Recommendations

The Government of Orissa may consider the following steps for effective implementation of the VAT system.

- Amending the Rules making provision for submission of annual returns alongwith supporting details/documents showing opening and closing stock, purchases and sales, etc..
- Amending the return form providing necessary column for calculating proportionate ITC and details of transactions in respect of works contracts.
- Prescribing a time limit for scrutiny of returns.
- Prescribing maintenance of records/registers to monitor timely receipt of annual audited accounts and to ensure follow up action for non-submission of annual audited accounts.

2.3 Other audit observations

Scrutiny of assessment records of sales tax/value added tax (VAT) and entry tax in commercial tax offices revealed several cases of non-observance of provisions of Acts/Rules, non/short levy of tax/penalty/interest, incorrect determination/classification/turnover and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions on the part of Assessing Authorities (AAs) are pointed out in audit each year, but not only do the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system including strengthening of internal audit.

2.4 Allowance of undue concession to captive power plants installed by industrial units

Non-application of judicial pronouncement resulted in inadmissible concession of Rs. 139.51 crore.

As per the provisions of the Central Sales Tax (CST) Act, 1956 and the Rules framed thereunder registered industrial units are eligible to purchase raw materials, processing materials, plant and machineries, tools and equipments, stores, spare parts and accessories, fuel, lubricants, etc., at a concessional rate of tax for use in manufacturing or processing of goods for sale, or in the telecommunication network, or in mining or in generation or distribution of electricity or any other form of power subject to furnishing of declarations in form C to the selling dealer from whom such goods are purchased. It was judicially[32] held in the case of a captive power plant (CPP)[33] run by a paper industry that electricity was not a raw material for manufacture of paper and pulp. The CPP might facilitate the manufacturing of paper, but erection of such plant was not integrally connected with the manufacturing of paper and pulp. Therefore, the purchase of plant and machinery for a new CPP could not be covered by the declaration in form C prescribed under the CST Act. It was also held that the dealer industry was liable to pay the difference between the tax payable at the normal rate and the tax already paid at the concessional rate by utilising the declarations in form C.

Test check of the records of six range offices[34] and eight circle offices[35] between October 2008 and March 2009 revealed that 17 industrial units manufacturing iron and steel, aluminum, sponge iron, etc., purchased goods valued at Rs. 1,603.83 crore between April 2000 and February 2009 at concessional rates of tax by furnishing declarations in form C for use in manufacture. It was seen from the utilisation account of form C rendered by the dealers that the goods so purchased were procured for installation and maintenance of their CPPs. Further, in Jajpur and Sundargarh range, three

32 M/s. Orient Paper Mills Limited Vs. State of Orissa and others [2007 – 10 VST-547 (Orissa)]

33 CPP – a power plant installed for utilisation of the power in a particular industry for its own use.

34 Angul, Bhubaneswar, Cuttack II, Jajpur, Sambalpur and Sundargarh.

35 Angul, Barbil, Bhubaneswar III, Dhenkanal, Jagatsinghpur, Jajpur, Rourkela I and Sambalpur II.

dealers admitted to have purchased goods valued at Rs. 17.60 crore during April 2007 to February 2009 at concessional rates of tax for utilisation in their CPPs, on the condition of furnishing declarations in form C to the selling dealers. As generation of electricity is not integrally connected with the manufacturing process of their end products, the industries were not entitled for the purchases at the concessional rate of tax. Hence the concession availed by the dealers was irregular for which differential tax of Rs. 139.51 crore is leviable. The department did not initiate any action for levy and realisation of the differential tax.

After the cases were pointed out, all the AAs, except the AAs of Cuttack II and Jajpur Range in one case and Rourkela I circle in one case, stated between November 2008 and March 2009 that the cases would be examined and action as per the provisions of the law would be taken. A report on further development has not been received (October 2009).

The matter was reported to the Government in March 2009; their reply has not been received (October 2009).

2.5 Non-observance of the provisions of the Acts/Rules

The OST/OVAT/CST/OET Acts/Rules provide for:

(i) Levy of tax/surcharge/interest/penalty at the prescribed rates;

(ii) exemption of tax to new industries on fulfilment of the prescribed conditions;

(iii) exemption of tax on interstate sales subject to submission of the prescribed declarations/certificates;

(iv) scrutiny of dealers' self assessed returns by the AAs; and

(v) allowance of input tax credit as admissible.

The AAs while finalising the assessments did not observe the above provisions as mentioned in paragraphs 2.5.1 to 2.5.14 resulting in non/short levy, non-realisation of tax, interest, penalty etc. of Rs. 35.05 crore.

2.5.1 Non-levy of tax and penalty

Under the OVAT Act, 2004, every dealer who in course of his business purchases any goods within the state from unregistered dealers, is liable to pay tax on the purchase price or prevailing market price of such goods, if after such purchase, the goods are consumed or used in the manufacture of goods declared to be exempt from tax under the Act. Sugarcane being an unspecified item is taxable at the rate of 12.5 *per cent*. Further, under the Act, sugar and textile fabrics though enlisted under four *per cent* tax group, was not subject to tax as long as it was exigible to Additional Duties of Excise (ADE). The Government of India by a notification of March 2006 exempted ADE on sugar and textile fabrics and thus the same became taxable under the OVAT Act

from March 2006. Besides, penalty equal to twice the amount of tax assessed on account of suppression of sales or purchases, evasion of tax or contravention of any provision of the Act is also leviable.

2.5.1.1 Test check of the records of Cuttack II Range in September 2008 revealed that a registered manufacturer of sugar purchased sugarcane worth Rs. 15.16 crore during November 2005 to February 2006 from unregistered dealers. Although sugar manufactured therefrom was not taxable under the Act upto February 2006, the dealer did not pay tax on the said turnover. The department also failed to detect this in the tax audit conducted in February 2007 and did not levy purchase tax and penalty leviable thereon. This led to non-levy of tax and penalty of Rs. 5.69 crore.

2.5.1.2 Test check of the records of Cuttack I, Cuttack II and Ganjam Ranges and Bolangir and Cuttack II circles between September 2008 and February 2009 revealed that five registered dealers sold sugar valued at Rs. 66.53 crore between March 2006 and August 2007 but did not pay tax thereon. The tax audit team while conducting the tax audit in four cases between November 2006 and August 2007 failed to detect the non-payment of tax and the AAs also while finalising the assessments between February 2007 and February 2008 failed to levy tax. This resulted in non-levy of tax of Rs. 2.66 crore. Besides, penalty of Rs. 5.32 crore is also leviable.

After the cases were pointed out, the CCT stated in March 2009 that in two cases proceedings for assessment of tax on the escaped turnover had been initiated. The JCCT, Ganjam initiated proceedings in February 2009 for reassessment. The ACCT, Bolangir circle stated in February 2009 that the case would be examined while the ACCT, Cuttack II circle stated in November 2008 that action would be taken on receipt of final report. A report on further development has not been received (October 2009).

The matter was brought to the notice of the Government in January and July 2009. The Government stated in August 2009 that sugar continued to be in the Schedule to the Additional Duties of Excise (Goods of Special Importance) Act but the rate of ADE was reduced to zero and the Government of India had the authority to levy ADE thereon at any time they decided. The fact, however, remains that from March 2006 sugar was neither subjected to levy of ADE nor VAT.

2.5.1.3 Test check of the assessment records of three circles[36] revealed that four dealers did not pay tax on sale of textile fabrics worth Rs. 5.53 crore made between March 2006 and March 2007. The AAs also while finalising the assessments between October 2006 and November 2007 irregularly allowed exemption on the said turnover. This resulted in non-levy of tax of Rs. 22.11 lakh. Besides, penalty of Rs. 44.22 lakh is also leviable.

36 Bhubaneswar II, Cuttack II and Dhenkanal.

After the cases were pointed out, while the AA of Dhenkanal circle stated in March 2009 that the case would be examined, the AA of Cuttack II circle stated in December 2008 that proceeding would be initiated after approval of the head office. No reply was furnished by the AA of Bhubaneswar II circle.

The matter was reported to the Government in July 2009; their reply has not been received (October 2009).

2.5.2 Non-levy of penalty for non-submission/delayed submission of audited accounts

According to the provisions of the OVAT Act and the Rules, if in respect of any particular year, the gross turnover of a dealer exceeds Rs. 40 lakh or any other amount as the Commissioner may specify by notification in the Gazette, such dealer shall get his accounts in respect of such year audited by a Chartered Accountant within a period of six months from the date of expiry of that year and obtain within that period a report of such audit in the prescribed form containing the prescribed particulars duly signed and verified by such Chartered Accountant, and in every such case, a true copy of such report shall be furnished by such dealer to the Commissioner by the end of the month following the expiry of the said period of six months. The Act further provides that if any dealer liable to get his accounts audited fails to furnish a true copy of such report within the time specified, the Commissioner shall, after giving the dealer a reasonable opportunity of being heard, impose on him a penalty of Rs. 100 for each day of default.

It was noticed from the information collected from three ranges[37] and eight circles[38] that though 5,308 dealers did not submit audited accounts for the years 2005-06 to 2007-08, penalty of Rs. 11.57 crore leviable was not levied. Further, from the records maintained in Rourkela II circle and the audited accounts produced to audit by four circles[39], it was revealed that although 148 dealers delayed in submission of audited accounts, penalty of Rs. 8.76 lakh was not levied. This was due to non-existence of a system to monitor timely receipt of annual accounts and follow up action on non-receipt of the same.

The matter was reported to the Government in July 2009; their reply has not been received (October 2009).

2.5.3 Underassessment due to application of lower rate of tax

2.5.3.1 Under the OST Act, 1947, specific rates of tax are applicable to different commodities as notified from time to time. Goods not specified in the rate chart are taxable at the general rate of 12 *per cent*. Besides, penalty equal to one and a half times of tax assessed is also leviable for furnishing incorrect particulars without sufficient cause.

37 Balasore, Cuttack II and Koraput.

38 Bhadrak, Bhubaneswar II, Cuttack II, Gajapati, Ganjam II, Kendrapara, Rourkela II and Sambalpur II.

39 Dhenkanal, Gajapati, Ganjam II and Nuapada.

Test check of the assessment records of Cuttack I(East) and Cuttack I(Central) circles between May and August 2008 revealed that in two cases the dealers misclassified the goods valued at Rs. 36.42 crore sold during 2003-04 and 2004-05 and paid tax at lower rates. The assessing officers (AOs) also accepted the returns and completed the assessments between November 2006 and March 2008 accordingly. In another case, the AO, Ganjam I circle while completing the assessment in March 2007 for the year 2003-04 applied incorrect rate of tax. This resulted in under assessment of tax of Rs. 1.93 crore including surcharge and penalty as detailed in the following table.

(Rupees in lakh)

Sl. No.	Name of the circle	Year assessed Month of assessment	Taxable turnover	Short levy of tax including surcharge and penalty	Remarks
1.	Cuttack I (East)	2003-04 and 2004-05 November 2006 and March 2008	3,172.59	139.59	Asphalt was assessed to tax at the rate of eight *per cent* instead of 12 *per cent.*
2.	Cuttack I (Central)	2004-05 December 2007	469.29	51.62	Potato chips and 'kurkure' in packets were assessed to tax at the rate of eight *per cent* instead of 12 *per cent.*
3.	Ganjam I	2003-04 March 2007	18.15	1.60	Air conditioner, refrigerator, stabilizer, etc., was assessed to tax at the rate of four *per cent* instead of 12 *per cent.*
Total:				192.81	

After the cases were pointed out, the Government stated in July 2009 that demand of Rs. 1.41 crore was raised in case of Sl. Nos. 1 and 3 and reassessment proceeding had been initiated in December 2008 in case of Sl. No. 2. A report on realisation in case of Sl. Nos. 1 and 3 and further development in case of Sl. No. 2 has not been received (October 2009).

2.5.3.2 As per the Government of Orissa notification of March 2001, the portion of the turnover of the works contract equaling the purchase value of goods purchased by the dealer for use in the works contract free of tax are taxable at the rate applicable for sale of such goods under the OST Act. Further, as per the notification of January 2002 the purchase value of goods purchased from unregistered dealers and utilised in works contract shall be subjected to tax at the last point of sale. Under the Act, sand, moorum, chips and metals are taxable at the rate of 12 *per cent* as unspecified items.

Test check of the records of Cuttack II circle in September 2008 and further scrutiny in January 2009 revealed that a registered dealer engaged in execution of contract works utilised sand, moorum, chips and metal valued at Rs. 8.63 crore in execution of works contracts during the years 2003-04 and 2004-05 which were purchased free of tax from unregistered dealers inside the State.

The AO while finalising the assessments in March 2006 levied tax at the rate of eight *per cent* on the above materials used in the works instead of the appropriate rate of 12 *per cent*. This resulted in underassessment of tax of Rs. 37.98 lakh including surcharge.

After the case was pointed out, the Government stated in July 2009 that the reassessment proceedings were completed in April 2009 which resulted in refund of Rs. 1.71 lakh for the year 2003-04 and extra demand of Rs. 5.65 lakh for the year 2004-05. A report on recovery and reasons for refund as well as variation in demand has not been received (October 2009).

2.5.4 Non-levy of penalty

Under the OVAT Act, penalty equal to twice the amount of tax assessed in audit assessment is leviable without prejudice to any penalty or interest that may have been levied under any other provision of the Act. Further, under the Act, any person, who being a registered dealer collects any amount by way of tax in excess of the tax payable by him is liable to pay in addition to the tax for which he may be liable, a penalty equal to twice the sum so collected by way of tax.

2.5.4.1 Test check of the audit assessments of Cuttack II circle revealed that demand of tax of Rs. 2.53 crore was raised in May 2008 against a dealer for the period from April 2005 to September 2007. Of this, Rs. 73.47 lakh was found payable due to non-disclosure of turnover of Rs. 7.42 crore by the dealer in his self assessed returns. Though penalty of Rs. 1.47 crore was leviable for such suppression, the AA did not levy any penalty while completing the assessment in May 2008. This resulted in non-levy of penalty of Rs. 1.47 crore.

After this was pointed out, the AA stated in December 2008 that the case would be examined. A report on further development has not been received (October 2009).

2.5.4.2 Test check of the assessment records of Cuttack II circle revealed that although two dealers collected tax in excess of that assessed for the tax periods from April 2005 to May 2006, the excess tax of Rs. 27,138 collected was not demanded at the time of assessment in October 2006 nor was penalty of Rs. 54,276 lakh levied. This apart, the AA also did not raise demand for the tax of Rs. 1.06 lakh found due in assessment. This resulted in short demand of tax of Rs. 1.87 lakh including penalty of Rs. 54,276.

After the case was pointed out, the AA stated in December 2008 that proceedings would be initiated after receipt of approval of head office. A report on further development has not been received (October 2009).

The matter was reported to the Government in July 2009; their reply has not been received (October 2009).

2.5.5 Excess grant of exemption under the sales tax incentive scheme

Under the OST Act read with the Industrial Policy Resolution (IPR), 1996, a small scale industrial (SSI) unit located in zone C[40] is eligible for exemption of sales tax on purchase of raw materials, machinery, spare parts, packing materials and sale of finished products subject to a ceiling of 100 *per cent* of the fixed capital investment (FCI) for a period of five years from the date of commercial production. As per the Government of Orissa notification of March 2001 issued under the delegated provisions of the CST Act, interstate sale of goods manufactured by the SSI units are taxable at a concessional rate of one *per cent* against declaration in form C with effect from 1 April 2001. As clarified by the CCT, Orissa in February 2003 this concession is, however, not available to the SSI units enjoying sales tax exemption under the IPR.

2.5.5.1 Test check of the records of Cuttack II circle in September 2008 and subsequent scrutiny of records in January 2009 revealed that the AO while finalising in July 2007 the assessment for the year 2004-05 of an SSI unit availing exemption under the IPR 1996 computed tax on interstate sale turnover of Rs. 14.68 crore at the concessional rate of one *per cent* instead of four *per cent*. This resulted in short computation of tax of Rs. 44.05 lakh. Further, it was seen that tax of Rs. 45.30 lakh assessable at the rate of four *per cent* on interstate sale turnover of Rs. 11.33 crore for the years 2002-03 and 2003-04 was not computed and considered for allowance of exemption upto the ceiling limit. Thus, the total short computation of tax comes to Rs. 89.35 lakh which led to consequential excess exemption of tax of Rs. 89.35 lakh.

It was further seen that against the FCI of Rs. 2.65 crore the dealer was allowed exemption of Rs. 1.66 crore upto 2002-03 leaving a balance of Rs. 99.22 lakh admissible for exemption during the remaining period of eligibility. The AO while finalising the assessments for 2003-04 and 2004-05 under both the OST and CST Acts in March 2005 and July 2007 allowed exemption of Rs. 131.21 lakh. This resulted in excess exemption of Rs. 31.99 lakh. The total excess exemption, thus, comes to Rs. 1.21 crore.

After the case was pointed out, the Government stated in July 2009 that intimation for verification of the books of account of the dealer had been issued which was pending for disposal. A report on further development has not been received (October 2009).

2.5.5.2 Test check of the records of Bhubaneswar III circle in July 2008 and subsequent collection of information in March 2009 revealed that a registered SSI unit under IPR 1996 was eligible for tax exemption of Rs 45.68 lakh, i.e., the amount of FCI. The AO while finalising the assessments for the years 2001-02 to 2003-04 between March 2003 and February 2007 computed tax on the interstate sale turnover of Rs. 6.21 crore at the rate of one *per cent* instead

40 Zone C : The State of Orissa is divided into zones depending upon their industrial backwardness. Zone C locations : Angul, Balasore, Bargarh, Berhampur, Bhubaneswar, Chhatrapur, Cuttack, Dhenkanal, Jajpur, Jharsuguda, Panposh, Rayagada, Sambalpur and Talcher Sub Divisions.

of four *per cent*. This resulted in short computation and consequential excess exemption of tax of Rs. 18.63 lakh.

After the case was pointed out, the Government stated in July 2009 that reassessment proceeding had been completed in May 2009 raising demand of Rs. 76.06 lakh which included other points considered in reassessment. A report on realisation has not been received (October 2009).

2.5.6 Non-levy of tax on unmanufactured tobacco

Under the OVAT Act, unmanufactured tobacco is exigible to tax at the rate of four *per cent* from 1 July 2005 to 31 May 2007. Further, for evasion or escapement of tax penalty equal to twice the amount of tax additionally assessed is also leviable.

Test check of the records of Samabalpur I circle in September 2008 revealed that a registered dealer did not pay tax on sale of raw tobacco (unmanufactured tobacco) valued at Rs. 10.71 crore effected during July 2005 to March 2007. The AA while completing the assessment in July 2007 of the dealer for the period from April 2005 to March 2007 also considered the said sale turnover as tax free sales and did not levy tax thereon. This resulted in non-levy of tax of Rs. 42.86 lakh. Besides, penalty of Rs. 85.72 lakh is also leviable.

After the case was pointed out, the Government stated in July 2009 that proceeding for assessment of tax on the escaped turnover was initiated in January 2009 which was pending as the dealer had taken time. A report on further development has not been received (October 2009).

2.5.7 Non-levy of interest and penalty for delay in payment of tax/non-payment of tax

According to the OVAT Act/Rules, where a dealer required to file a return under the Act fails without sufficient cause to pay the amount of tax due as per the return, revised return or final return, as the case may be, for any tax period, such dealer is liable to pay interest in respect of the tax which he fails to pay according to the return, at the rate of one *per cent* per month (two *percentum* per month from 1 April 2005 to 30 June 2005) from the date the return for the period was due to the date of its payment or to the date of order of assessment, whichever is earlier. The Rules further provide that where a dealer fails to make payment of the tax due and interest thereon along with the return for any tax period, penalty at the rate of two *per cent* per month on the tax and interest so payable from the date it had become due to the date of its payment or the order of assessment, whichever is earlier, is leviable by giving prior notice to the dealer.

Test check of audit assessments as well as self assessed returns of four circles[41] and four ranges[42] revealed that 30 dealers paid tax of Rs. 75.01 crore

41 Cuttack II, Ganjam II, Nuapada and Rourkela II.

42 Balasore, Bhubaneswar, Cuttack II and Sundargarh.

with delays ranging from 1 to 442 days. Further, in Cuttack II circle a dealer did not deposit the admitted tax of Rs. 1.43 lakh alongwith the return for the period from April 2005 to December 2006. Though interest and penalty of Rs. 39.35 lakh and Rs. 50.30 lakh respectively was leviable, the same was not levied by the AAs.

The matter was reported to the Government in July 2009; their reply has not been received (October 2009).

2.5.8 Non/short levy of entry tax

Under the Orissa Entry Tax (OET) Act, 1999 and the Rules made thereunder, entry tax is leviable on the scheduled goods entering into a local area for consumption, use or sale therein at the rates prescribed in the schedule appended to the Act. While *bhujia* and mixture and machinery spare parts are taxable at the rate of two *per cent* synthetic rubber and carbon black (being chemical) are exigible to tax at one *per cent*. Further, scheduled goods brought for use as raw material by a manufacturer on first entry into a local area are taxable at a concessional rate of 50 *per cent* of the rate prescribed.

Test check of the records of three circles[43] between May and August 2008 revealed that while completing the assessments between March 2006 and January 2008 of three dealers for the years 2002-03 and 2004-05 the AAs did not levy tax on synthetic rubber, carbon black, *kurkure* and *bhujia* and levied tax on machinery spare parts at a lower rate. This resulted in non/short levy of entry tax of Rs.70.04 lakh.

After the cases were pointed out, the Government stated in July 2009 that the reassessment proceedings intiated against the dealers were pending for disposal. A report on further development has not been received (October 2009).

2.5.9 Underassessment of tax due to irregular allowance of deduction

Under the OST Act, wire rods are exigible to tax at the rate of four *per cent* and hardware goods being unspecified item are exigible to tax at the rate of 12 *per cent*. Besides, penalty equal to one and a half times of tax assessed shall be leviable for furnishing incorrect particulars without sufficient cause.

Test check of the records of Ganjam II circle in August 2008 revealed that during 2004-05 a registered dealer had manufactured hardware goods like wire nail, hard barbed wires and winding wires out of tax paid raw materials like wire rod and die powder but did not pay tax on sale of the finished products. The dealer claimed exemption on the sale of finished product as tax paid goods. While finalising the assessment in March 2008 the AO also deducted the entire sale turnover of finished products as first point tax paid goods and the dealer was assessed to nil. As the finished goods and the raw materials are separately classified under the rate chart the deduction allowed was irregular.

43 Balasore, Cuttack I (Central) and Jagatsinghpur.

This resulted in underassessment of tax of Rs. 13.27 lakh including surcharge. Besides, penalty of Rs. 19.90 lakh is also leviable.

After the case was pointed out, the Government stated in July 2009 that the case was reopened in August 2008 which was pending for disposal. A report on further development has not been received (October 2009).

2.5.10 Underassessment of tax due to irregular allowance of transit sale

Under the CST Act, sale of any goods in the course of interstate trade effected by transfer of documents of title to such goods are not subject to levy of tax. In support of such transit sales, certificates in form E-I or E-II and declarations in form C are required to be furnished by the dealers causing the movement and taking the delivery of the goods respectively. Sale of iron dust, iron scrap, coal and coke supported by declaration in form C are exigible to tax at the rate of four *per cent* under the Act.

Test check of the records of Rourkela I circle in September 2008 revealed that the AO while completing the assessment in February 2008 for the year 2005-06 of a registered dealer dealing in iron dust, iron scraps, coal and coke, allowed sale turnover of Rs. 7.97 crore as exempt from CST treating the same as transit sale. Scrutiny of the assessment records revealed that the above sale turnover was not supported by certificates in form E-I or E-II though supported by declarations in form C. Thus, there was irregular allowance of transit sale resulting in underassessment of tax of Rs. 31.89 lakh.

After the case was pointed out, the Government stated in July 2009 that the reassessment proceeding initiated against the dealer was dropped since the dealer submitted the valid E-I certificates in support of the transit sales which were not submitted at the time of original assessment. However, the CST (Registration and Turnover) Rules, 1957 provides that the E-I certificates should be furnished upto the time of assessment by the first AA. Thus, the acceptance of E-I certificates was irregular.

2.5.11 Non-levy of surcharge

Under the OST Act, surcharge at the rate of 10 *per cent* is leviable on the amount of tax payable by the dealer.

Test check of the records of Cuttack II and Angul circles in July and September 2008 revealed that the AOs while completing the assessments of two registered dealers for the years 2003-04 and 2004-05 in March and December 2007 did not levy surcharge on the assessed tax of Rs. 2.46 crore. This resulted in non-levy of surcharge of Rs. 24.58 lakh.

After the cases were pointed out, the Government stated in July 2009 that in one case demand of Rs. 4.09 lakh had been raised in September 2008 and in the other case reassessment proceeding initiated in September 2008 was pending for disposal. A report on recovery in the former case and further development in the latter has not been received (October 2009).

2.5.12 Improper scrutiny resulted in excess adjustment of input tax credit

As per the provisions of the OVAT Act, each and every return in relation to any tax period furnished by a registered dealer shall be subject to scrutiny by the AA to verify the correctness of calculation, application of correct rate of tax and interest, claim of ITC made therein and full payment of tax and interest payable by the dealer for such period. Further, if any mistake is detected as a result of scrutiny the AA shall serve a notice in the prescribed form on the dealer to make payment of the extra amount of tax along with the interest as per the provisions of the Act, by the date specified in the said notice.

Test check of the self assessed returns in Rourkela II circle revealed that a dealer, in his return for the month of May 2007, instead of exhibiting input tax of Rs. 11,316 on a purchase value of Rs. 2.83 lakh exhibited input tax of Rs. 2.92 lakh in the four *per cent* tax group. The said input tax of Rs. 2.92 lakh was adjusted by him against the output tax payable for the month. The erroneous exhibition and adjustment of input tax could not be detected by the AA during scrutiny which indicates inadequate scrutiny of returns. This resulted in excess adjustment of ITC of Rs. 2.81 lakh. Besides, as the dealer did not pay the tax due by declaring excess input tax, he was liable to pay interest and penalty thereon amounting to Rs. 1.79 lakh.

After the case was pointed out, the AA stated in December 2008 that the case would be re-examined. A report on further development has not been received (October 2009).

The matter was reported to the Government in July 2009; their reply has not been received (October 2009).

2.5.13 Non-raising of demand

As per the provisions of the OVAT Rules, all the returns received from the dealers shall be subject to scrutiny by the AAs. If as a result of such scrutiny the dealer is found to have made payment of tax, less than what is payable by him for the tax period, as per the return furnished, the AA shall issue a notice in the prescribed form to the dealer directing him to pay the balance tax and interest.

Test check of the records of Ganjam II circle relating to scrutiny of returns revealed that though several discrepancies such as short payment of tax of Rs. 1.53 lakh in 11 cases, inadmissible ITC of Rs. 57,752 in six cases and computation mistake of Rs. 2,000 in one case were noticed during scrutiny between October 2006 and June 2007, no follow up action in the form of issuance of statutory notice to the dealers was taken as required under the provisions of the Act.

After this was pointed out in February 2009, statutory notices were issued in February 2009 in all the cases. A report on further development has not been received (October 2009).

The matter was reported to the Government in July 2009; their reply has not been received (October 2009).

2.5.14 Irregular allowance of input tax credit on exempted sales

According to the provisions of the OVAT Act, ITC is admissible to registered dealers against tax paid on purchases made within the State from a registered dealer in respect of goods intended for use in specified purposes. Further, where a registered dealer sells or dispatches goods, both taxable and exempt from tax under the Act, ITC shall be allowed proportionately only in relation to the goods which are not so exempt.

Test check of assessment records of Cuttack II circle revealed that in two cases, although the dealers had effected both exempted and taxable sales during the years 2005-06 and 2006-07, ITC was allowed in full without calculating the same on proportionate basis as per the formula prescribed. This resulted in excess allowance of ITC of Rs. 2.07 lakh.

After the cases were pointed out, the AA stated in November 2008 that action would be taken after examination of the cases. A report on further development has not been received (October 2009).

The matter was reported to the Government in July 2009; their reply has not been received (October 2009).

2.6 Non-compliance of the provisions of the Act/Rules

The OVAT/OET Act and Rules provide for:

(i) Disclosure of actual turnover by the dealer in the self assessed returns; and

(ii) accurate determination of turnover by the AAs at the time of assessment.

Non-observance of some of the above by the dealers/AAs resulted in non-realisation of revenue of Rs. 3.61 crore as discussed in paragraphs 2.6.1 and 2.6.2.

2.6.1 Underassessment of entry tax due to short determination of taxable turnover

The OET Act and the Rules made thereunder provide for levy and collection of tax on entry of scheduled goods into a local area for consumption, use or sale therein at the prescribed rates on the purchase value inclusive of insurance charges, excise duties, countervailing charges, sales tax, value added tax, transport charges, freight charges and all other charges incidental to purchase of such goods. Ammonia, rock phosphate, sulphur and coal are taxable at the rate of one *per cent*. Further, scheduled goods brought for use as raw material by a manufacturer are exigible to tax at a concessional rate of 50 *per cent* of the rate prescribed. Besides, penalty not exceeding one and half a times the amount of tax due on turnover that was not disclosed by the dealer in his

return is also leviable. Under the amended provision of the Act effective from 19 May 2005 where, for any reason, all or any of the scheduled goods brought by a dealer has escaped assessment or where the value of all or any of the scheduled goods has been underassessed, the dealer is required to pay in addition to tax, penalty equal to twice the amount of tax so assessed.

2.6.1.1 Test check of the records of Jagatsinghpur circle in May 2008 revealed that one registered manufacturer imported ammonia, rock phosphate and sulphur worth Rs. 480.88 crore during 2003-04. The dealer also paid customs duty of Rs. 23.53 crore for import of goods during 2003-04. While completing the assessment for 2003-04 in March 2007 the AA did not include the customs duty paid and determined purchase value of ammonia, rock phosphate and sulphur at Rs. 392.98 crore instead of Rs. 480.88 crore for computing the entry tax liability of the dealer. In case of another registered dealer the AA while completing the reassessment for the year 2003-04 rejected the claim of high sea sale of coal and assessed the turnover of Rs. 13.99 crore under the OST Act but did not assess the said turnover under the OET Act.

The above omissions resulted in total short determination of taxable turnover of Rs. 125.42 crore and consequential underassessment of entry tax of Rs. 69.70 lakh. Besides, penalty upto Rs. 1.05 crore is also leviable.

After the cases were pointed out, the Government stated in July 2009 that reassessment proceedings initiated in both the cases were pending for disposal. A report on further development has not been received (October 2009).

2.6.1.2 Test check of the records of Cuttack II range in September 2008 and February 2009 revealed that the AA while finalising the assessment in August 2006 for the period from April 2005 to February 2006 of a registered dealer manufacturing fertilizer determined the purchase turnover of scheduled goods at Rs. 1,325.92 crore and assessed tax accordingly. On cross verification with the assessment record for the year 2005-06 under the OVAT Act it was seen that the dealer had purchased goods valued at Rs. 1,448.22 crore during the period between April 2005 and February 2006. Therefore, the taxable purchase turnover of the dealer was short determined by Rs. 115.75 crore after allowing a deduction of Rs. 6.55 crore towards entry tax paid. This resulted in underassessment of entry tax of Rs. 57.87 lakh. Besides, the dealer is also liable to pay penalty of Rs. 1.16 crore.

After the case was pointed out, the Government stated in July 2009 that the reassessment proceeding initiated was pending for disposal. A report on further development has not been received (October 2009).

2.6.2 Escapement of tax due to suppression of sales

The return form prescribed under the OVAT Rules provides for filling therein the tax/retail invoices issued by the dealer for a particular tax period and the total value of sales thereof. The dealer is required to calculate the tax due on the basis of the sale invoices and pay the tax or proof of payment of tax along

with the return. Under the Act, interest at the rate of two *per cent* per month is leviable for the period from the date on which the tax was due till the date of payment.

Test check of the assessment records as well as the self assessment returns filed by the dealers for the years 2005-06 to 2007-08 of Cuttack-II range and Rourkela II circle revealed that in four cases, the dealers calculated output tax on turnover less than that shown in the invoices and accordingly paid less tax after adjustment of ITC. This indicates that the tax audit teams while taking up tax audit of the dealers in the assessed cases did not examine the invoice wise sale value vis-à-vis the sale value on which output tax was calculated by the dealers and also did not point out the suppression in the AVRs. The suppression made by the dealers in the self assessed returns could not also be detected due to ineffective scrutiny of returns. During audit assessments, the AAs considered the points raised in the AVRs and did not verify the sale turnover mentioned in the returns and the sale turnover as per invoices issued and/ or sales statement furnished by the dealers. Thus, failure on the part of the departmental officers to scrutinise the self assessed returns as well as during tax audit and audit assessments led to escapement of tax of Rs. 10.36 lakh. Besides, interest of Rs. 1.94 lakh was also leviable.

After the case was pointed out, the AAs stated in November 2008 that the cases would be examined. A report on further development has not been received (October 2009).

The matter was reported to the Government in July 2009; their reply has not been received (October 2009).

2.7 Non-observance of government notifications

Government notifications of April 1991, April 2001 and May 2002 provide for:

(i) Exemption of tax on interstate sales subject to fulfilment of the prescribed conditions; and

(ii) mandatory submission of declaration forms.

Non-observance of some of the above by the AAs resulted in short levy of tax of Rs. 1.18 crore as discussed in paragraphs 2.7.1 and 2.7.2.

2.7.1 Irregular allowance of exempted sale

In exercise of the powers conferred by the CST Act, the Government of Orissa exempted interstate sale of iron and steel from levy of tax with effect from 1 April 1991 subject to fulfilment of the prescribed conditions without submission of the statutory declaration in form C. With effect from 14 May 2002, by an amendment in the CST Act, submission of form C was made mandatory. Interstate sale of iron and steel and paddy not supported by valid declarations are taxable at the rate of eight *per cent.*

2.7.1.1 Test check of the records of Rourkela II circle in March 2008 revealed that while finalising between March 2006 and March 2007 the assessments of five registered dealers under the CST Act for the years between 2002-03 and 2004-05, in four cases, the AOs allowed sale turnover of iron and steel of Rs. 8.32 crore effected during 2003-04 and 2004-05 as exempted sale without supporting declarations in form C. In another case, the AO allowed exemption of tax on sale turnover of iron and steel of Rs. 2.09 crore for the year 2002-03 accepting duplicate C forms. Thus, irregular grant of exempted sales resulted in underassessment of tax of Rs. 83.29 lakh as shown in the following table.

(Rupees in lakh)

No. of dealers	Year assessed Month of assessment	Turnover	Amount of tax underassessed	Nature of irregularity
3	2003-04 March 2007	816.96	65.36	Exemption was allowed without supporting declaration in form C.
1	2004-05 January 2007	15.44	1.24	-do-
Sub total:		**832.40**	**66.60**	
1	2002-03 March 2006	208.68	16.69	Exemption was allowed against duplicate C forms
Grand total :		**1,041.08**	**83.29**	

After the cases were pointed out, the Government stated in July 2009 that in all the cases reassessment proceedings had been initiated which were pending for disposal. A report on further development has not been received (October 2009).

2.7.1.2 Test check of the records of Bolangir circle in February 2008 revealed that the AO while finalising the assessment under the CST Act in January 2007 for the year 2003-04 of a registered dealer allowed the interstate sale of paddy worth Rs. 2.85 crore as exempted sale though the dealer did not furnish declaration in form C or D. Irregular grant of exemption resulted in underassessment of CST of Rs. 22.80 lakh.

After the case was pointed out, the Government stated in April 2009 that demand of Rs. 12.95 lakh was raised in March 2009 on completion of the reassessment proceeding. A report on recovery has not been received (October 2009).

2.7.2 Underassessment due to incorrect application of concessional rate of tax

Under the delegated provisions of the CST Act, with effect from 1 April 2001 interstate sale of goods manufactured by SSI units are taxed at a concessional rate of one *per cent* against declaration in form C. This concession is not extended to the sales made to Government departments against declaration in form D. Sale of such goods against declaration in form D is taxable at the rate of four *per cent* under the CST Act.

Test check of the records of Rourkela II circle in March 2008 revealed that the AO while finalising the assessments in March and December 2006 for the

years 2002-03 and 2003-04 under the CST Act in respect of two registered SSI units, levied tax at the concessional rate of one *per cent* on the sale turnover of Rs. 4.05 crore made against declarations in form D instead of the correct rate of four *per cent*. This resulted in short levy of tax of Rs. 12.14 lakh.

After the cases were pointed out, the Government stated in July 2009 that reassessment proceedings were initiated in both the cases which were pending for disposal. A report on further development has not been received (October 2009).

CHAPTER-III: TAXES ON MOTOR VEHICLES

3.1 Results of audit

Test check of the records relating to assessment and collection of motor vehicles tax in the office of the State Transport Authority, Orissa and the regional transport offices conducted during the year 2008-09 revealed non/short realisation/levy of tax and fees, penalty etc., amounting to Rs. 75.24 crore in 1,77,339 cases which fall under the following categories:

(Rupees in crore)

Sl. No.	Categories	No. of cases	Amount
1.	**IT audit of "VAHAN" in the Orissa Motor Vehicles Department (A review)**	1	7.57
2.	Non-levy/realisation of motor vehicles tax/additional tax and penalty	30,834	64.66
3.	Non/short realisation of compounding fee/ permit fee/process fee	1,44,579	1.55
4.	Non/short realisation of composite tax and penalty	923	0.39
5.	Short levy/realisation of motor vehicles tax/additional tax and penalty	232	0.28
6.	Non/short realisation of trade certificate tax/fee	143	0.05
7.	Other irregularities	627	0.74
	Total	**1,77,339**	**75.24**

During the year 2008-09 the department accepted non/short realisation, levy of tax and other deficiencies of tax and penalty of Rs. 60.26 crore in 61,313 cases, which were pointed out in audit in 2008-09 and earlier years. The department recovered Rs. 77.61 lakh in 1,548 cases.

A review on **"IT audit of 'VAHAN' in the Orissa Motor Vehicles Department"** involving Rs. 7.57 crore and a few illustrative audit observations involving Rs. 66.49 crore are discussed in the following paragraphs.

3.2 Information Technology audit of "VAHAN" in the Orissa Motor Vehicles Department

Highlights

Non-imposition of penalty/daily damages amounting to Rs. 1.87 crore due to delay in completion of the smart card based registration certificate project.

(Paragraph–3.2.8.1)

Non-imposition of penalty of Rs. 1.06 crore for not achieving the Scheduled Commercial Operation Date by the concessionaire.

(Paragraph–3.2.8.2)

Non-imposition of late fine of Rs. 29.31 lakh for delay in issue of smart card based registration certificates by the concessionaire.

(Paragraph–3.2.9)

Short realisation of one time tax and non-realisation of entry tax due to non-inclusion of ET field in the database.

(Paragraph–3.2.13.1)

Inadequacy of input controls resulting in duplication of engine and chassis numbers.

(Paragraph–3.2.13.2)

Inadequacy of input controls resulting in registration of two or more vehicles under the same insurance cover note.

(Paragraph–3.2.13.3)

Partial data capture resulting in presence of incorrect data in key fields.

(Paragraph –3.2.13.4)

Inadequacy of validation controls resulting in capturing of irrelevant dates and incorrect values in various fields, rendering the database unreliable.

(Paragraph–3.2.13.5)

3.2.1 Introduction

The Motor Vehicles (MV) Act, 1988 vests upon the State Government the responsibility of providing an efficient public transportation system, registration of vehicles, issue of driving licenses, road permits, fitness certificates and collection of road taxes. The State Transport Department administers and implements the above activities. It is also entrusted with policy making, co-ordination, implementation, monitoring and regulatory functions of all transport related activities and enforces transport rules to

collect tax and fee. The Regional Transport Officers (RTOs) implement the Orissa Motor Vehicles Taxation (OMVT) Act and Rules for the state.

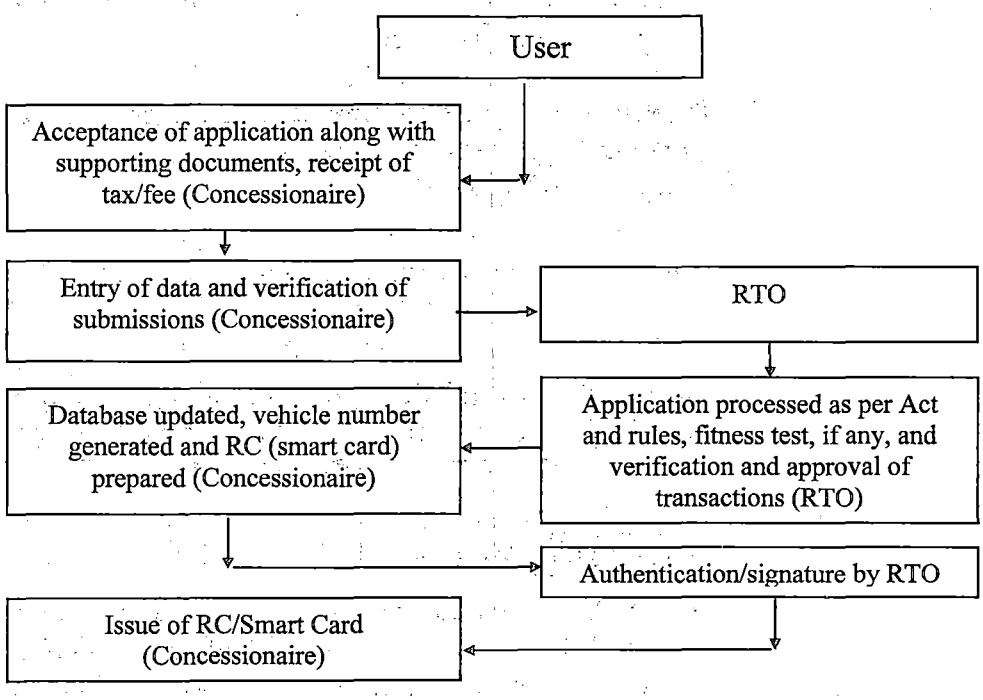
3.2.2 Organisational setup

The Transport Commissioner-cum-Chairperson, State Transport Authority (STA), Orissa is the head of the department and the apex controlling and monitoring authority. He/she is assisted by three Additional Commissioners, one Secretary, three Deputy Commissioners functioning at zonal levels, 26 RTOs[44] and three[45] Additional Regional Transport officers (ARTOs) functioning at regional levels. The Information Technology Department in the Orissa Motor Vehicles Department (OMVD) is headed by the Additional Commissioner of Transport (Technical). National Informatics Centre (NIC) (Orissa unit) has been providing technical assistance for customisation and backend integration for implementation of 'Vahan'.

3.2.3 Overview of the system

The registration of motor vehicles through smart card based registration certificate (SCBRC) under e-Governance was introduced with the application software 'Vahan' using Java as the front-end application programme and Oracle 10G for the backend database. The project was outsourced to the concessionaire M/s Smart Chip Limited (SCL), New Delhi in July 2006 on build-own-operate-transfer (BOOT) basis for a period of 15 years.

The processes involved in the system are summarised below:



44 RTOs - Angul, Balasore, Bargarh, Bhadrak, Bhubaneswar, Bolangir, Chandikhol, Cuttack, Dhenkanal, Gajpati, Ganjam, Jagatsingpur, Jharsuguda, Kalahandi, Keonjhar, Koraput, Mayurbhanj, Nabarangpur, Nayagarh, Nuapada, Phulbani, Puri, Rayagada, Rourkela, Sambalpur and Sundargarh.

45 ARTOs – Barbil, Khurda and Rairangpur.

3.2.4 Audit objectives

The audit objectives were to assess whether:

- the project was commissioned within a reasonable time;
- the performance of the concessionaire was in accordance with the agreement signed with the Government of Orissa (GoO);
- the department was able to effectively utilise the software for the registration of vehicles and realisation of fees/ tax;
- the 'Vahan' software met the requirements of the Motor Vehicles Act, 1988, Orissa Motor Vehicles Taxation Act, 1975 and the Rules made thereunder and was synchronised with the critical business needs of the department; and
- proper input, validation and process controls existed in the system to ensure that the data captured was authentic, complete and accurate.

3.2.5 Audit scope and methodology

The scope of the IT audit included the audit of implementation and examination of controls in the application software "Vahan" viz. registration of vehicles and allied activities and collection of taxes and fees for the period from the date of implementation up to October 2008 and a review of the performance of the concessionaire.

Apart from the office of the State Transport Authority (STA), eight[46] regional transport offices were selected on the basis of random sampling. The database of these RTOs was provided by the Transport Department in the shape of DMP files, which were imported and analysed through CAAT[47].

3.2.6 Audit criteria

The provisions of the following Acts and Rules were used as audit criteria.

- Motor Vehicles Act, 1988
- Central Motor Vehicles Rules, 1989
- Orissa Motor Vehicles Taxation Act, 1975
- Orissa Motor Vehicles Rules, 1993
- Concession agreement between the Government of Orissa and M/s. Smart Chip Limited, New Delhi dated 29 July 2006
- Best practices followed for IT implementation.

46 Angul, Bhubaneswar, Cuttack, Jharsuguda, Nabarangpur, Rayagada, Rourkela and Sundargarh.

47 Computer Assisted Audit Techniques

3.2.7 Acknowledgement

Audit acknowledges the co-operation of the STA in providing necessary information for the IT audit. The observations of the audit were communicated to the department in June 2009. The replies of the department (July 2009) have been suitably incorporated in respective paragraphs.

Audit findings

3.2.8 Deficiencies in execution of the project by the concessionaire

3.2.8.1 Audit scrutiny revealed the following shortcomings in execution of the project by the concessionaire

The concessionaire was to establish the project facilities and undertake implementation of the project in conformity with the project completion schedule and the project milestones so as to achieve the commercial operation date (COD) on or before the scheduled commercial operation date (SCOD) by 11 December 2006, i.e. within 135 days from the date of signing the contract. In the event of failure in completing the works other than commercial operation date within a period of 30 days from the scheduled date, the concessionaire was liable to pay damages to the GoO at the rate of Rs. 20,000 per day until its completion.

The table below indicates the extent of achievement of the important items of work by the concessionaire.

Scope of the work	Due date of completion	Position as on 31 July 2009
Backlog entry of Registration Certificate and MV Tax for the last 14 years, and permits for the last five years prior to commercial operation date	11 December 2006	Not completed
Setting up of website	11 December 2006	Not set up
Online connectivity between RTOs and STA and creation of central database for maintenance of real time records	11 December 2006	Not done

As per the agreement, the GoO was required to impose penalty/daily damages of Rs. 1.87 crore[48] on the concessionaire for delay in completion of the work. The GoO, however, did not invoke the clause and demand the penalty.

3.2.8.2 As per the agreement, the concessionaire was required to take steps for effecting commercial operation of issue of SCBRC in all the RTO offices of the State by 11 December 2006, i.e. within 135 days from the date of agreement. If the commercial operation date was not achieved by the

48 Rs. 20,000 per day X 933 days (11.1.2007 to 31.7.2009)= Rs. 1.87 crore.

scheduled commercial operation date for any reason other than *force majeure*, the concessionaire was liable to pay to the GoO, daily damages for delay in achievement of the commercial operation date at the rate of rupees one lakh per day until the commercial operation date was achieved.

The GoO vide its notification of September 2006, had also notified 11 December 2006 as the scheduled commercial operation date and authorised the concessionaire for and on behalf of the GoO to collect tax, vehicles registration fees, permit fees etc. along with the service charges from users as per specified rates and deposit the government revenue in the designated bank accounts opened (separately for each RTO) for this purpose.

The commercial operation date in respect of various RTOs varied from 23 November 2006 to 26 March 2007 and the delays ranged from 2 to 106 days beyond the scheduled commercial operation date and the GoO was therefore required to levy penalty amounting to Rs. 1.06 crore (at the rate of Rupees one lakh for 106 days). The GoO, however, did not take any action to impose penalty (February 2009). The reasons for not imposing penalty have not been furnished. However, the department had issued (March 2009) a show cause notice to the concessionaire in this regard.

The department admitted the failure of the concessionaire in non-completion of the different aspects of the project and stated (July 2009) that the clauses did not provide for payment of damages at the rate of Rs. 20,000 per day to the GoO until its completion but to pay damages of Rs. 1,00,000 per day for not achieving the commercial operation date. It further stated that the concessionaire was granted further extension of 60 days along with penalty of Rs. 1,00,000 to achieve the commercial operation date as per the agreement. The contention of the department is not acceptable since there were distinct sub clauses[49] in the agreement providing for damages at the rate of Rs. 20,000 per day for non completion of project specifications other than commercial operation date and for damages of Rs. 1,00,000 per day for not achieving the scheduled commercial operation date. Moreover, the extension granted to the concessionaire was not supported by any executive order from the Government.

3.2.8.3 Short engagement of IT personnel

In terms of the agreement, the Transport Department would engage IT personnel trained by the NIC who would be responsible for system administration at different RTOs and STA. The concessionaire would pay the monthly wages through the Transport Department.

The system is in operation in 30 stations including STA. As against the minimum requirement of 30 Assistant Programmers to look after the database and system administration, only 18 Assistant Programmers were engaged from July 2007 onwards and 12 RTOs were not provided with any programmers. As such these RTOs were deprived of the services of any programmer which could adversely impact the work of managing the database and system

49 Sub clause 14.1.3 for Rs. 20,000 and Sub clause 14.1.4 for Rs. 1 lakh per day

administration and also resulted in undue benefit to the concessionaire amounting to Rs. 30 lakh (Rs. 10,000 per programmer per month from July 2007 to July 2009).

The department accepted the audit observation (July 2009).

3.2.9 Non-adherence to performance standard by the concessionaire and deficient citizen services

Delay in issue of smart card based registration certificate/fitness certificate

As per the agreement the concessionaire was to issue the smart card based registration certificates (RC) within one day of collection of tax and fee for non-transport vehicles and fitness certificate (FC)/RC within one day after fitness check for transport vehicles, failing which the GoO was required to impose late fine of 10 *per cent* of the service charges of Rs. 167.01 collected by the concessionaire from every user in lieu of the service provided.

Audit scrutiny of the databases of seven[50] RTOs revealed median delays ranging between 2 and 7 days and the GoO was required to impose late fine amounting to Rs. 29.31 lakh for the delay in issue of smart card based RC for non-transport vehicles and RC/FC for transport vehicles as summarised below which was not done.

Category	No. of vehicles	Median delay in issue of RC/FC ranging from	Penalty to be imposed (Rs.)
Transport	41,056	2 to 7 days	6,85,676
Non-transport	1,34,427	2 to 5 days	22,45,065
Total	**1,75,483**		**29,30,741**

The delay in delivery of services (issue of RC/FC) to the users and absence of monitoring on the part of the department to ensure timely delivery defeated the purpose of e-governance and resulted in deficient citizen services. Besides, no complaint register was maintained for lodging complaints by the users, although the department had requested the Accountant General to take up the IT audit on account of complaints from the RTOs regarding delay in issue of RC/FC by the concessionaire.

Further, in terms of the agreement, the concessionaire was to furnish a monthly report indicating the delay in issue of RCs/FCs and penalty leviable on account of this. However, neither did the concessionaire furnish this report nor did the department call for the same.

The department accepted the audit observations (July 2009).

50 Angul, Bhubaneswar, Cuttack, Jharsuguda, Rayagada, Rourkela and Sundargarh.

3.2.10 Irregular collection of service charges by the concessionaire

As per the conditions of the concession agreement, service charges for rendering paper RCs were Rs. 15 till the availability of smart card based RC. Further, it was decided that obtaining paper based RC was optional and payment of service charges for paper based RC was not compulsory. The GoO in Transport Department circulated a notification to this effect in May 2008.

Scrutiny of the database of seven[51] RTO offices revealed that the concessionaire was allowed to collect service charges for the paper based RC also from the users right at the initial stage i.e. at the time of receipt of tax/fee by the concessionaire even though smart cards were available, which was in violation of the terms of the agreement. Also, such charges could be collected only if the user opted for a paper based RC. However, in the absence of such provision to indicate the option in the application form, the charges for obtaining paper based document were also included in the total charges. RTOs continued to issue paper based documents without confirming the option of the applicant. From 26 March 2007, the date of commercial operation of the project, till the date of audit, 1,50,136 new registrations with smart cards were issued in the seven RTOs and service charges to the tune of Rs. 22.52 lakh (1,50,136 x Rs. 15) was irregularly collected by the concessionaire from the applicants.

The department admitted the fact and also stated that the situation still persisted (July 2009).

3.2.11 Non-utilisation of hand-held terminals

The hand-held terminal is a device to be used by the enforcement wing of the transport department to check the genuineness of the smart card, tax payment, validity of permit, fitness and previous offence committed, if any, through the software installed in it. The concessionaire was to provide the hand-held terminals and install the NIC-designed software in them. Though the software has been approved by NIC (February 2009) it was not installed in the devices.

The purpose of having the hardware was therefore defeated as the enforcement squad was not in a position to check the vehicles effectively through smart card as envisaged. Thus, the smart card could not be utilised for any worthwhile purposes.

The department admitted the audit observation (July 2009).

3.2.12 Other issues of contract management

- The concessionaire was required to obtain and maintain in force all insurances in respect of the GoO revenue and project assets in terms of the agreement and furnish the papers in support of the insurance to the Government. The department has no record for ensuring the validity of

51 Angul, Bhubaneswar, Cuttack, Jharsuguda, Rayagada, Rourkela and Sundargarh.

insurance on the project assets and the GoO receipts, in the absence of which the GoO receipts and the project assets would not be secured.

- No fire safety measures such as fire extinguishers, fire alarms and smoke detection systems were found in any of the data processing/ server rooms, which was in violation of the agreement. Thus, there is a risk of hardware and data loss in the eventuality of occurrence of fire.

The department admitted the audit observation (July 2009).

3.2.13 Design deficiencies

3.2.13.1 Non-inclusion of entry tax field in the registration database resulting in short realisation of one time tax and non-realisation of ET

The Orissa Entry Tax (ET) Rules and various circulars of the Transport Department provide that vehicles procured from other states would attract ET at the prevailing rate and one time tax[52] (OTT) should be calculated on the cost of the vehicles including ET leviable thereon. Audit scrutiny revealed that the system did not have the facility to enter the ET, as a result of which ET was not realised while OTT was short realised in respect of two wheelers, motorcars and motor cabs procured from other states. Payment of ET on vehicles was done through manual intervention for calculation of OTT in all the test checked RTOs except in RTO, Rourkela, where ET was not realised for the vehicles procured from outside the state resulting in short realisation of OTT. The department did not inform NIC for incorporation of the required field and its linkage with the cost of the vehicle for calculation of OTT at the time of development and customisation of 'Vahan', or subsequently.

Further analysis revealed that the dealer code was codified for 1,083 dealers out of which four dealers pertained to other states (Code No:- 4080, 99001, 4044 and 4062). Besides, in most of the cases of acquisition of vehicles from other states, dealer code '50' i.e. others was allotted without specifying details of dealer address and state. Since dealer code '50' contains details of both dealers not codified inside Orissa and dealers not codified in other states, the ET liability and OTT could not be calculated properly, as a result of which there was a possibility of evasion of ET and OTT.

This resulted in short realisation of tax of OTT- liable vehicles like motor cars/motor cabs acquired after 26 March 2007 in RTO, Rourkela for cases under dealer code '50' which pertained to dealers from other states. Test check of manual records confirmed short realisation of OTT due to non-inclusion of ET. Besides, ET was also not realised in respect of the above vehicles in RTO, Rourkela.

The department, admitting the audit observation, directed its field functionaries to ensure computation of OTT on ET leviable on the vehicles purchased from outside the state. A circular was also issued in this regard

52 OTT –One time tax for the entire life of vehicles payable for registration of vehicles like two wheelers, motor cars and motor cabs etc.

(July 2009) with a copy to the concessionaire, NIC, Orissa unit and NIC Headquarters office, New Delhi.

Input, process and validation control deficiencies

3.2.13.2 Existence of duplicate entries

Chassis numbers, engine numbers and registration numbers are unique identification marks of a vehicle which are essential for the purpose of its registration under the provisions of the MV Act.

Analysis of the database revealed duplicate entries in the database. Out of 5,01,967 vehicles registered in the eight test checked RTOs, 26 vehicles were registered with duplicate chassis numbers and 109 vehicles were registered with duplicate engine numbers and the duplication ranged from 2 to 3. The duplication in case of registration numbers was twice in case of five vehicles and in another case the same registration number appeared five times. In one instance the same vehicle was registered twice and allotted with two different registration numbers.

This indicated absence of validation checks in the system and also inadequate supervisory controls over the input to ensure accuracy of data. Such duplication of registration is not only illegal but also poses the risk of plying invalid/stolen vehicles making it possible to escape paying tax and legal complications to the bonafide owners in case of accidents, theft etc., besides generating wrong MIS data. The matter needs to be investigated in detail by the department.

The department while admitting the observation stated that NIC and the concessionaire had been informed to check this deficiency (July 2009). The reply of the department however did not address the issue of supervisory controls at their end.

3.2.13.3 Registration of two or more vehicles under the same insurance cover note

According to the MV Act, 1988, no person shall use a motor vehicle unless it is insured. Besides that, every motor vehicle is required to be insured before its registration.

Audit analysis revealed that there existed 16,609 records involving 3,596 cover note numbers where one cover note was used in registration of 2 to 524 vehicles. Further analysis and test check of records manually in RTO offices confirmed the use of the same cover note in registration of more than one vehicle as detailed in Annexure-A. The transport authorities also did not verify the validity of the insurance cover note submitted along with the application.

Thus, the absence of validation checks and input supervision in the system to prevent the use of duplicate cover notes resulted in fraudulent use of insurance cover notes and would give rise to legal complications.

The department while admitting the observation stated that NIC and the concessionaire had been informed to check this (July 2009).

3.2.13.4 Data not entered in key fields

As per the MV Act, 1988, tax is levied based on parameters like sale amount and unladen weight in respect of private motor cars, motorcycles etc., seating capacity in case of passenger vehicles like stage carriages and contract carriages and laden weight in the case of goods vehicles.

Data analysis of the registration database in respect of the test checked RTO offices revealed that certain key fields contained the value 'zero' in several records as detailed in Annexure-B. The audit findings are summarised below:

- Seating capacity was not entered in 4,883 cases out of which 109 were passenger vehicles.
- Sale amount was not entered in 1,96,245 cases.
- Cubic capacity was not entered in 14,822 cases.
- Unladen weight was not entered in 5,764 cases out of which 4,233 cases were private vehicles.
- Laden weight was not entered in 88,982 cases out of which 337 vehicles were goods carriages.
- Sale amount and seating capacity of non transport/ private vehicles were not entered in 2,385 cases.

Non-entry of data in the above key fields indicated deficiency in input controls and absence of supervision.

The department, while admitting the observation (July 2009), informed that NIC and the concessionaire had been asked to check these cases.

3.2.13.5 Lack of data validation

The MV Act and Rules provide certain basic parameters for certain class or categories of vehicles. For example, the fitness validity for private vehicles is 15 years from the date of grant of fitness, laden weight of goods carriage should not exceed 49,000 kg, seating capacity of two wheelers should not exceed three and registration numbers should start with the State Code OR instead of '0' R (zero R).

Test check in the selected regional transport offices revealed a large number of unusual and improbable/incorrect data in the databases that implies unreliability of data and inadequate supervision as detailed in Annexure-C.

Audit observed that:-

- Invalid/expired insurance cover notes were accepted at the time of receipt of tax and fee during registration of 33 vehicles (Annexure D).
- Validity of fitness exceeded 15 years from the date of registration of vehicle in case of 66 vehicles.

- Validity of insurance exceeded 15 years from the date of registration of vehicles in 27 cases.
- Date of expiry of insurance was the same as the date of commencement of insurance in seven cases.
- Date of validity of tax payment exceeded 15 years from the date of registration of vehicles in 18 cases.
- The seating capacity of light motor vehicle (LMV)-private car was indicated as 25 to 796 as against the maximum capacity of 12 in 38 cases.
- Laden Weight (RLW) of goods carriage exceeded 49,000 Kg in 84 cases.
- Two wheelers were shown as having seating capacity of more than three in 1,069 cases.
- Seating capacity of passenger vehicles like auto rickshaws which have maximum capacity of three was indicated as 125 to 417 in 14 cases.
- Cubic capacity of two wheelers was below 25 cc in 4,668 cases which is not available in the market.
- Registration numbers were starting with zero (0) R instead of OR in 67 cases.
- 1,382 vehicles were registered on Sundays.
- In one case fitness fee was shown as received on Sunday.
- Acceptance of fee/tax beyond office hours in 3,749 cases.

The department while admitting the audit observation instructed all field functionaries to be vigilant and ensure that the errors did not recur and requested NIC to put necessary validation checks (July 2009).

3.2.13.6 Lack of continuity of Registration Numbers

3.2.13.6.1 The MV Act provides that a registering authority shall assign a unique mark (Registration Number) in a series to every vehicle at the time of registration. Allotment of advance registration number for a vehicle is made on the request of a vehicle owner for a specific number chosen by him. In a single series, 9999 numbers can be allotted to vehicles, in a sequential manner, unless certain numbers are reserved or blocked at the request of the vehicle owner.

An analysis of the registration database showed a gap of 1,114 numbers as detailed in Annexure-E in respect of four[53] regional transport offices which indicated lack of continuity in allotting registration numbers resulting in improper management of registration of vehicles besides possibility of misuse of unalloted numbers.

53 Bhubaneswar, Cuttack, Jharsuguda and Rourkela.

This indicated that business rules were not built into the system to ensure that vehicle registration numbers were automatically generated.

The department stated (July 2009) that 'Vahan' software provided locking system to ensure continuity of registration numbers. The reply of the department is not tenable in view of existence of gaps between registration numbers.

3.2.13.6.2 Further analysis revealed that there were long gaps (7 days to 207 days in 3,892 cases in case of RTO, Bhubaneswar) between the date of deposit of tax/fee and allotment of registration numbers in respect of registrations done after 26 March 2007. Since the allotment/assignment of numbers was made manually by RTOs, the gap between deposit date and registration date indicated the possibility of choice numbers being allotted without payment of proper fee. This was also in violation of the terms of the agreement that the concessionaire should generate the vehicle registration number from the system.

The department stated (July 2009) that the above audit observation would be taken care of automatically once registration numbers were automatically generated. It is reiterated that automatic generation of registration numbers may be resorted to early.

3.2.13.7 Irregular allotment and acceptance of reservation numbers

As per STA notification of August 2002, the allotment of numbers beyond 1,000 from the last number assigned in the series and within 10,000 from the last number assigned in the series would be made on payment of Rs. 2,000 and Rs. 4,000 for two wheelers and other than two wheelers respectively.

Analysis of the main database in RTO, Sundargarh revealed that though the number prevailing on 19 August 2008 was OR16C-2820, numbers like OR16B-6060, OR16H-0632 and OR16J-0632 were allotted as reservation numbers on the same day. Thus, on a particular date, numbers from 16B, 16C, 16H and 16J series were allotted which shows that the system did not have in-built controls to restrict allotment of numbers beyond 10,000 of the current series.

The department, admitting the observation, instructed the RTOs not to repeat such mistakes (July 2009).

3.2.13.8 Non transport vehicles with lapsed registration

The MV Act, 1988 provides that a certificate of registration in respect of a motor vehicle, other than a transport vehicle, shall be valid for a period of 15 years from the date of issue of such certificate and shall be renewable. Obtaining a certificate of fitness from the competent authority is a pre-requisite for renewal of registration of non transport vehicle. Non-renewal of certificate of registration amounts to using the vehicle without registration and attracts minimum fine for driving without registration at Rs. 2,000 for the first offence and Rs. 5,000 for each subsequent offence. Besides, fee for renewal of

registration, fee for conducting test for fitness and fee for grant of renewal of fitness at appropriate rates is also realisable.

Analysis of the database as of 31 October 2008 in four[54] RTO offices revealed that the registration of 9,326 non-transport vehicles like two wheelers and private cars had expired, the details of which are given in Annexure-F. No details of re-registration of such vehicles were available in the system. These vehicles were plying without valid registration. Further, re-registration of these vehicles would have resulted in realisation of re-registration fee, testing fee and fitness fee to the tune of Rs. 24.73 lakh from the vehicle owners in respect of the above vehicles. Besides, a minimum penalty of Rs. 1.87 crore (9,326 x Rs. 2,000) would have been levied.

The department stated (July 2009) that it was not correct to conclude non-realisation of revenue on the basis of data available in general register of registration (GRR) since large number of vehicles would have been damaged beyond economical repair. While appreciating the view of the department, it is stated that they should make optimum use of the software in detecting vehicles with lapsed registration and place demand against the registered owner which would also facilitate the cancellation of registration in respect of vehicles damaged beyond repair as per Orissa Motor Vehicles Rules.

3.2.13.9 Transport vehicles without fitness certificate

The MV Act, 1988 provides that a transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness issued by the competent authority. It also attracts a minimum fine of Rs. 2,000 for the first offence and Rs. 5,000 for each subsequent offence for driving a vehicle without registration and fitness certificate.

Scrutiny of the database revealed that as of 31 October 2008, certificates of fitness of 8,093 transport vehicles of different categories had expired in the eight RTO offices test checked. The vehicles had not renewed their certificate of fitness as on 31 October 2008. This led to many unfit vehicles plying on the road which can have associated impacts on environment and road safety. Further, this also resulted in non realisation of fitness fee at the rate applicable for the above categories of vehicles (Three wheelers, LMV, MGV, HGV).The enforcement staff of the department also failed to utilise the information available in the 'Vahan' database resulting in non realisation of minimum fine of Rs. 1.62 crore. Besides, fitness fee of Rs. 31.04 lakh was also not realised.

The department stated (July 2009) that it was not correct to conclude non-realisation of revenue on the basis of data available in the GRR since many of the transport vehicles have become permanently incapable of plying. While appreciating the view of the department, it is stated that they should make optimum use of the software in detecting vehicles with lapsed fitness and issue notice or raise demand against the registered owner in augmenting the revenue which could facilitate the renewal of fitness certificates as per the Orissa Motor Vehicle Rules.

54 Bhubaneswar, Cuttack, Rayagada and Sundargarh.

3.2.14 Partial utilisation of the system

The 'Vahan' software was designed to automate the management of complete information related to vehicle registration.

Though the system presently captures information relating to vehicle registration, owner and vehicle details and collection of tax/fee and fitness, the following modules were yet to be made operational.

- Permits including inter state movement
- Enforcement/Vehicle Check Report
- Temporary registration
- Demand, collection and balance statements.

This has resulted in the department failing to fully utilise the system as a Management Information System tool.

The department while admitting the audit observation stated (July 2009) that the permit module is under customisation. The reply was, however, silent regarding the other modules.

3.2.15 System Security

Physical and logical access controls

The system including the server, network and switchers etc., were freely accessible making it vulnerable to physical threats by unauthorised persons. The system has no restriction for repeated log in attempts by any unauthorised user by entering wrong user ID and password.

No password policy has been framed and enforced restricting only authorised users to have access to the system. No awareness has been created among the users regarding periodical change of password.

3.2.16 Absence of Business Continuity Planning

Business continuity planning is necessary for recovery of business processes, with minimum loss to business and minimal downtime, in the event of a disaster. Considering the criticality of the system, the department was required to formulate, document and test disaster recovery plans and ensure that staff were made aware of their responsibilities to ensure business continuity.

The department did not formulate a business continuity and disaster recovery plan. A policy for taking backup of critical data at regular intervals and storing it at remote locations to ensure continuity of operations in case of a disaster was not framed.

The department stated that there were different levels of backup procedure. The department's reply was silent regarding remote storage, instant recovery and periodical testing of backup data for retrieval (July 2009).

3.2.17 Lack of long term strategy

The Transport Department has not formulated and documented a formal strategy for eventual acquisition, maintenance and utilisation of the information system for proper governance and is completely dependent on the concessionaire for all its activities. No departmental officer is being trained simultaneously on operation of the system.

In the event of the concessionaire abruptly abandoning the work, the department will not be in a position to handle the work independently, leading to possible disruption of work in the transport offices.

3.2.18 Conclusion

The objective of outsourcing the functions of the Transport Department under e-Governance and issuance of smart card based RC was aimed at imparting better, efficient and timely service to the users and plugging revenue leakage. This however, remained unachieved in view of delay in issuance of RC. Completeness, accuracy and integrity of data entered and processed were not ensured due to deficient application controls coupled with supervisory controls. Several components of the modules were not in operation and software deficiencies were found which necessitated manual intervention for rectification, thereby rendering the system unreliable. Creation of a central database and uploading of paper based records to the database could not be completed even after two years of the commercial operation of the system. Thus, the objectives of implementing 'Vahan' for better citizen services, improving working of RTOs and enforcement agencies, an efficient and transparent revenue collection, etc., could not be achieved fully.

3.2.19 Recommendations

The Government may consider the following:

- Frame the security and backup policies and define the business continuity plan.
- Identify gaps in the process mapping and incorporate them in the application.
- Strengthen the input and validation control features to ensure that incorrect and incomplete data is not fed into the system.
- Ensure adequate physical and logical access control so that the safety and security of data is not compromised.
- Ensure proper supervisory check/control over the system.
- Train departmental officials in system management and database operation.
- Ensure prompt and efficient delivery of services to the users by the concessionaire.

3.3 Other audit observations

Scrutiny of records relating to assessment and collection of motor vehicles tax in the office of the STA, Orissa and the regional transport offices revealed several cases of non-observance of the provisions of Acts/Rules and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions remain undetected till an audit is conducted. There is need for the Government to consider directing the Department to improve the internal control system including strengthening of internal audit so that such omissions can be avoided, detected and corrected.

3.4 Non-compliance of the provisions of the Act/Rules

The provisions of the Orissa Motor Vehicles Taxation (OMVT) Act and Rules require payment of:

(i) Motor vehicles tax/additional tax by the vehicle owner at the appropriate rate;

(ii) tax/additional tax in advance and within the grace period so provided;

(iii) tax/additional tax and in addition penalty as applicable for the entire period for which a vehicle which was declared off road was found plying or not found at the declared place during the aforesaid period;

(iv) tax/additional tax at the highest rate of the slab of the stage carriage if the stage carriage was found plying without permit;

(v) tax/fee in respect of trade certificate holders.

Non-compliance of the provisions of the Act/Rules in some of the cases as mentioned in paragraphs 3.4.1 to 3.4.6 resulted in non/short realisation of Rs. 64.51 crore.

3.4.1 Non/short realisation of motor vehicles tax and additional tax

Under the OMVT Act, 1975, tax/additional tax due on motor vehicles should be paid in advance within the prescribed period at the rates prescribed in the Act unless exemption from payment of such tax/additional tax is allowed for the period covered by off road declaration. Further, when a vehicle in respect of which motor vehicles tax/additional tax for any period has been paid as per the registration certificate, is proposed to be used in a manner for which higher rate of motor vehicles tax/additional tax is payable, the owner of the vehicle is liable to pay the differential tax. Penalty is to be charged at double the motor vehicles tax/additional tax due, if tax/additional tax is not paid within two months of the expiry of the grace period of 15 days. The RTOs are required to issue demand notices within 30 days from the expiry of the grace period for payment of tax/additional tax.

Scrutiny of the general register (GR) of registration certificates and off road registers of 26 transport regions[55] between June 2008 and March 2009 revealed that motor vehicles tax/additional tax of Rs. 21.19 crore in 30,521 cases was not realised or realised short for the period between January 2006 and March 2008 even though the vehicles were not declared off road. This resulted in non/short realisation of Rs. 63.58 crore including penalty of Rs. 42.39 crore as detailed in the following table.

(Rupees in crore)

Sl. No.	Type of vehicles	No. of vehicles	Non-realisation of tax/additional tax	Penalty leviable	Total
1.	Goods vehicles	14,820	14.97	29.93	44.90
2.	Contract carriages	5,962	3.30	6.60	9.90
3.	Tractor trailer combination	9,184	2.48	4.97	7.45
4.	Stage carriages	428	0.40	0.80	1.20
5.	Stage carriages used as contract carriages	127	0.04	0.09	0.13
	Total	**30,521**	**21.19**	**42.39**	**63.58**

The matter was brought to the notice of the Transport Commissioner (TC), Orissa in April 2009. The TC, Orissa stated in July 2009 that Rs. 4,266 has been realised in one case by the RTO, Keonjhar out of the cases at Sl. No. 5. It was also stated that demand notices for Rs. 7.79 lakh in 47 cases out of the cases at Sl. Nos. 4 and 5 had been issued by the RTO, Cuttack and tax recovery cases for Rs. 3.31 lakh had been instituted in 19 cases out of the cases at Sl. No. 4 and 5 by the RTOs, Dhenkanal and Bhadrak. A report on further development in the above cases and reply in the remaining cases has not been received (October 2009).

The matter was brought to the notice of the Government in April 2009; their reply has not been received (October 2009).

3.4.2 Non-realisation of motor vehicles tax/additional tax for violation of off road declaration

Under the provisions of the OMVT Act, motor vehicles tax/additional tax is to be levied on every motor vehicle used or kept for use in the State of Orissa unless prior intimation of non-use of the vehicle is given to the taxing officer (TO). If, at any time, during the period covered by off road declaration, the vehicle is found to be plying on the road or not found at the declared place, it shall be deemed to have been used throughout the said period. In such a case, the owner of the vehicle is liable to pay tax/additional tax and penalty as applicable for the entire period for which it was declared off road.

Test check of the records of six transport regions[56] between May and November 2008 revealed that 29 motor vehicles under off road declaration for

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

56 Balasore, Bhubaneswar, Cuttack, Gajapati, Ganjam and Jharsuguda.

the period between April 2007 and March 2008 were either detected plying or not found at the declared places by the enforcement staff during the said period. No action was taken by the TOs to realise the motor vehicles tax/additional tax and levy penalty for violation of off road declaration. This resulted in non-realisation of motor vehicles tax and additional tax of Rs. 29.53 lakh including penalty of Rs. 19.69 lakh.

After the cases were pointed out, the RTO, Balasore and Jharsuguda issued demand notice for Rs. 1.48 lakh. The TC stated in July 2009 that demand notices in four cases for Rs. 1.42 lakh had been issued by the RTO, Cuttack. A report on realisation in respect of the above cases and reply in the remaining cases has not been received (October 2009).

The matter was brought to the notice of the Government in April 2009; their reply has not been received (October 2009).

3.4.3 Non/short realisation of motor vehicles tax/additional tax from stage carriages plying without route permit

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

Test check of the records of 16 transport regions[57] between May 2008 and March 2009 revealed that 56 stage carriages were detected to be plying without permit by the Enforcement Wing during different periods between April 2007 and March 2008 and the vehicle check reports (VCRs) were sent to the RTOs. However, the motor vehicles tax/additional tax were either not realised or realised at lower rates resulting in non/short realisation of motor vehicles tax and additional tax amounting to Rs. 7.16 lakh. Besides, penalty of Rs. 14.31 lakh though leviable was not levied.

After the cases were pointed out, the TC stated in July 2009 that demand notice for Rs. 48,024 had been issued in two cases by the RTO, Cuttack and tax recovery case was instituted in one case for Rs. 16,590 by the RTO, Bhadrak. A report on further development in the above cases and reply in the remaining cases has not been received (October 2009).

The matter was brought to the notice of the Government in April 2009; their reply has not been received (October 2009).

57 Balasore, Bargarh, Bhadrak, Bolangir, Cuttack, Ganjam, Kalahandi, Keonjhar, Koraput, Mayurbhanj, Nabarangpur, Nayagarh, Phulbani, Rayagada, Rourkela and Sambalpur.

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

Under the OMVT Act and the Rules made thereunder, penalty ranging from 25 to 200 *per cent* of the tax/additional tax due depending on the extent of delay in payment, shall be leviable if a vehicle owner does not pay tax and additional tax within the specified period.

Test check of the records of 26 transport regions[58] between June 2008 and March 2009 revealed that though taxes in respect of 195 vehicles for the period between April 2003 and March 2008 were paid belatedly after a delay ranging between two days and 59 months, yet in 70 cases penalty of Rs. 7.32 lakh was not levied by the RTOs while in the remaining 125 cases, penalty of Rs. 14.42 lakh was levied short. This resulted in non/short levy of penalty amounting to Rs. 21.74 lakh.

After the cases were pointed out, the TC stated in July 2009 that the RTO, Dhenkanal has instituted tax recovery cases for Rs. 1.90 lakh for all the nine cases. A report on realisation in respect of the above cases and reply for the remaining cases has not been received (October 2009).

The matter was brought to the notice of the Government in April 2009; their reply has not been received (October 2009).

3.4.5 Non/short realisation of motor vehicles tax/additional tax from stage carriages plying on interstate routes

In pursuance of an agreement between the Government of Orissa and any other State, if a stage carriage plies on a route partly within the State of Orissa, it is liable to pay tax/additional tax calculated on the total distance covered by it on the approved route in the State of Orissa. The rates and in the manner in which such tax/additional tax is to be paid have been specified under the OMVT Act and the Rules made thereunder. In case the tax/additional tax is paid beyond two months after the grace period of 15 days, penalty is to be charged at double the tax/additional tax due.

Test check of the records of the STA and three transport regions[59] between June and December 2008 revealed that in case of 15 out of 20 stage carriages authorised to ply on interstate routes under the reciprocal agreement, motor vehicles tax/additional tax of Rs. 5.32 lakh for the period between April 2007 and March 2008 was not levied. In the remaining five cases, motor vehicles tax/additional tax of Rs. 40,663 was realised short. Thus, there was non/short realisation of motor vehicles tax/additional tax of Rs. 5.73 lakh. Besides, penalty of Rs. 11.46 lakh was also leviable for non-payment of dues.

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

59 Keonjhar, Mayurbhanj and Rourkela.

After the cases were pointed out, the TC and all the RTOs concerned stated between June and December 2008 that action would be taken for realisation of the dues. A report on recovery has not been received (October 2009).

The matter was brought to the notice of the Government in April 2009; their reply has not been received (October 2009).

3.4.6 Non-realisation of trade certificate tax/fees

Under the OMVT Act read with the Central Motor Vehicles Rules, 1989 (as amended), dealers in motor vehicles are required to obtain a trade certificate from the registering authorities by paying the requisite tax/fees annually in advance. Under the MV Act, 1988, a dealer includes a person who is engaged in building bodies on the chassis or in the business of hypothecation[60], leasing or hire purchase of motor vehicles.

Test check of the records of seven transport regions[61] between June 2008 and January 2009 revealed that in respect of 92 dealers, trade certificate tax and fees for the period from April 2007 to March 2008 were not realised. This resulted in non-realisation of tax and fees of Rs. 3.29 lakh.

After the cases were pointed out, the TC stated in July 2009 that demand notices for Rs. 36,000 in respect of 12 cases have been issued by the RTO, Cuttack. A report on recovery in the above cases and reply in respect of the remaining cases has not been received (October 2009).

The matter was brought to the notice of the Government in April 2009; their reply has not been received (October 2009).

3.5 Non-compliance of Government notification/decision

Government decision of 2001 and 2003 prescribes for payment of:

(i) One time composite tax by the vehicles of Andhra Pradesh plying in Orissa; and

(ii) countersignature fee/process fee at the prescribed rate.

Non-compliance of the above decisions in some of the cases as mentioned in paragraphs 3.5.1 and 3.5.2 resulted in non/short realisation of Rs. 1.98 crore.

3.5.1 Short/non-realisation of countersignature/process fees

As per the MV Act read with the Government of Orissa, Commerce and Transport (Transport) Department notification dated 24 January 2003, fee for countersignature of permits was enhanced and process fee of Rs. 100 on every application was introduced with effect from 28 January 2003. The department by an order of March 2003, however, postponed the collection of fees at the rates prescribed in the notification.

60 Financing through mortgage.

61 Bargarh, Bolangir, Chandikhol, Cuttack, Ganjam, Jharsuguda and Sambalpur.

Test check of the permit registers and other connected records in the STA, Orissa and 25 transport regions[62] including 12 check gates between May 2008 and March 2009 revealed that the fee for counter signature of permits were realised at the pre-revised rates in respect of 214 goods vehicles and process fee for the period from April 2007 to March 2008 was not realised in 1.44 lakh cases resulting in short/non realisation of fees of Rs.1.55 crore.

After the cases were pointed out, the TC stated in July 2009 that the collection of the fees was kept in abeyance as per the Government of Orissa order of March 2003. It was also stated that Government had been moved to clarify the position. The fact, however, remains that the rates published in the gazette had already come into force and charging of old rates by an executive order was irregular since executive orders cannot overrule the statutory provisions.

The matter was brought to the notice of the Government in April 2009; their reply has not been received (October 2009).

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

As per the Government of Orissa decision of February 2001 goods vehicles belonging to Andhra Pradesh and authorised to ply in Orissa under the reciprocal agreement were required to pay annually composite tax of Rs. 3,000 per vehicle instead of the additional tax for each entry into the State. The tax was payable in advance on or before the 15th April every year to the STA, Orissa. In case of delay in payment, penalty of Rs. 100 for each calendar month or part thereof was also leviable in addition to the composite tax.

Test check of the records of STA, Orissa in August 2008 revealed that out of 1,334 goods vehicles of Andhra Pradesh authorised to ply in Orissa on the strength of valid permits under reciprocal agreement during 2007-08, composite tax for 923 goods vehicles amounting to Rs. 27.69 lakh was not realised. Besides, penalty of Rs. 14.77 lakh calculated upto July 2008 was also leviable.

After the case was pointed out, the TC stated in July 2009 that STA, Andhra Pradesh had been moved in July 2009 for realisation of the dues. A report on further development has not been received (October 2009).

The matter was brought to the notice of the Government in December 2008; their reply has not been received (October 2009).

62 Angul, Balasore, Bargarh, Bhadrak, Bhubaneswar, Chandikhol, Cuttack, Dhenkanal, Gajapati, Ganjam, Jagatsinghpur, Jharsuguda, Kalahandi, Keonjhar, Koraput, Mayurbhanj, Nabarangpur, Nayagarh, Nuapada, Phulbani, Puri, Rayagada, Rourkela, Sambalpur and Sundargarh.

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

4.1 Results of audit

Test check of the records relating to assessment and collection of land revenue and stamp duty and registration fees conducted during the year 2008-09 revealed non-collection, non/short assessment, loss of revenue, blocking of revenue etc., amounting to Rs. 434.47 crore in 75,141 cases, which fall under the following categories:

(Rupees in crore)

Sl. No.	Categories	No. of cases	Amount
LAND REVENUE			
1.	Non-collection of premium etc. on land occupied by local bodies/private bodies etc.	52	99.62
2.	Non-realisation of revenue due to delay in finalisation of OEA (*Bebandobasta*) cases	11,529	8.40
3.	Blockage of revenue due to non-finalisation of OLR cases	2,463	1.98
4.	Non-lease/irregular lease of *sairat* sources	365	1.10
5.	Other irregularities	3,585	11.41
	Total	**17,994**	**122.51**
STAMP DUTY AND REGISTRATION FEES			
1.	Blockage of revenue due to non-disposal of 47A cases	52,566	258.46
2.	Levy and collection of stamp duty and registration fee	1	48.58
3.	Loss of revenue due to non-consideration of highest sale value at the time of registration (under valuation cases)	3,232	2.20
4.	Blockage of revenue due to pending impounding cases	633	1.10
5.	Short levy of stamp duty and registration fees due to non-revision of bench mark value	123	0.21
6.	Non-assessment of town planning/urban area charges	528	0.12
7.	Other irregularities	64	1.29
	Total	**57,147**	**311.96**
	Grand total	**75,141**	**434.47**

During the year 2008-09, the department accepted underassessment, non-realisation of revenue and other deficiencies of Rs. 38.15 crore in 22,128 cases pointed out in 2008-09. The department recovered Rs. 173.85 crore in 3,899 cases pointed out during 2008-09 and earlier years.

A few illustrative audit observations involving Rs. 75.51 crore are discussed in the following paragraphs.

4.2 Audit observations

Scrutiny of the records relating to assessment and collection of land revenue and stamp duty and registration fees revealed non-collection, non/short assessment, loss of revenue, blocking of revenue and other cases as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions are pointed out repeatedly; but not only do the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system including strengthening of internal audit so that these omissions can be avoided, detected and corrected.

Land Revenue

4.3 Non-observance of Government orders/instructions

In regard to alienation[63] of Government land, Government orders/instructions require that:-

(i) Government land be alienated to various bodies/organisations on payment of premium equivalent to market value of the land along with ground rent and cess at the prescribed rates; and

(ii) in case of land alienated in favour of Central Government organisations capitalised value at the rate of 25 times of ground rent and cess is payable.

Non-observance of some of the above provisions by the assessing authorities as mentioned in paragraphs 4.3.1 and 4.3.2 resulted in non/short realisation of revenue of Rs. 34.33 crore.

4.3.1 Non/short realisation of revenue on alienation of Government land

According to the Government orders of October 1961, May 1963, February 1966, Revenue Department letters of 22 March 1978 and 22 January 2005, government land can be leased out to local bodies, public sector undertakings, educational and charitable institutions, State departments, etc., on payment of premium fixed on the basis of the market value of the land plus annual ground rent at one *per cent* of the market value and cess at 50 *per cent* of the ground rent upto 1993-94 and 75 *per cent* thereafter. In case of lease of government land to Central Government organisations premium and capitalised value of land revenue equivalent to 25 times of annual rental, i.e., ground rent and cess is payable. Besides, interest at the rate of six *per cent* upto 27 November 1992 and 12 *per cent* thereafter is realisable for the period from the date of occupation of the land till the date of payment of the dues.

63 Transfer of land.

4.3.1.1 Non-finalisation of alienation cases

Test check of the records of three *tahasils* between May and August 2008 revealed that in four cases alienation of government land measuring 335.220 acres was not regularised though the occupants were in possession of the land for periods ranging between 23 months and 44 years. Due to non-finalisation of the alienation cases there was non-realisation of Government revenue amounting to Rs. 29.26 crore towards premium, ground rent, cess and interest as mentioned in the following table.

(Rupees in crore)

Sl. No.	Name of the *Tahasil* Name of the occupant	Year/ month of occupation	Area (in acre)	Revenue remained unrealised			Total
				Premium	Ground rent Cess	Interest	
1.	Berhampur GRIDCO[64]	1964	10.000	2.75	1.21 0.70	13.39	18.05
The department did not take any action for 35 years. The occupant applied for alienation of land in September 1999. Despite lapse of more than eight years the case has not been finalised (May 2008).							
2.	Kanisi ADGM School[65]	1985	320.590	1.84	0.46 0.35	6.03	8.68
Advance possession of the land was given in 1985. Despite lapse of 23 years the case has not been finalised (July 2008).							
3.	Tangi GRIDCO	1970	1.630	0.24	0.09 0.06	1.05	1.44
The land was encroached by GRIDCO since 1970. The Executive Engineer, GRIDCO stated to have applied in September 1991 to the *Tahasildar*, Banpur for alienation of the land. However, no alienation case was started in Banpur *tahasil*. Consequent upon creation of Tangi *tahasil* in 1996 the land was transferred from the jurisdiction of Banpur *tahasil* to Tangi *tahasil*. The *Tahasildar*, Banpur started an encroachment case in July 1996 vide case No. 167/96-97 and advised (November 2001) the corporation to apply for alienation. The case has not, however, been finalised (May 2008).							
4.	Berhampur Software Technology Park of India, Bhubaneswar	May 2006	3.000	0.86	0.02 0.01	0.20	1.09
The organisation applied in August 2005 for alienation of the land in its favour. Advance possession was handed over in May 2006. Though the case of non-finalisation of alienation was pointed out by audit in November 2006, despite lapse of two years and 10 months the case has not been finalised (May 2008).							
Total:			**335.220**	**5.69**	**1.78** **1.12**	**20.67**	**29.26**

After the cases were pointed out, the *Tahasildar,* Berhampur stated in May 2008 that action would be taken to finalise the cases and raise the demands. The *Tahasildar*, Kanisi stated in August 2008 that the case was pending with the Government and after sanction of the lease the amount is likely to be realised. The *Tahasildar*, Tangi stated in June 2008 that application for alienation of the land has not been filed by the GRIDCO authorities. The fact,

64 Grid Corporation of Orissa Limited.

65 Air Defence Guided Missile School, Golabandha.

however, remains that despite the land being in possession of GRIDCO since 1970 the department failed to take action for finalisation of the case. A report on further development in the other cases has not been received (October 2009).

The matter was reported to the Government between November 2008 and February 2009. In respect of Sl. No. 1, the Government stated in August 2009 that the alienation case initiated was pending for finalisation due to pendency of the conversion of a plot of land from *gochar*[66] to *patita*[67]. It was also stated that advance possession was not given to GRIDCO. The reply is not tenable as the plot of land for which the conversion case was pending was not related to the case in question. Further, GRIDCO was in possession of the land since 1964 as stated by the Executive Engineer, GRIDCO in September 1999 in his application for alienation of the land. Reply in respect of the other cases has not been received (October 2009).

4.3.1.2 Short demand of capitalised value

Test check of the records of five *tahasil* offices between May and August 2008 revealed that Government land measuring 176.607 acres was alienated to two Central Government organisations. While calculating the dues payable to the Government, the *tahasildars* levied the capitalised value on the ground rent only instead of levying it on both the ground rent and cess. Thus, there was short demand of Rs. 3.61 crore including interest calculated upto March 2008 as mentioned in the following table.

(Rupees in lakh)

Sl. No.	Name of the *tahasil*	Name of the occupant	Year of occupation	Area (in acres)	Cess not levied	Interest payable	Total
1.	Keonjhar	East Coast railway	2003-04	67.330	72.55	34.83	107.38
2.	Khallikote	NHAI[68]	2003-04	50.799	95.36	57.22	152.58
3.	Kanisi	-do-	2005-06	19.030	59.02	14.16	73.18
4.	Tangi	-do-	2004-05	31.165	14.58	5.25	19.83
5.	Bhadrak	-do-	2006-07	8.283	7.07	0.85	7.92
Total :				**176.607**	**248.58**	**112.31**	**360.89**

After the cases were pointed out, while the *tahasildars,* Bhadrak and Khallikote raised the demand in July 2008 and May 2009 respectively, the *Tahasildar*, Tangi stated in May 2008 that action would be taken to realise the amount. *Tahasildar*, Kanisi stated in August 2008 that the NHAI would be intimated regarding the demand. *Tahasildar*, Keonjhar stated in August 2008 that action would be taken on receipt of clarification from the Government.

66 *Gochar* –Grazing field

67 *Patita* – Waste land

68 National Highway Authority of India.

A report on realisation in the cases at Sl. No. 2 and 5 and further developments in the remaining cases has not been received (October 2009).

The matter was reported to the Government in March 2009; their reply has not been received (October 2009).

4.3.1.3 Short demand of premium and capitalised value

Test check of the records of the *Tahasildar*, Hemgir in November 2008 revealed that the Government of India, Ministry of Energy, Department of Coal notified on 11 February 1987 the acquisition of 7,632.93 acres of land in Hemgir *tahasil* under the Coal Bearing Areas (Acquisition and Development) Act, 1957. Of this, revenue forest land measuring 48.64 acres was handed over to the Mahanadi Coalfields Limited in March 1995. The *tahasildar* raised demand of Rs. 21.29 lakh towards premium and capitalised value in respect of this land in March 2003 adopting 10 *per cent* appreciation for 13 years. However, the dues payable on that account comes to Rs. 40.67 lakh calculated adopting 10 *per cent* appreciation in each subsequent year including interest for the period from 1995-96 to 2002-03. The omission resulted in short demand of premium, capitalised value and interest amounting to Rs. 19.38 lakh. Besides, interest of Rs. 11.63 lakh was also leviable for the period from 2003-04 to March 2008.

After the case was pointed out, the *tahasildar* stated in November 2008 that action would be taken to raise revised demand. A report on further development has not been received (October 2009).

The matter was reported to the Government in January 2009; their reply has not been received (October 2009).

4.3.2 Non-raising of demand on unauthorised occupation of Government land

As per the Government of Orissa, Revenue Department letter of February 1966, government land occupied without permission of the Government are generally to be treated as encroachment cases and the occupants are to be evicted under the provisions of the Orissa Prevention of Land Encroachment (OPLE) Act. In such cases, however, the Government, due to certain good and sufficient reasons, may consider to settle the land with the occupiers on payment of premium, etc., determined on the basis of the market value of the land as on the date of recommendation of the *tahasildar* or as on the date of occupation of the land, whichever is higher. Besides, interest at the rate of 12 *per cent* is leviable from the date of occupation.

Test check of the records of the *Tahasildar*, Titlagarh in September 2008 revealed that Government land measuring 0.664 acre was unauthorisedly occupied by the Notified Area Council (NAC), Titlagarh since 2002 where a market complex had been constructed. Neither did the NAC authorities apply for alienation of the land nor did the *tahasildar* take any action either to initiate encroachment case under the OPLE Act for eviction or to regularise the unauthorised possession by granting lease. Thus, inaction of the

department for the last six years resulted in blockage of Government revenue of Rs. 1.15 crore payable on alienation of the land including interest of Rs. 41.93 lakh calculated upto March 2008.

After the case was pointed out, the *tahasildar* stated in September 2008 that action would be taken for initiation of encroachment case and for alienation of the land on realisation of premium, ground rent, etc. A report on further development has not been received (October 2009).

The matter was reported to the Government in February 2009; their reply has not been received (October 2009).

4.4 Short realisation of premium on conversion of agricultural land for non-agricultural use

Conversion of agricultural land for non-agricultural use at prerevised rate resulted in short realisation of revenue amounting to Rs. 15.41 lakh.

Under the Orissa Land Reforms (OLR) Act, 1960, a *raiyat*[69] is liable to eviction if he has used agricultural land for non-agricultural purpose. Such land can, however, be resettled on payment of premium at the prescribed rate as revised with effect from 5 October 2004.

Test check of the records of five *tahasils*[70] between September 2008 and January 2009 revealed that the *tahasildars* allowed conversion of agricultural land measuring 10.165 acres in 77 cases for non-agricultural use after October 2004 on realisation of premium at the pre-revised rate. This resulted in short realisation of revenue amounting to Rs. 15.41 lakh.

After the cases were pointed out, the *tahasildars* stated between October 2008 and January 2009 that the deficit amount would be realised on issue of demand notices. A report on further development has not been received (October 2009).

The matter was brought to the notice of the Government in February 2009; their reply has not been received (October 2009).

Stamp Duty and Registration Fees

4.5 Non-observance of the Acts/Rules/Government instructions

The Indian Stamp Act (IS Act), 1899, Indian Registration Act (IR Act), 1908, Orissa Stamp Rules, 1952 and the market value guidelines prescribed under the Orissa Stamp (Amendment) Rules, 2001 provides for :-

(i) Levy of stamp duty and registration fee at the prescribed rate;

(ii) levy of stamp duty and registration fee on bench mark value;

69 Any person holding the land for the purpose of cultivation with the right of occupancy according to tenancy law.

70 Bhawanipatna, Jeypore, Kesinga, Panposh and Titlagarh.

(iii) registration of lease deeds/sale agreements; and

(iv) exemption from stamp duty on fulfilment of prescribed conditions.

Non-observance of some of the above provisions in cases as mentioned in the following audit observations resulted in non/short levy of stamp duty and registration fee, loss of stamp duty and registration fee due to delay in implementation of bench mark valuation and irregular exemption from stamp duty as mentioned in paragraph 4.6.

4.6 Levy and collection of stamp duty and registration fees

4.6.1 Introduction

Receipts from stamp duty and registration fees in the State are regulated under the Indian Stamp Act (IS Act), 1899, Indian Registration Act (IR Act), 1908, Orissa Stamp Rules, 1952 and the market value guidelines prescribed under the Orissa Stamp (Amendment) Rules, 2001. While stamp duty (SD) was leviable at the rate of eight *per cent* upto 4 August 2008 and at the rate of five *per cent* thereafter, registration fees (RF) is leviable at the rate of two *per cent*. Additional stamp duty under the Orissa Town Planning and Improvement Trust Act, 1956 was leviable wherever applicable at the rate of two/three *per cent* up to 24 May 2005 and three *per cent* thereafter upto 4 August 2008.

4.6.2 Non/short levy of stamp duty and registration fee

As per the explanation below Article 23 of the Indian Stamp (Orissa Amendment) Act, 2001, as amended in 2003, an agreement to sell any immovable property or power of attorney shall, in case of transfer of the possession of such property before or at the time of or after the execution of such agreement or power of attorney, be deemed to be a conveyance and stamp duty thereon shall be chargeable accordingly. However, section 47-A of the IS Act, shall not apply to such agreement and power of attorney. Further, as per the provisions of Article 23(b) of the above Act, in respect of conveyance on immovable property, SD and RF is chargeable on the consideration set forth in the document or the market value of the property, whichever is higher.

4.6.2.1 General power of attorney

Test check of general power of attorney instruments registered between 2006 and 2008 in three[71] registering offices revealed that in 21 cases although recitals indicated transfer of possession, the documents were stamped as general power of attorney instead of levying SD and RF payable on conveyance deed. This resulted in short levy of SD and RF of Rs. 20.36 crore.

After the cases were pointed out, the registering officers stated that the provision "Section 47-A of the IS Act shall not apply in these cases" incorporated in the Orissa Amendment Act of 2003 debars them from levying

71 Cuttack, Khurda and Sambalpur.

duty on the market value as conveyance and the registering officer has no jurisdiction to force the parties to disclose and set forth the market value of the property in the deed. The District Sub Registrar (DSR), Sambalpur stated in June 2009 that action would be taken after examination of the documents. Thus, due to an inconsistent clause in the amended provision the Government had forgone an amount of Rs. 20.36 crore.

4.6.2.2 Agreement to sell

Test check of the agreement to sell instruments registered between 2004 and 2008 in eight[72] registering offices revealed that in 37 cases although consideration money was already set forth in the documents and recitals indicated transfer of possession, SD and RF were levied on advance amount paid instead of the total consideration money set forth in the instruments classifying it as conveyance deeds. This resulted in short levy of SD and RF of Rs.1.18 crore.

After the cases were pointed out, the registering officers stated that the SD and RF were levied on the advance amount paid as per provisions of the IS Act. The fact, however, remains that under Section 23(b) of the IS (Orissa Amendment) Act, 2003, in case of agreements where recitals indicated transfer of possession, the instruments were to be registered as conveyance deed.

4.6.3 Non-registration of lease deeds/sale agreements

As per Section 17 of the IR Act, lease agreements exceeding one year are to be compulsorily registered. Further, under Section 2(16) of the IS Act any instrument of toll contracts is chargeable to stamp duty as an instrument of lease at the prescribed rates. Under Section 2(10) of the IS Act, a conveyance includes a conveyance on sale and every instrument by which property, whether movable or immovable, is transferred and which is not otherwise specifically provided for in Schedule I to the Act.

Information collected from various sources such as Government departments, Industrial Infrastructure Development Corporation (IDCO), Industrial Development Corporation Limited (IDCOL) and Registrar of Co-operative Societies relating to sale agreements and lease records revealed that three agreements executed between June 2005 and January 2007 and lands measuring 10,405.204 acres transferred between May 1992 and April 2008 were not registered though required to be done compulsorily. This resulted in non-realisation of SD and RF of Rs. 14.80 crore as shown in the following table.

72 Balasore, Berhampur, Cuttack, Ganjam, Khurda, Mayurbhanj, Puri and Sambalpur.

(Rupees in crore)

Sl. No.	Name of the lessor	Location of the land/ property	Area in acre Consideration amount	SD and RF leviable	Remarks
1.	Tahasildar, Cuttack	Cuttack	185.970 6.00 (Market value Rs. 65.25 crore)	4.57	Government land was transferred in favour of Sri Sri Ravishankar Vidyamandir Trust, Bangalore in December 2007 for establishment of a multi-disciplinary university at Cuttack at a concessional rate on payment of consideration money in November 2007.
2.	Collector, Ganjam	Gopalpur	3,733.464 39.65	3.57	For establishment of integrated steel plant at Gopalpur, Ganjam both Government and private lands were transferred between October 1996 and February 1999 on payment of value of the land between November 1995 and December 2006.
3.	Works department	Palaspanga – Bamebari Road	NA 48.20	3.37	Build operate and transfer (BOT) agreement was made in July 2006 on stamp paper of Rs. 100 with concession period for 15 years.
4.	Industrial Development Corporation Ltd. (IDCOL)	Aska, Baripada and Sonepur	NA 15.65	1.56	Three spinning mills were transferred on 15 January 2007 to a private party on execution of an agreement deed and payment of consideration money on the same date.
5.	Baramba Co-operative Sugar Industries Ltd.	Baramba	NA 8.29	0.83	Agreement was executed on 27 June 2005 on stamp paper of Rs. 100 and possession was handed over on the same date on payment of first instalment of the consideration money of rupees one crore.
6.	Collector, Jajpur	Jajpur Tahasil	6,241.660 28.49	0.61	Government land was transferred to IDCO for industrial purpose which was subsequently handed over to different industries between May 1992 and April 2008.
7.	Tahasildar, Puri	Puri	244.110 4.09	0.29	Government land was transferred in September 2007 for establishment of Vedanta University on payment of consideration money in September 2007.
Total :			**10,405.204** **209.62**	**14.80**	

In all the above cases though the lands involved were transferred by government departments/semi-government organisations the departments failed to discharge their duties in safeguarding the interest of revenue.

4.6.4 Loss of revenue due to delay in implementation of bench mark valuation

Consequent upon introduction of market value guidelines in November 2001 amending the Orissa Stamp Rules, valuation committees were formed to determine plot wise bench mark value of property for the purpose of levy of SD & RF. As per the Rules, the bench mark value so fixed shall remain in force for a period of two years to be revised biennially before its expiry. If the committee fails to revise the bench mark value before its expiry, the Collector as Chairman of the committee would enhance the bench mark value by 10 *per cent*. Due to delay in implementation of the scheme, Government instructed in July 2004 to implement the market value guidelines latest by September 2004. As per information collected from registration offices and verification of records it was revealed that the sale statistics and other relevant information on land value was collected for the years from 2001 to 2003 or 2002 to 2004 basing on which the bench mark value was prepared which was to be implemented from the year 2005. The bench mark value was, however, implemented in different districts between the years 2006 and 2008.

4.6.4.1 Test check of the records of five registration offices in June 2009 revealed that 440 documents were registered between 2005 and 2007 on the value of the lands which was below the bench mark value. This resulted in loss of SD and RF of Rs. 8.54 crore calculated on the differential value as per details given in the following table:

(Rupees in lakh)

Sl. No.	Name of the DSR/SR	No. of documents	SD and RF leviable	SD and RF levied	SD and RF short levied
1.	DSR, Khurda	140	672.89	145.71	527.18
2.	DSR, Sambalpur	152	322.04	74.41	247.63
3.	SR, Berhampur (Town)	36	59.20	11.05	48.15
4.	DSR, Nayagarh	87	29.21	6.58	22.63
5.	DSR, Cuttack	25	25.48	17.10	8.38
Total :		**440**	**1,108.82**	**254.85**	**853.97**

After the cases were pointed out, the DSRs and Sub Registrars (SRs) stated that the bench mark value was implemented after approval of the Government. The fact, however, remains that due to delay in approval and implementation of the bench mark value there was loss of revenue.

4.6.4.2 Test check of the records of five DSRs and three SRs between April and June 2009 revealed that the bench mark values were prepared in respect of Cuttack and Puri districts taking into account the field data pertaining to the years 2002, 2003 and 2004 whereas in the districts of Ganjam, Jajpur, Jharsuguda and Sundargarh the data for the years 2001, 2002 and 2003 was adopted. The bench mark value was implemented in the above districts without revision or without enhancing the value so fixed by the Collector.

During August 2006 to December 2008, 637 documents were registered adopting the bench mark value fixed on the basis of the field data for the period 2001 to 2004. Thus, adoption of the bench mark value without revision/enhancement resulted in loss of Government revenue of Rs. 41.65 lakh calculated in audit by enhancing the bench mark value by 10 *per cent* as detailed in the following table.

(Rupees in lakh)

Sl. No.	Name of the DSR/SR	No. of documents	Stamp duty and registration fee		Loss of revenue in shape of SD and RF
			Leviable	Levied	
1.	DSR, Cuttack	171	109.09	99.18	9.91
2.	DSR, Puri	177	104.39	94.86	9.53
3.	SR, Dolipur	116	78.81	71.65	7.16
4.	DSR, Jharsuguda	44	53.15	48.32	4.83
5.	DSR, Sundargarh	39	26.24	22.42	3.82
6.	SR, Berhampur (Town)	23	39.44	35.83	3.61
7.	SR, Bonai	34	14.73	13.19	1.54
8.	DSR, Ganjam	33	13.81	12.56	1.25
Total :		**637**	**439.66**	**398.01**	**41.65**

After the cases were pointed out, the DSRs and SRs stated between April and June 2009 that the bench mark value was implemented after approval of the Government and enhancement was due after two years from the date of implementation. The fact, however, remains that the delayed Government approval without raising the valuation resulted in loss of revenue.

4.6.5 Escapement of stamp duty and registration fee

As per Section 27 of the IS (Orissa Amendment) Act, the consideration, if any, the market value of the property and all other facts and circumstances affecting the chargeability of any instrument with duty or the amount of duty with which it is chargeable shall be fully and truly set forth therein.

4.6.5.1 Cross verification of information relating to allotment of Government land obtained from IDCO with the records of the DSR, Jajpur revealed that IDCO allotted Government land of 1,563.520 acres in favour of two industries for setting up steel plants and three deeds were executed between August 2004 and November 2005 with consideration of Rs. 29.39 crore set forth in the documents. It was seen from the recital of the documents with reference to the allotment orders that the value of development charges, ground rent, cess and ex-gratia amounting to Rs. 7.92 crore were not disclosed in the total consideration money. Besides, there was also short levy of SD and RF on the consideration money set forth in the documents. This resulted in escapement of SD and RF of Rs. 1.57 crore.

After the case was pointed out, the DSR stated in June 2009 that the case would be reviewed and the concerned companies would be asked to deposit the SD and RF. A report on further development has not been received (October 2009).

4.6.5.2 Similarly, an area of 500 acres was sanctioned by the Collector, Khurda in November 2007 in favour of IDCO. The deed of agreement was executed and registered in October 2008 between the Governor of Orissa and IDCO, Bhubaneswar on consideration money of Rs. 29.89 crore excluding incidental charges of Rs. 2.50 crore. Though the incidental charges were realised by the Collector, Khurda from IDCO the said transaction could not be considered at the time of registration resulting in escapement of RF of Rs. 5 lakh.

After the case was pointed out, the SR, Jatni stated in June 2009 that supplementary deed could be executed. The fact, however, remains that due to non-execution of supplementary deed there was escapement of RF.

4.6.6 Short realisation of stamp duty and registration fees due to acceptance of valuation below bench mark value

As per the Orissa Stamp (Amendment) Rules, 2001 the bench mark value notified for any plot of land is to be adopted for registration of the deeds in case of sale/ transfer of such land.

Test check of the records of two DSRs and two SRs between November 2008 and April 2009 revealed that contrary to the bench mark value guidelines, 52 documents were registered during the period between January 2007 and December 2008 at a lower rate compared to the bench mark value fixed by the District Level Valuation Committee resulting in under valuation and consequential short levy/realisation of SD and RF of Rs. 100.12 lakh as mentioned in the table below:

(Rupees in lakh)

Sl. No.	Name of the SR/DSR	No. of documents	Period	SD/RF leviable	SD/RF levied	Short levy of SD/RF
1.	DSR, Sambalpur	49	January 2007 to December 2008	108.80	13.35	95.45
2.	SR, Karanjia	1	May 2008	3.35	1.54	1.81
3.	SR, Dolipur	1	January 2007 to December 2008	1.53	0.04	1.49
4.	DSR, Mayurbhanj	1	October 2008	4.93	3.56	1.37
	Total	**52**		**118.61**	**18.49**	**100.12**

After the cases were pointed out, all the DSRs and SRs stated that undervaluation cases would be booked and the amount in question would be realised. A report on further development has not been received (October 2009).

4.6.7 Short realisation of stamp duty due to application of lower rate

According to the provisions of the Orissa Town Planning and Improvement Trust Act, 1956, additional SD at the rate of two *per cent* over and above the normal SD of eight *per cent* of the consideration value is chargeable in case of

registration of instruments pertaining to the land situated in the areas where the above Act is applicable. The Government of Orissa through a gazette notification of 25 May 2005 enhanced the additional SD from two to three *per cent* with immediate effect.

Scrutiny of the records of 10 DSRs[73] and seven SRs[74] between March 2008 and May 2009 revealed that the SD at the enhanced rate was not realised by the DSRs and SRs on 3,066 documents registered between May 2005 and July 2008, while in 86 documents no additional SD was realised by the DSR, Nayagarh. This resulted in non/short realisation of additional SD amounting to Rs. 45.72 lakh.

After the cases were pointed out, all the DSRs and SRs except DSR, Nayagarh and SR, Lakhanpur stated between March 2008 and May 2009 that the notification was circulated by the Board of Revenue in December 2006 and the duty at the enhanced rate was implemented after receipt of the notification. However, DSR, Boudh, Deogarh, Kalahandi, Subarnapur, and SR, Basudevpur stated between September and December 2008 that action would be taken to realise the differential amount. The SR, Lakhanpur stated in April 2009 that the circular for enhancement of additional SD has not been received by him till July 2008. The DSR, Nayagarh stated in June 2008 that the matter would be reviewed and Government would be moved for direction in this regard. However, the enhanced rate was applicable from the date of notification and non-application of the revised rate resulted in non-realisation of revenue. A report on further development has not been received (October 2009).

4.6.8 Short levy of stamp duty and registration fees on documents containing distinct matters

Under section 5 of the IS Act, any instrument comprising or relating to several distinct matters shall be chargeable with the aggregate amount of the duties with which separate instruments, each comprising of or relating to one of such matters, would be chargeable.

Test check of the records of the DSR, Cuttack in February 2008 revealed that four sale deeds were executed and registered on 11 May 2006. The properties transferred were earlier leased out and the lessee had constructed godowns on each property. On surrender of the lease, a sum of Rs. 84 lakh was paid to the lessee towards the cost of the godowns. It was noticed from the recital of the sale deeds that apart from the sale transactions, the case of surrender lease involving payment of consideration money of Rs. 21 lakh towards the cost of godown constructed by the lessee was included in each sale deed. Though the surrender of lease included in the sale deed was a distinct matter, the same was not considered at the time of registration. This resulted in short levy of SD and RF of Rs. 10.92 lakh.

73 Bolangir, Boudh, Deogarh, Gajapati, Kalahandi, Kendrapara, Mayurbhanj, Nayagarh, Phulbani and Subarnpur.

74 Anandpur, Basudevpur, Gunupur, Hinjilikatu, Lakhanpur, Nilagiri and Patnagarh.

After this was pointed out, the DSR stated in February 2008 that the surrender of lease did not involve transfer of ownership. The fact, however, remains that consideration money was paid in each case towards value of the godown constructed by the lessee which was clearly a conveyance on sale and should therefore have been stamped as a distinct matter in relation to sale of the said property.

4.6.9 Irregular exemption of stamp duty

In terms of Revenue and Disaster Management Department order of 7 May 2007 under Industrial Policy Resolution (IPR), 2007, in case of deed executed for allotment of land by the Government to IDCO, full exemption of SD shall be allowed subject to recommendation of the Managing Director (MD), IDCO on the body of the documents so presented at the time of execution.

Test check of the deeds of agreement executed between the Government and IDCO during September 2007 and December 2008 in respect of SR, Berhampur Town and DSR, Sundargarh revealed that exemption of stamp duty amounting to Rs. 9.99 lakh was allowed in respect of two documents although the required recommendation of the MD, IDCO on the body of the document was not recorded.

After this was pointed out in audit, the concerned registering officers admitted the irregularity and requested the MD, IDCO to do the needful. A report on further development has not been received (October 2009).

The matter was reported to the Government in July 2009; their reply has not been received (October 2009).

4.7 Short realisation of stamp duty and registration fees

Registration of documents without verifying the highest sale value resulted in short realisation of SD and RF of Rs. 97.84 lakh.

As per the provision under Section 47(A) of the IS Act read with the instructions of the IGR of September 1993 and October 2002 the highest sale value of similar classification of land in the same village should be the sale value of the land for the purpose of registration. The highest value of three consecutive years upto the end of the month preceding the month in which the document is presented for registration should be considered for valuation.

Test check of the records of the DSR, Kalahandi and six SRs[75] between March and October 2008 revealed that 87 documents were registered between March 2006 and December 2007 realising Rs. 19.05 lakh towards SD and RF on the consideration set forth in those instruments without verifying the highest sale value of three consecutive years upto the end of the month preceding the month in which the documents were presented. Further scrutiny revealed that the SD and RF leviable on the basis of the highest sale value of the preceding three years was Rs. 1.17 crore. Thus, failure on the part of the registering authorities resulted in short realisation of SD and RF of Rs. 97.84 lakh.

75 Biramitrapur, Bonai, G. Udayagiri, Khandagiri, Patnagarh and Rajgangpur.

After the cases were pointed out, all the DSRs and SRs stated between March and October 2008 that the cases would be examined and action would be taken to book the cases under section 47(A) to realise the SD and RF. A report on further development has not been received (October 2009).

The matter was reported to the Government in March 2009; their reply has not been received (October 2009).

CHAPTER-V: OTHER TAX RECEIPTS

5.1 Results of audit

Test check of the records in the commercial tax offices in respect of profession tax and office of the Excise Commissioner, Deputy Commissioner of Excise and Superintendents of Excise on excise duty/fee conducted during the year 2008-09 revealed non-levy of tax and penalty, non/short realisation, non-levy of duty/fee, loss of revenue etc., amounting to Rs. 27.29 crore in 17,007 cases which fall under the following categories:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
Profession tax			
1.	Non-levy of tax and penalty	16,597	14.00
State Excise			
1.	Non-levy of differential duty on IMFL	6	3.11
2.	Loss of revenue due to non-settlement/delay in settlement/non-renewal of excise shops	31	3.06
3.	Non/short realisation of excise duty/ transport fee	186	0.27
4.	Non-realisation/non-levy of initial fees (application fees, user charges and label registration fees on transfer of license)	31	0.04
5.	Other irregularities	156	6.81
Total		**410**	**13.29**
Grand Total :		**17,007**	**27.29**

During the year 2008-09, the Excise department accepted non/short realisation of duty/fees, loss of revenue and other deficiencies amounting to Rs. 79.14 lakh in 208 cases pointed out in 2008-09. The department recovered Rs. 88,000 in eight cases pointed out in 2008-09 and earlier years.

After issue of the draft paragraphs, the Excise department recovered Rs. 4.59 lakh pertaining to a single observation pointed out by audit during 2008-09.

A few illustrative audit observations involving Rs. 14.57 crore are discussed in the following paragraphs.

5.2 Audit observations

Scrutiny of the records in the commercial tax offices in respect of profession tax and office of the Excise Commissioner, Deputy Commissioner of Excise and Superintendents of Excise on excise duty/fee revealed several cases of non-observance of the provisions of the Acts/Rules resulting in non-levy of profession tax and non-levy of bottling licence fee as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. The Government may consider issuing instructions for effective profession tax collection system and to improve internal control mechanisms to avoid occurrence of such omissions.

Profession Tax

5.3 Non-levy of profession tax

Non-compliance of the provisions of the Orissa State Tax on Professions, Trades, Callings and Employments Act, 2000 and CCT's instructions by the AAs resulted in non-levy of tax and penalty of Rs. 14.00 crore.

Under the provisions of the Orissa State Tax on Professions, Trades, Callings and Employments Act, 2000, every person liable to pay tax is required to obtain a certificate of enrolment from the assessing authorities (AAs). Further, the Act provides that if a person liable for enrolment fails to apply for such certificate, a penalty not exceeding rupees five for each day of delay is leviable.

With a view to augment revenue collection the CCT, Orissa instructed the field functionaries in November 2004 to collect adequate and quality intelligence about dealers/organisations defrauding and cheating Government and obtain information from specified sources to identify persons liable to pay tax and get them registered. Further, the Government decided in December 2004 to set up profession tax cells in each circle to identify potential tax payers and to assist, enroll and register the drawing and disbursing officers and assessees for mobilising collection of the tax.

In order to ascertain whether all persons liable to be covered under certain classes of assessees specified in the Schedule to the Act were brought into the tax net, details were collected from the Central Excise department in respect of service providers, local branches of the Life Insurance Corporation of India in respect of insurance agents, local telecom districts of Bharat Sanchar Nigam Limited in respect of owners of STD booths and State Directorate of Medical Education and Training in respect of nursing homes, medical clinics, etc. Similarly, information was also gathered from Yellow Pages and websites in respect of beauty parlours, advertising firms/agencies, travel agents, transport contractors, clearing and forwarding agents, private doctors, technical and professional consultants, tutorial institutes, computer training institutes, etc.

The details collected were cross verified by audit between November 2008 and March 2009 with the records of Commercial Tax department relating to

the registration and assessment of profession tax in 11 circles[76] for the period from 2003-04 to 2007-08 and it was revealed that 16,597 persons had not enrolled themselves under the Act. The non-enrolment of these persons resulted in non-levy of revenue of Rs. 3.52 crore. Besides, penalty upto Rs. 10.48 crore calculated upto March 2008, was also leviable. Category wise details are given in the following table.

Sl. No.	Entry No. of the Schedule and category of assessees	Period of tax (between)	No. of persons not enrolled	Rate of tax per annum *(Rupees)*	Amount of tax leviable *(Rupees in crore)*	Penalty *(Rupees in crore)*	Total *(Rupees in crore)*
1.	**5** Insurance Agents	April 2003 and March 2008	7,723	350[77]	1.20	6.30	7.50
2.	**13** STD/ ISD/ Local Booths	November 2004 and March 2008	4,512	600	0.87	2.63	3.50
3.	**6(b)** Contractor of any description engaged in any work	April 2003 and March 2008	1,434	1,500[77]	0.32	0.41	0.73
4.	**16** Transport contractors/ Agencies including clearing and forwarding agencies	November 2004 and March 2008	797	2,500	0.36	0.28	0.64
5.	**17** Advertising Firms/ Agencies and Travel Agents	-do-	450	2,500	0.21	0.16	0.37
6.	**11(i)** Nursing Home, Medical Clinics, Pathological Laboratories, Diagnostic, X-ray and Scanning Centres	-do-	442	2,500	0.21	0.16	0.37
7.	**9** Technical and Professional Consultants including RCC consultants, Architects, Engineers, Tax Consultants, Chartered Accountants and Cost Accountants	April 2003 and March 2008	338	1,200[77]	0.13	0.20	0.33

76 Bhubaneswar I, Bhubaneswar II, Bhubaneswar III, Bhubaneswar IV, Cuttack I (East), Cuttack I (West), Cuttack I (Central), Cuttack I (City), Cuttack II , Rourkela I and Rourkela II.

77 In the absence of annual income/turnover/length of standing in profession of the persons, average rates of tax rounded off to the nearest tax slab have been adopted.

Sl. No.	Entry No. of the Schedule and category of assessees	Period of tax (between)	No. of persons not enrolled	Rate of tax per annum *(Rupees)*	Amount of tax leviable *(Rupees in crore)*	Penalty *(Rupees in crore)*	Total *(Rupees in crore)*
8.	**10** Tutorial Institutions, Training Institutions including Computer training	November 2004 and March 2008	367	2,500	0.12	0.10	0.22
9.	**6(a)** Estate Agents, promoters, brokers or commission agents	April 2003 and March 2008	297	1,000	0.06	0.11	0.17
10.	**8(a)** Beauty parlour	-do-	100	1,000 (Non-AC rate)	0.02	0.10	0.12
11.	**3** Medical practitioners including medical consultants	-do-	137	1,200[77]	0.02	0.03	0.05
Total			**16,597**		**3.52**	**10.48**	**14.00**

It was also seen that the administration of profession tax Act in the State suffered due to non-creation of a separate establishment for the purpose of conducting surveys and collection of information from various sources in order to bring the persons evading tax into the tax net.

After the cases were pointed out, all the AAs stated between January and March 2009 that necessary action would be taken to enroll and assess the persons after examining each case. A report on further development has not been received (October 2009).

The matter was reported to the Commissioner of Profession Tax/Government in April 2009; their reply has not been received (October 2009).

State Excise

5.4 Non-levy of bottling licence fee

Non-levy of bottling licence fee resulted in non-realisation of revenue of Rs. 57.39 lakh.

As per the Excise Policy for 2007-08, bottling licence fee at the rate of Rs. 3 per bulk litre (BL) is leviable on beer manufactured irrespective of brand or purpose. Besides, in respect of export brand bottling fee of Re. 1 per BL of beer is also leviable.

Scrutiny of the records of the Superintendent of Excise (SE), Khurda and Bolangir in July and September 2008 revealed that two breweries

77 In the absence of annual income/turnover/length of standing in profession of the persons, average rates of tax rounded off to the nearest tax slab have been adopted.

manufactured 64.50 lakh BL of beer during 2007-08 of which 19.13 lakh BL were of export brand. It was seen that neither did the breweries pay the bottling licence fee nor did the department raise demand for the same on the export brand which resulted in non-levy of bottling licence fee of Rs. 57.39 lakh.

After the case was pointed out, the Government stated in May 2009 that bottling fee at the rate of Re. 1 per BL of beer exported had been realised and it was not legally permissible to realise bottling fee twice on the same product. The fact, however, remains that two separate fees such as bottling licence fee and bottling fee together with export fee are leviable under the Excise Policy.

CHAPTER-VI: FOREST RECEIPTS

6.1 Results of audit

Test check of the records maintained in various forest divisions as well as in the office of the Principal Chief Conservator of Forests, Orissa conducted during the year 2008-09 revealed non-realisation of royalty, non/short levy of interest, loss of revenue etc., of Rs. 3.69 crore in 3,314 cases which fall under the following categories:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1.	Loss of revenue due to short delivery/shortage of forest produce	24	0.81
2.	Non-realisation of royalty	1,351	0.48
3.	Non/short levy of interest on belated payment of royalty	1,302	0.38
4.	Other irregularities	637	2.02
Total		**3,314**	**3.69**

During the year 2008-09, the department accepted non/short levy of royalty, interest and other deficiencies of Rs. 85.95 lakh in 1,856 cases pointed out in 2008-09 and recovered Rs. 60,625 in two cases pertaining to earlier years.

A few illustrative audit observations involving Rs. 79.80 lakh are discussed in the following paragraphs.

6.2 Audit observations

Scrutiny of the records maintained in various forest divisions as well as in the office of the Principal Chief Conservator of Forests revealed several cases of non-compliance to the orders issued by the Government resulting in non-realisation of Government revenue as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions are pointed out in audit repeatedly, but not only do the irregularities persist; these remain undetected till an audit is conducted. The Government may consider issuing instructions for strict compliance to its orders/instructions and to improve internal control mechanisms to avoid occurrence of such omissions.

6.3 Non-compliance of Government orders

Government orders of February 1977, July 1989 and August 2005 prescribe for:

(i) Levy of interest on Orissa Forest Development Corporation (OFDC) for belated payment of royalty; and

(ii) timely disposal of seized materials.

Non-compliance of some of the above orders in cases as mentioned in paragraphs 6.3.1 and 6.3.2 by the Divisional Forest Officers (DFOs) resulted in non-realisation of Government revenue of Rs. 79.80 lakh.

6.3.1 Non-disposal of timber and poles

The Government of Orissa, Forest and Environment Department in their order of July 1989 and August 2005 issued instructions for early disposal of timber and poles seized in undetected forest offence cases either by prompt delivery to the OFDC Limited within two months from the date of seizure or by public auction in order to avoid loss of revenue due to deterioration in quality and value on account of prolonged storage.

Test check of the records of 35 forest divisions[78] conducted between April and November 2008 revealed that 19,026.75 cft timber and 214 poles valued at Rs. 41.66 lakh seized in 1,266 undetected forest offence cases, registered between 2006-07 and 2007-08 were lying undisposed. Inaction of the department in disposing the timber and poles either by delivery to the OFDC or by public auction resulted in non-realisation of revenue of Rs. 41.66 lakh.

After the cases were pointed out, the Government stated in May 2009 that 6,533.36 cft. timber and 85 poles valued at Rs. 11.51 lakh have been disposed of in 431 cases and the DFOs have been instructed to dispose the balance

78 Angul, Athagarh, Athamallik, Balasore(W/L), Baliguda, Bamra(W/L), Baragarh, Baripada, Berhampur, Bhadrak(W/L), Bolangir (E), Bolangir (W), Bonai, Boudh, Cuttack, Deogarh, Dhenkanal, Ghumsur (N), Ghumsur(S), Jeypore, Kalahandi (S), Karanjia, Keonjhar, Khurda, Koraput, Malkangiri, Nabarangpur, Nayagarh, Phulbani, Rairakhol, Rayagada, Rourkela, Sambalpur (N), Sambalpur (S) , and Sundargarh.

seized timbers and poles following Government instructions. A report on further development has not been received (October 2009).

6.3.2 Non-levy of interest on belated payment of royalty

Under the Orissa Forest Contract Rules, 1966, if a contractor fails to pay any instalment of royalty for sale of forest produce by the due date, he is liable to pay interest at the rate of 6.25 *per cent* per annum on the amount of default. As per the provisions contained in the Government of Orissa order of February 1977, the OFDC Limited is also liable to pay interest for default in payment of royalty.

Test check of the records of 32 forest divisions[79] between April and December 2008 revealed that the OFDC had paid royalty of Rs. 5.83 crore for the period from 1997-98 to 2006-07 between December 2006 and March 2008 with delays ranging between 8 days and 118 months. Interest of Rs. 38.14 lakh leviable on the belated payment of dues was not levied by the DFOs. The details are given in the following table.

(Rupees in lakh)

Period of delay	No. of lots	Amount of royalty paid	Interest payable
Up to 12 months	877	407.93	11.90
13 to 24 months	259	114.29	11.11
25 to 118 months	166	60.82	15.13
Total	**1,302**	**583.04**	**38.14**

After the cases were pointed out, the Government stated in May 2009 that demand of Rs. 27.75 lakh had been raised by the DFOs on OFDC. It was also stated that OFDC had requested the Government in February 2007 to exempt the interest dues. A report on further development has not been received (October 2009).

79 Angul, Athagarh, Athamallik, Bamra(W/L), Bargarh, Baripada, Bolangir(E), Bolangir(W), Bonai, Boudh, Cuttack, Deogarh, Dhenkanal, Ghumsur(N), Hirakud(W/L), Jeypore, Kalahandi(N), Kalahandi(S), Khariar, Khurda, Keonjhar, Keonjhar(W/L), Koraput, Malkangiri, Nayagarh, Nabarangpur, Phulbani, Puri(W/L), Rairakhol, Raygada, Rourkela and Sundargarh.

CHAPTER-VII: MINING RECEIPTS

7.1 Results of audit

Test check of the records maintained in the office of the Deputy Directors of Mines and Mining Officers conducted during 2008-09 revealed non/short levy of royalty/dead rent/surface rent, non/short recovery of interest and non-levy of interest and other irregularities of Rs. 202.52 crore in 188 cases which fall under the following categories:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1.	Non/short levy of royalty/dead rent/surface rent	45	13.68
2.	Non/short recovery of interest and non-levy of interest	14	0.21
3.	Other irregularities	129	188.63
Total		**188**	**202.52**

During the year 2008-09, the department accepted non/short levy of royalty, dead rent/surface rent, non/short recovery of interest, non-levy of interest and other irregularities of Rs. 6.94 crore in 69 cases pointed out in 2008-09. The department also recovered Rs. 9.21 lakh in 12 cases pointed out in 2007-08.

A few illustrative audit observations involving Rs. 6.39 crore are discussed in the following paragraphs.

7.2 Audit observations

Scrutiny of the records maintained in the office of the Deputy Directors of Mines (DDM) and Mining Officers (MO) revealed short levy of royalty/ non-levy of interest as mentioned in succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions are pointed out in audit repeatedly, but not only do the irregularities persist; these remain undetected till an audit is conducted. The Government may consider issuing instructions for effective internal control mechanisms to avoid occurrences of such omissions.

7.3 Non-observance of the provisions of the Act/Rules

The Mines and Minerals (Development and Regulation) Act (MMDR Act) and Mineral Concession (MC) Rules provide for levy of:-

(i) Royalty on mineral removed from the leasehold area;

(ii) royalty on unprocessed mineral in case of processing of mineral other than run-of-mine[80] (ROM) mineral;

(iii) royalty on appropriate grade of mineral; and

(iv) interest on belated payment of royalty.

Non-observance of some of the above provisions as mentioned in paragraphs 7.3.1 to 7.3.3 resulted in short levy of royalty and non-levy of interest amounting to Rs. 4.97 crore.

7.3.1 Short levy of royalty on coal

Under the MMDR Act, 1957, the holder of a mining lease is liable to pay royalty in respect of any mineral removed from the leasehold area or consumed therein. As per the revised rate of royalty notified in August 2007 by the Government of India, Ministry of Coal, the rate of royalty on coal is a combination of specific and advalorem rates of royalty which is Rs. 55 per MT plus five *per cent* of basic pit head price of ROM coal in case of F grade coal.

7.3.1.1 Test check of the records of the DDM, Rourkela in January 2009 revealed that during the year 2007-08 a lessee dispatched 31.39 lakh MT of F grade coal from the leasehold area of one of its mines. The DDM, however, levied royalty on 30.12 lakh MT resulting in short levy of royalty of Rs. 1.94 crore.

After the case was pointed out, the DDM stated in January 2009 that quarterly assessment was made after obtaining the rake-wise price after dispatch from the railway siding as it was a convenient system and thus difference exists. The fact, however, remains that royalty was to be assessed on the quantity of coal dispatched from the leasehold area.

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

7.3.1.2 Test check of the records of the DDM, Sambalpur during January 2009 revealed that 11.18 lakh MT of F grade coal was consumed in the mines of a lessee during August 2007 to March 2008. The royalty on the above quantity of coal was assessed as Rs. 8.83 crore at the rate of Rs. 79 per MT. It was, however, seen that the royalty assessable comes to Rs. 9.53 crore calculated at the rate of Rs. 85.25 per MT, taking the basic pit head price at the rate of Rs. 605 per MT applicable for the year 2007-08 as intimated in July 2008 by the DDM to the Director of Mines. Thus, application of a lower price for calculation of royalty resulted in short levy of royalty of Rs. 69.85 lakh.

After the case was pointed out, the DDM stated that the basic pit head price of F grade ROM coal fixed by Coal India Limited was Rs. 440 per MT and the rate of Rs. 605 per MT was meant for F grade steam coal and not for F grade ROM coal which was dispatched by the lessee. The fact, however, remains that the sale price of all F grade coal for the concerned mine was Rs. 605 per MT for 2007-08 as intimated to the Director of Mines.

The matter was reported to the Government in February 2009; their reply has not been received (October 2009).

7.3.2 Short levy of royalty on iron ore

As per the provisions of the MMDR Act, the holder of a mining lease is liable to pay royalty at the prescribed rates on the mineral consumed/removed from the leasehold area. Further, according to the MC Rules, in case of processing of ROM minerals within the leasehold area, royalty is chargeable on the processed mineral removed from the leasehold area. However, in case of processing of mineral other than ROM mineral, royalty is chargeable on unprocessed mineral i.e. mineral extracted from the seam. As per the Government of Orissa, Mining and Geology Department notification of August 1974, the MO shall make quarterly verification of the monthly returns with reference to the accounts maintained by the lessee alongwith other relevant records.

7.3.2.1 Test check of the assessment records of the DDM, Koira in January 2009 revealed that during the years 2006-07 and 2007-08, a lessee declared to have fed 37.63 lakh MT of unprocessed minerals in his processing plant and paid royalty of Rs. 5.70 crore classifying the minerals as ROM minerals. The AO accepted the returns of the lessee and levied royalty accordingly. Audit scrutiny revealed that the output was equal to the input minerals, i.e., 37.63 lakh MT which indicates that the minerals declared to have been fed by the lessee were not ROM minerals and thus royalty of Rs. 7.55 crore should have been levied on the unprocessed minerals. This resulted in short levy of royalty of Rs. 1.85 crore.

After the case was pointed out, the DDM stated in January 2009 that the royalty was charged on the processed mineral as per the mining plan of the lessee approved by the Indian Bureau of Mines for production of ROM minerals. The fact, however, remains that the minerals fed were not ROM minerals since the output after processing was graded mineral, sized mineral

and fines without any foreign material which was also equal to the input quantity.

7.3.2.2 Test check of the records of the MO, Keonjhar in December 2008 revealed that in the case of a lessee assessment of royalty for the year 2007-08 was completed on the unprocessed minerals fed into the crusher plant as shown in the returns. On scrutiny of the returns it was seen that the lessee stated to have fed 2.36 lakh MT of higher grade minerals and 3.52 lakh MT of lower grade minerals and paid royalty accordingly. The output of higher grade was, however, shown as 3.76 lakh MT. This indicates that the quantity of higher grade minerals shown to have been fed on which royalty was assessed was not correct and the lessee was liable to pay the differential royalty of Rs. 15.47 lakh on 1.40 lakh MT of higher grade minerals.

After the case was pointed out, the MO stated in December 2008 that after verification of records the lessee would be asked to deposit the differential royalty. A report on further development has not been received (October 2009).

7.3.2.3 In Koira circle it was further seen that in the case of a lessee assessment of royalty was made upto March 2005 on the quantity of processed minerals removed from the leasehold area. The procedure of assessment was changed from 1 April 2005 and royalty from that date was required to be assessed on the quantity of minerals fed into the processing plant. It was, however, seen that the DDM did not levy royalty on the closing balance of 86,356 MT of processed minerals left unassessed at the end of March 2005. This resulted in non-levy of royalty of Rs. 11.53 lakh.

After the case was pointed out, the DDM stated in January 2009 that the present method of assessment was challenged by the lessee who requested the Director of Mines to consider the assessment as per Rule 64 B of MC Rules. The fact, however, remains that the left over processed mineral escaped levy of royalty.

The cases were reported to the Government in March 2009; their reply has not been received (October 2009).

7.3.3 Non-levy of interest on delayed payment of mining dues

Under the provisions of the MC Rules as amended from time to time, in case of belated payment of royalty, simple interest at the rate of 24 *per cent* on the unpaid amount is chargeable from the sixtieth day after the expiry of the due date till the payment of the dues in full.

Test check of the records of six mining circles[81] between June 2008 and January 2009 revealed that royalty of Rs. 4.27 crore was paid belatedly during the period between July 2006 and June 2008, though the due date of payment was between January 2004 and April 2008. Interest of Rs. 20.99 lakh for delay in payment of the dues ranging from one to 1,458 days was not levied.

81 Baripada, Bolangir, Cuttack, Jajpur Road, Koira and Sambalpur.

After the cases were pointed out, the MOs, Baripada, Bolangir, Cuttack and the DDM, Koira agreed to raise the demand, while the DDM, Jajpur Road raised the demand of Rs. 1.54 lakh in November 2008. A report on further development in the former cases and realisation in the latter case has not been received (October 2009). The DDM, Sambalpur stated in January 2009 that the lessee had cleared the dues within the stipulated period of 74 days. The fact, however, remains that the differential royalty pertaining to the period from August 2007 to March 2008 was paid in May 2008.

The matter was brought to the notice of the Government in March 2009; their reply has not been received (October 2009).

7.4 Short levy of royalty on limestone

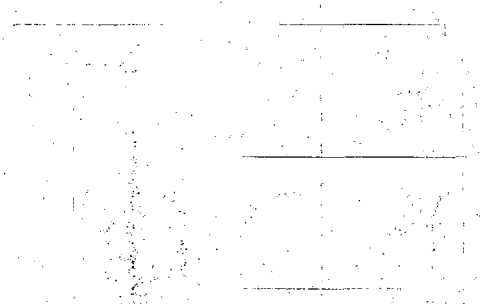
Non-compliance to the instructions issued by Government of India resulted in short levy of royalty of Rs. 1.42 crore.

As per the notification issued by the Government of India in September 1961, limestone was to be treated as a minor mineral only when used in kilns for manufacture of lime used as building material and in all other cases would be deemed to be a major mineral.

Scrutiny of the records of the DDM, Rourkela in January 2009 revealed that three lessees removed 8.56 lakh MT of limestone during 2006-07 and 2007-08 as minor minerals with the nomenclature "rejected limestone boulders" on payment of royalty applicable to ordinary boulders under the Orissa Minor Mineral Concession Rules. As the lease was granted for extraction of limestone as major mineral and the rejected limestone boulders were removed for the purpose other than for use in kilns for manufacture of lime, royalty of Rs. 3.85 crore was leviable treating these as major minerals against which royalty of Rs. 2.43 crore only was levied. This resulted in short levy of royalty of Rs. 1.42 crore.

After the cases were pointed out, the DDM stated in January 2009 that the matter would be referred to the Director of Mines for clarification. A report on further development has not been received (October 2009).

The matter was reported to the Government in March 2009; their reply has not been received (October 2009).



CHAPTER-VIII: OTHER DEPARTMENTAL RECEIPTS

8.1 Results of audit

Test check of the assessment records and other connected documents pertaining to the departmental receipts in the departments of Water Resources, Energy, Co-operation, Health and Family Welfare, General Administration (Rent), Steel and Mines and Food Supplies and Consumer Welfare during 2008-09 revealed non-realisation of revenue, non/short levy of revenue etc., of Rs. 448.87 crore in 5,754 cases which fall under the following categories.

(Rupees in crore)

Sl. No.	Categories	No. of cases	Amount
WATER RESOURCES DEPARTMENT			
1.	**Assessment, levy and collection of water rate/ licence fee**	1	208.49
ENERGY DEPARTMENT			
1.	Non-realisation of revenue	609	45.56
2.	Non/short levy of revenue	33	50.70
3.	Other irregularities	38	85.25
	Total	**680**	**181.51**
CO-OPERATION DEPARTMENT			
1.	Non-realisation of revenue	39	1.16
2.	Other irregularities	3,199	40.33
	Total :	**3,238**	**41.49**
HEALTH AND FAMILY WELFARE DEPARTMENT			
1.	Non-realisation of revenue	7	0.55
2.	Other irregularities	220	12.24
	Total :	**227**	**12.79**
GENERAL ADMINISTRATION (RENT) DEPARTMENT			
1.	Non-realisation of revenue	8	3.61
2.	Other irregularities	42	0.16
	Total :	**50**	**3.77**
STEEL AND MINES DEPARTMENT			
1.	Non/short levy of revenue	2	0.82
FOOD SUPPLIES AND CONSUMER WELFARE DEPARTMENT			
1.	Non-realisation of revenue	5	0.001
2.	Other irregularities	1551	0.003
	Total :	**1,556**	**0.004**
	Grand Total :	**5,754**	**448.87**

During the year 2008-09, the concerned departments accepted non/short levy, loss of revenue etc., of Rs. 6.33 crore in 108 cases pointed out in 2008-09 and earlier years. Of this, Co-operation and Steel and Mines departments recovered Rs. 79 lakh in three cases.

After issue of the draft paragraphs the departments of Water Resources and Energy recovered Rs. 3.49 crore pertaining to two observations pointed out by audit during 2008-09.

A few illustrative audit observations involving Rs. 221.23 crore are discussed in the following paragraphs.

8.2 Audit observations

Scrutiny of assessment records and other connected documents pertaining to the departmental receipts in the departments of Water Resources, Energy, Housing and Urban Development and General Administration (Rent) revealed non/short levy/irregular exemption of special water rates/licence fee, non-levy of electricity duty on transmission and distribution loss, non-raising of demand for inspection fee, non-recovery of sewerage charges and short recovery of water charges and others as mentioned in succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions are pointed out in audit repeatedly, but not only do the irregularities persist; these remain undetected till an audit is conducted. The Government may consider issuing instructions for effective internal control mechanisms to avoid occurrence of such omissions, their detection and timely correction.

Water Resources Department

8.3 Assessment, levy and collection of special water rate/licence fee

The assessment, levy and collection of special water rate in Orissa is governed by the Orissa Irrigation Act, 1959, Orissa Irrigation Rules, 1961 and executive instructions issued from time to time. By an amendment of the above Act and the Rules, a new type of water rate termed as "licence fee" for use of water from Government water sources[82] for purposes other than irrigation was introduced from September 1994. The Rules were further amended in 1998 revising the special water rate with effect from 18 July 1998. Thus, at present two types of water rates are in force in the State, - "special water rate" for using water from irrigation works and "licence fee" for using water from Government water sources for industrial/commercial purposes.

8.3.1. Non-raising of demand for special water rate from OHPC in respect of Upper Indravati Hydro Electric Project

Under the provisions of the Orissa Irrigation Act and the Rules made thereunder special water rate at the rate of Rs. 60 per one lakh gallon of water used is leviable for non-consumptive use of water. The 9th Water Resources Board in its meeting held on 20 September 2004 also reiterated that the government and private power generating agencies should pay for the water used for generation of electricity.

Scrutiny of the records of the Chief Engineer, Upper Indravati Irrigation Project, Khatiguda during December 2008 and subsequent collection of information in February 2009 revealed that 15.15 lakh hectometre of water was used during the years 2003-04 to 2007-08 in the Upper Indravati Hydro Electric Project, Mukhiguda, a unit of Orissa Hydro Power Corporation (OHPC) Limited for generation of electricity. For such non-consumptive use

82 A water source created naturally or otherwise by collection or deposit of water, any subsoil water or water in a state of running.

of water OHPC was liable to pay water rate of Rs. 200.03 crore. It was seen that neither did OHPC pay the dues nor did the department raise demand for the same. This resulted in non-levy of special water rate of Rs. 200.03 crore.

After the case was pointed out, the Chief Engineer stated in December 2008 that the question of raising demand did not arise as OHPC is maintaining the dam as well as the reservoir. The fact, however, remains that the Act does not provide for any such exemption.

The matter was brought to the notice of the Principal Secretary, Finance department and Secretary, Water Resources department in April 2009. The Secretary, Water Resources department stated in May 2009 that no special water rate has been specified for use of water for generation of hydro electricity. It was also stated that the cabinet in its meeting held on 9 July 2002 approved for exemption of water rate to OHPC. Presently a draft cabinet memorandum has been sent to the Revenue and Disaster Management department to bring out the necessary amendment in the Orissa Irrigation Rules. The reply of the Government was found contradictory as on the one hand it was stated that there was no provision for such levy while on the other hand it was stated that action was initiated for revision of the water rate. The fact, however, remains that the notification revising the water rate has not so far been issued under the Act. Reply from the Finance department has not been received (October 2009).

8.3.2 Non-levy of special water rate/licence fee

According to the provisions of the Orissa Irrigation Act and the Rules framed thereunder, as amended from time to time, the user of water from irrigation works/Government water sources for industrial, commercial, drinking and washing purposes shall apply to the concerned Executive Engineer (EE) in the prescribed form for obtaining a licence to draw water from the specified source. After getting the licence, the licensee shall execute an agreement with the EE and shall install a flow meter at his own cost at the intake point of water. The EE shall assess the water rate/licence fees to be charged as per unit/quantity of water drawn or lifted and accordingly issue demand notice within the first week of every month payable within the said month.

Test check of the assessment records of 11 irrigation divisions[83] between October and December 2008 revealed that special water rate/licence fee of Rs. 7.09 crore in respect of 41 industries/commercial organisations pertaining to the period from 2003-04 to 2007-08 was not demanded. The EEs did not take any action either to execute the agreements and get the flow meters installed except in three cases or make an inquiry as to whether the user of water had unauthorisedly drawn water from Government water sources/irrigation works. Lack of effective monitoring and pursuance by the EEs concerned resulted in non-realisation of the dues.

83 Angul Irrigation Division, Berhampur Irrigation Division, Head Works Division, Kolabnagar, Jaraka Irrigation Division, Khurda Irrigation Division, Mahanadi South Division, Mahanadi North Division, Main Dam Division, Burla, Prachi Irrigation Division, Bhubaneswar, Sambalpur Irrigation Division and Sundargarh Irrigation Division.

During test check of the records the following system deficiencies were noticed.

- A comprehensive list of industries/commercial organisations/ Government bodies using water unauthorisedly from Government water sources and irrigation works but not paying water rate/licence fee has not been drawn up by the department after survey. As a result, potential users like hotels and restaurants, Railways, Central Government departments and State Government departments drawing water from Government water sources could not be brought into the tax net. Further, for tapping of potential sources of revenue, lack of co-ordination between Water Resources department with other departments like Energy department in respect of captive power plants, Industries department in respect of industrial units and Housing and Urban Development (H and UD) department in respect of Public Health divisions supplying drinking water was noticed.
- In the test checked divisions it was observed that in no case steps were taken to disconnect the water supply to the defaulting units/units unauthorisedly drawing water.
- Database in respect of users of water has not been prepared and developed to ensure collection and to arrest escapement of Government revenue.

After the cases were pointed out, the Government while admitting that the unauthorised users of water were drawing water without seeking permission from the competent authority stated in July 2009 that the available infrastructure in the form of manpower was inadequate to tackle the matter. It was also stated that the provisions of the Act and the Rules were not adequate to take action against the unauthorised drawers of water and action for amendment was being taken. The fact, however, remains that due to inaction of the department, Government revenue remained unrealised.

8.3.3 Short levy of special water rate/licence fee

Test check of the records of two irrigation divisions[84] in November and December 2008 revealed that in two cases against Rs. 1.29 crore leviable towards special water rate/licence fee the EEs raised demand of Rs. 85.61 lakh resulting in short levy of Rs. 43.05 lakh. It was also seen that the user agencies have not executed agreements with the department and have not installed flow meters leading to improper implementation of the Orissa Irrigation Act/ Rules and short realisation of water rate.

After the cases were pointed out, the Government stated in July 2009 that the concerned EEs had been instructed to recover the dues. A report on further development has not been received (October 2009).

84 Angul Irrigation Division and Balasore Irrigation Division.

8.3.4 Non-levy of interest

As per the amended provisions of the Orissa Irrigation Rules, compound interest at the rate of two *per cent* per month is leviable on the user of water for default in payment of the demanded dues.

Test check of the records of four divisions[85] in November and December 2008 revealed that special water rate/licence fee of Rs. 4.35 crore for the period from April 2003 to January 2008 was paid between May 2003 and March 2008 with delays ranging between one and 59 months. Though interest of Rs. 86.71 lakh was leviable for belated payment, demand was not raised by the EEs.

After the cases were pointed out, the Government stated in July 2009 that demands had been raised against the industries. A report on recovery has not been received (October 2009).

8.3.5 Irregular exemption of special water rate/ licence fee

Under the Industrial Policy Resolution (IPR) promulgated from time to time industrial units are eligible for exemption from payment of water rate for a specific period on fulfilment of the prescribed conditions.

It was seen in Sundargarh irrigation division that three industries were allowed 50 *per cent* exemption of the licence fee due for the period between August 2003 and March 2008 under IPR 2001 without obtaining eligibility certificate from the concerned District Industries Centre (DIC) and without incorporation of a specific clause in the agreement. This resulted in irregular exemption of licence fee amounting to Rs. 7.55 lakh.

After the cases were pointed out, the Government stated in July 2009 that the EE had been directed to verify the eligibility of the industries and obtain the eligibility certificates. It was also stated that if the industries did not fulfil the eligibility conditions, the demands would be revised. A report on further development has not been received (October 2009).

8.3.6 Arrear special water rate/licence fee

The arrears of special water rate/licence fee as on 31 March 2008 as reported by the department was Rs 107.56 crore. It was seen from the demand, collection and balance (DCB) position of the Engineer-in-Chief (EIC), Water Resources that the arrear dues of Rs. 4,220.37 crore[86] as on that date from OHPC has not been included in the above arrears. Scrutiny of the records relating to arrear demands also revealed the following:

- The arrear position against two industries was shown excess by Rs. 3.78 crore in the records of the EIC as compared to the position shown in the records of the concerned divisions. Similarly, in four cases the arrears in the DCB of the EIC was shown less by Rs. 20.79 crore. These discrepancies need reconciliation.

85 Angul Irrigation Division, Jaraka Irrigation Division, Main Dam Division, Burla and Sundargarh Irrigation Division.

86 Excluding the arrears of Balimela Hydro Electric Project for 2006-07 and 2007-08.

- As per the provisions of the Orissa Irrigation Act, arrears of special water rate/licence fee are to be recovered as arrears of land revenue. It was, however, seen that despite the pendency of arrears of Rs. 26.56 crore, excluding the arrears of Rs. 81.00 crore locked up in court cases from 1994 onwards, the department has not initiated any certificate proceeding for realisation of the arrear dues. Of this, Rs. 9.05 crore was pending against five units which are either closed or transferred rendering the collection of the arrears remote.

After the cases were pointed out, the Government stated in July 2009 that:

- action was being taken to reconcile the discrepancies;
- action was being taken to review the pending cases and the concerned divisions would be instructed to initiate suitable action for recovery of the arrear dues; and
- the audit observations were intimated to the field functionaries to take immediate action.

A report on further development has not been received (October 2009).

Energy Department

8.4 Non-compliance of notifications/decisions

The extant decision of the Orissa Electricity Regulatory Commission (OERC) and notification of the Government of Orissa prescribe for:

(i) Restricting the transmission and distribution loss of energy for North Eastern Electricity Supply Company of Orissa Limited (NESCO) at 32 and 29 per cent for 2006-07 and 2007-08 respectively;

(ii) collection of inspection fee for inspection of service connections;

(iii) levy of interest on late deposit of electricity duty.

Non-compliance of some of the above provisions as mentioned in paragraphs 8.5 to 8.7 resulted in non-levy/realisation of revenue of Rs. 9.25 crore.

8.5 Non-levy of electricity duty on transmission and distribution loss

As per the provisions of the Orissa Electricity (Duty) Act (OED Act), 1961 read with the Government of Orissa, Energy department notification of January 2006, electricity duty (ED) at the rate of six paise *per* unit is leviable on the energy consumed by a licensee or board in its own premises. Further, the OERC fixed the admissible transmission and distribution loss for NESCO at 32 and 29 *per cent* for 2006-07 and 2007-08 respectively excluding the energy sold to extra high tension (EHT) category of consumers.

Test check of the records of the Electrical Inspector (EI), Transmission and Distribution (T&D), Balasore in September 2008 and collection of information

from the corporate office of NESCO revealed that NESCO purchased 8,653.267 MU of energy during the years 2006-07 and 2007-08. Of this, 3,014.667 MU of energy was sold to the EHT category of consumers. Of the remaining 5,638.600 MU of energy, 2,859.288 MU was sold to the low tension (LT) and high tension (HT) category of consumers during the above period leaving a balance of 2,779.312 MU. After deducting the admissible transmission and distribution loss of 1,715.216 MU calculated on the basis of norms fixed by the OERC the distribution company was liable to pay ED on the balance 1,064.096 MU of energy. It was, however, seen that neither did the company pay the dues nor did the department raise demand on that account. This resulted in non-levy of ED of Rs. 6.38 crore.

After the case was pointed out, the Government stated in June 2009 that ED on transmission and distribution loss is not payable as the same is not consumed by a consumer. The fact, however, remains that the transmission and distribution loss over and above the admissible limit is consumption of energy by the licensee for which ED is payable by it.

8.6 Non-raising of demand for inspection fee

As per the Government of Orissa notification of December 2001, a fee for inspection of service connections is leviable annually on all connections at the prescribed rates. The fees are to be collected and deposited in the Government account by the distribution companies.

Scrutiny of the records of the EI (T&D), Balasore in September 2008 revealed that neither was the inspection fee for 2007-08 deposited by the distribution company NESCO nor was any demand raised on that account by the department. This resulted in non-realisation of revenue of Rs. 1.18 crore as mentioned in the following table.

(Rupees in crore)

Name of the EI (T&D) Distribution company	Year	Domestic		Commercial		Total fee realisable
		No. of consumers	Fee realisable	No. of consumers	Fee realisable	
Balasore NESCO	2007-08	4,84,421	0.97	42,656	0.21	1.18

After the case was pointed out, the EI stated in September 2008 that action would be taken for raising the demand. A report on further development has not been received (October 2009).

The matter was reported to the Government in February 2009; their reply has not been received (October 2009).

8.7 Non-levy of interest

Under the provisions of the OED Act and the Rules made thereunder, a licensee is required to deposit the amount of ED realised from the consumers within a period of 30 days of expiry of the month of such realisation. In case

of delay in making payment the licensee is liable to pay interest at the rate of 18 *per cent* per annum.

Test check of the records of the EI (T&D), Balasore in September 2008 revealed that ED of Rs. 3.79 crore relating to the period from April 2001 to April 2007 was deposited between December 2002 and August 2008 into the Government account. Though the delay in making the payments ranged from 22 days to 70 months, interest of Rs. 1.69 crore leviable was not levied.

After the case was pointed out, the Government stated in May 2009 that demand for interest of Rs. 1.60 crore had been raised in March 2009. A report on recovery and reasons for difference in demand has not been received (October 2009).

Housing and Urban Development Department

8.8 Non-recovery of sewerage charges and short recovery of water charges

Non-implementation of annual increase in water charges and non-recovery of sewerage charges in respect of government residential accomodation resulted in non-recovery of Rs. 3.49 crore.

Under the provisions of the Orissa Water Works (Urban Local Bodies) Rules, 1980, as amended from time to time, water charges at the prescribed rates is recoverable from the occupants of Government residential buildings. As per the Housing and Urban Development department resolution of June 2005, the water charges shall be automatically increased for all categories of consumers at the rate of five *per cent* each year. Further, as per the Housing and Urban Development department resolution of August 1996 sewerage charges at the rate of Rs. 20 per month per connection is also collectable from the consumers.

Test check of the records of the EE, Public Health Division No. II, Bhubaneswar in December 2008 and information collected from the Rent Officer, General Administration (GA) department in February 2009 revealed that the annual increase in water charges has not been implemented in respect of Government residential accomodation. It was also seen that sewerage charges have never been collected from the occupants of the quarters under the control of the GA department. This resulted in short recovery of water charges of Rs. 16.77 lakh for the period from April 2006 to November 2008 and non-recovery of sewerage charges of Rs. 3.32 crore for the period from September 1996 to November 2008.

After this was pointed out, the Government stated in August 2009 that Government residential buildings under the control of GA (Rent) department have been occupied by the staff of different departments. It is, therefore, not practicable to raise the demands against different departments by watching the incumbency of the occupants. It was also stated that to avoid inconvenience the demand for water charges and sewerage charges as per the tariff structure

was being raised against GA department. The fact, however, remains that the EE and the Rent Officer, GA department confirmed in February 2009 that the Government orders increasing the water charges annually and introducing the levy of sewerage charges had not been implemented in respect of Government employees.

Bhubaneswar
The

(ATREYEE DAS)
Accountant General (CW & RA)
Orissa

Countersigned

New Delhi
The

(VINOD RAI)
Comptroller and Auditor General of India

Annexure-A
Manual checking of duplicate insurance cover notes
(Reference para No. 3.2.13.3)

Sl. No	Insurance Cover note number	Insurance company name	Insurance cover note used in registration of vehicle -1		Same cover note used in registration of vehicle-2		Remarks
Angul							
1.	208575	Oriental Insurance	OR19F7956	M.R. Sahu Rs.3688	OR16F8141	S.K. Jadav Rs.11905	
Cuttack							
2.	231542	Oriental Insurance	OR05AD3729	Illarani Ghosh Rs.960	OR05AD3679	Jagabandhu Panda Rs.960	
3.	219921	Oriental Insurance	OR05AD3678	Dushmant Ku. Sahoo Rs.1774	OR05AD3709	Trilochan Patri Rs.774	
Rourkela							
4.	CW0610036059	Bajaj Allianz	OR14 S 1173	Md.Sahajahan Seikh Rs.4123	OR14 S 1172	B.K. Pandy Rs.4213	
5.	200700952416	Reliance	OR14 S 1486	Vedvyas Minerals Rs.877	OR14 S 1484	Vedvyas Minerals Rs.877	
6.	200700508420	Reliance	OR14 S 1597	Abhimanyu Das Rs.3230	OR14 S 1595	Sanjay Oram Rs.4232	
RTO,Sundergarh							
7.	55015260	ICICI Lombard	OR16C-3118	M.K.Patel Premium-Rs.27501	OR16 C 3117	K.K.Patel Premium-Rs.27501	
8.	201839808790	ICICI Lombard	OR16 C 2510	R.K. Sahoo Rs.20600	OR16 C 2509	S.C. Saraph Rs.20600	It is a misc. vehicle package quotation instead of a cover note.
9.	201067589279	ICICI Lombard	OR16 C 1927	S.K.Choudhury Rs.20600	OR16 C 1928	S.K.Choudhury Rs.20600	It is a goods. vehicle package quotation instead of a cover note.
10.	200702907775	Reliance	OR16C 2497	Radheshyam Jena Rs.877	OR16C 3015	Nirati Patel Rs.877	

Annexure-B
Data not entered in key fields
(Reference para No. 3.2.13.4)

Sl. No	Name of the data field	Name of Regional Transport Offices								
		Angul	Bhubaneswar	Cuttack	Jharsuguda	Nabarangpur	Rayagada	Rourkela	Sundargarh	Total
1.	Unladen Weight	3,202	225	379	496	240	185	119	918	5,764
2.	Laden Weight	549	32,423	24,172	3,700	9,568	3,455	13,908	1,207	88,982
3.	Seating Capacity	1,118	3,058	11	19	30	62	44	541	4,883
4.	Sale amount	57,393	41,769	17,318	11,016	11,457	11,418	12,279	33,595	196,245
5.	Cubic capacity	11,612	802	797	154	748	257	102	350	14,822
6.	Goods carriages where RLW=0	151	09	03	08	45	36	02	83	337
7.	Non transport/ private vehicles where Seat cap and Sale amt =0	988	1,220	2	06	09	25	04	131	2,385
8.	Private vehicles where ULW =0	2,832	163	76	444	56	90	14	558	4,233
9.	Passenger vehicles with seat capacity=0	45	32	00	01	02	03	00	26	109
		77,890	79,701	42,758	15,844	22,155	15,531	26,472	37,409	317,760

Annexure-C
Lack of data validation
(Reference para No. 3.2.13.5)

Sl. No	Data in data field	Name of Regional Transport Offices								Total
		Angul	Bhubaneswar	Cuttack	Jharsuguda	Nabarangpur	Rayagada	Rourkela	Sundargarh	
1.	Zero (0) R instead of OR in State code field of registration number	-	-	63	04	-	-	-	-	67
2.	RLW of goods carriage exceeding 49,000 kgs	12	04	01	00	00	01	20	46	84
3.	Two wheeler with seating capacity exceeding three	167	330	167	37	54	28	57	229	1069
4.	Car (private) with seating capacity more than 12	01	21	10	0	01	0	03	02	38
5.	Cubic capacity within 01 to 25 cc	418	397	340	48	44	134	75	3,212	4,668
6.	Fitness valid to date beyond 2024 in case of private vehicle	31	26	09	-	-	-	-	-	66
7.	Insurance to date beyond 2024	02	11	07	0	0	0	03	04	27
8.	Tax up to date beyond 2024			03	04	0	0	04	07	18
9.	Insurance from date equal to and more than Insurance date		07	-						7
10.	Registration date on Sunday	164	189	623	22	18	36	0	330	1382

Sl. No	Data in data field	Name of Regional Transport Offices								Total
		Angul	Bhubaneswar	Cuttack	Jharsuguda	Nabarangpur	Rayagada	Rourkela	Sundargarh	
11.	Fitness fee date on Sunday			01						1
12.	Acceptance of receipt beyond office hour	421	1,411	1,077	132	15	134	195	364	3,749
13.	Seat capacity of passenger vehicles exceeding 100(say)		14							14

Annexure-D
Registration of vehicles with invalid Insurance
(Reference para No. 3.2.13.5)

Region –Bhubaneswar (Vahan 02)

Sl. No	Registration No	Purchase date	Receipt Date	Registration Date	Insurance from date	Insurance to date
1.	OR02AP0475	22/03/2006	14/06/2007	16/06/2007	22/03/2006	21/03/2007
2.	OR02AP5060	19/05/2006	25/07/2007	28/07/2007	19/05/2006	18/05/2007
3.	OR02AP6756	24/07/2006	14/08/2007	16/08/2007	24/07/2006	23/07/2007
4.	OR02AP6953	21/01/2005	17/08/2007	18/08/2007	21/01/2005	20/01/2006
5.	OR02AQ1448	17/08/2006	06/10/2007	08/10/2007	17/08/2006	16/08/2007
6.	OR02AQ8444	15/07/2006	14/11/2007	19/11/2007	15/07/2006	14/07/2007
7.	OR02AR2913	31/12/2007	01/01/2008	02/01/2008	31/12/2007	31/12/2007
8.	OR02AR5193	12/01/2008	18/01/2008	24/01/2008	12/01/2008	13/01/2008
9.	OR02AR6051	01/09/2007	21/01/2008	30/01/2008	01/09/2007	31/12/2007
10.	OR02AR7425	06/02/2008	12/02/2008	14/02/2008	06/02/2008	06/02/2008
11.	OR02AR7935	20/10/2006	18/02/2009	19/02/2008	20/10/2006	19/10/2007
12.	OR02AS1559	28/09/2006	15/03/2008	25/03/2008	28/09/2006	27/09/2007
13.	OR02AS1909	20/02/2007	17/03/2008	28/03/2008	20/02/2007	19/02/2008
14.	OR02AS5030	11/04/2008	15/04/2008	21/04/2008	11/04/2008	11/04/2008
15.	OR02AS5159	29/06/2006	11/04/2008	22/04/2008	29/06/2006	28/06/2007
16.	OR02AT0046	30/11/2004	23/05/2008	30/05/2008	30/11/2004	29/11/2005

Region –Rourkela (Vahan 14)

Sl. No	Registration No	Purchase date	Receipt Date	Registration Date	Insurance from date	Insurance to date
1.	OR14P7435	27/01/2006	13/06/2007	13/06/2007	27/01/2006	26/01/2007
2.	OR14Q3077	31/01/2006	02/11/2007	14/11/2007	27/02/2006	26/02/2007
3.	OR14Q5730	27/12/2007	04/01/2008	05/01/2008	27/12/2007	01/01/2008
4.	OR14Q6872	25/01/2008	28/01/2008	28/01/2008	25/01/2008	27/01/2008
5.	OR14Q9129	26/12/2007	17/03/2008	17/03/2008	26/12/2007	25/01/2008
6.	OR14R0070	23/03/2007	08/04/2008	08/04/2008	26/03/2007	25/03/2008
7.	OR14R0483	03/04/2008	16/04/2008	16/04/2008	03/04/2008	08/04/2008
8.	OR14R0825	21/12/2007	22/04/2008	23/04/2008	21/12/2007	21/03/2008
9.	OR14R5445	12/06/2008	28/07/2008	29/07/2008	12/06/2008	20/06/2008
10.	OR14R5590	30/07/2008	02/08/2008	02/08/2008	30/07/2008	31/07/2008
11.	OR14R5591	30/07/2008	02/08/2008	02/08/2008	30/07/2008	01/08/2008
12	OR14R7853	06/10/2007	21/08/2008	30/09/2008	06/10/2007	26/09/2008

Region –Cuttack (Vahan 05)

Sl. No	Registration No.	Purchase date	Receipt Date	Registration Date	Insurance from date	Insurance to date
1.	OR 05 AB 4861	23/07/2006	28/12/2007	01/01/2008	23/07/2006	22/07/2007
2.	OR 05 AB 9345	09/03/2007	11/03/2008	14/03/2008	09/03/2007	08/03/2008
3.	OR 05 AC 4565	12/07/2006	24/05/2008	27/05/2008	12/07/2006	11/07/2007
4.	OR 05 AC 5728	22/12/2006	03/06/2008	09/06/2008	22/12/2006	21/12/2007
5.	OR 05 AC 6237	21/04/2006	11/06/2008	30/06/2008	21/04/2006	20/04/2007

Annexure-E
Lack of continuity of registration numbers
(Reference para No. 3.2.13.6.1)

Region-Bhubaneswar

Sl No	Series	Gaps
1.	OR02AR	34
2.	OR02AS	34
3.	OR02AT	27

Region-Cuttack

Sl No	Series	Gaps
1.	OR05AB	291
2.	OR05AC	193

Region-Jharsuguda

Sl No	Series	Gaps
1.	OR23B	112

Region-Rourkela

Sl No	Series	Gaps
1.	OR14Q	229
2.	OR14R	194

Annexure-F

Non transport vehicles with lapsed registration

(Reference para No. 3.2.13.8)

Sl. No	Particulars	Bhubaneswar	Cuttack	Rayagada	Sundargarh	Total
1.	No. of vehicles remaining in database (two wheeler and LMV (private) with expired fitness /registration	137	213	104	8,872	9,326
2.	**Two wheelers**	84	95	91	8,853	9,123
	(i) Non-realisation of fee for registration @ Rs. 60					
	(ii) Non-realisation of fee for conducting fitness @ Rs.100					
	(iii) Non-realisation of fee for grant of renewal of fitness @ Rs.100					
3.	**LMV (Car-private)**	53	118	13	19	203
	(i) Non-realisation of fee for registration @ Rs.200					
	(ii) Non-realisation of fee for conducting fitness @ Rs.200					
	(iii) Non-realisation of fee for grant of renewal of fitness @ Rs.100					
	Total fee unrealised	**48,340**	**83,700**	**30,160**	**23,11,280**	**24,73,480**