

OVERVIEW

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Part-A

Departments and Entities under Revenue Sector

I. General

This part of the Report contains 21 paragraphs including one detailed Compliance Audit on Establishing Rural Connectivity through Biju Gaon Gadi Yojana. Some of the major findings are mentioned below:

The State's performance in mobilisation of resources is assessed in terms of tax revenue and non-tax revenue, not including the State's share in central taxes and Grants-in-Aid which is based on the recommendations of the Finance Commission.

The percentage of revenue raised by State Government to the total revenue of the State increased from 42.60 *per cent* in 2017-18 to 44.79 *per cent* in 2018-19.

During the year 2018-19, as many as 1,160 assessment files, returns, refund registers and other relevant records involving tax effect of ₹1,363.96 crore were not made available to audit for scrutiny.

(Paragraph 1.6.5)

Test check of records of tax and non-tax receipts revealed under-assessment/ short levy/ loss of revenue aggregating to ₹1,066.28 crore in 51,182 cases in 2018-19.

(Paragraph 1.9)

II. Value Added Tax, Entry Tax, Goods and Services Tax, etc.

Assessing Authority failed to apply appropriate provision of the Odisha Value Added Act which resulted in short levy of penalty worth ₹446.74 lakh.

(Paragraph 2.5.1)

Less reversal of tax led to short levy of tax worth ₹12.74 lakh and a penalty of ₹25.48 lakh.

(Paragraph 2.5.2)

No action was initiated for levy of penalty of ₹6.80 crore against the dealers who had not submitted the Certified Annual Audited Accounts (CAAA).

(Paragraph 2.5.3)

Failure of Assessing Authority to apply appropriate provision of the Act resulted in short levy of penalty of ₹20.22 lakh.

(Paragraph 2.6.1)

The disposal of assessments under the OVAT and CST Acts was 52.89 *per cent* and it was 55.91 *per cent* of the total cases pending for assessment under Odisha Entry Tax Act. This indicated that the Department did not take effective steps to achieve the targets set vide Circular No 45831 CT/ Dt.20.03.2018 for completion of assessments by 31 October 2018.

(Paragraph 2.7.3)

III. State Excise Duty

Excise duty and fine of ₹23.25 crore for the year 2016-17 from 245 licencees and ₹2.45 crore for the year 2017-18 from 38 licencees was not assessed, demanded or short realised towards short lifting of Minimum Guaranteed Quantity of India Made Foreign Liquor and Beer.

(Paragraph 3.5.3)

Excise duty of ₹1.81 crore was short levied towards short lifting of Country Spirit against the Minimum Guaranteed Quantity fixed.

(Paragraph 3.5.4)

Extra hour operation charges and over time fees of ₹64.21 lakh for carrying out 2,005 extra hour operations beyond the scheduled hours during 2017-18 was not realised from one distillery licencee.

(Paragraph 3.5.5)

Cost of establishment of ₹19.28 lakh for the year 2016-17 and 2017-18 was not realised from two distilleries.

(Paragraph 3.5.6)

Penalty of ₹15 lakh for short supply of Country Spirit was not levied on one supplier for the year 2017-18.

(Paragraph 3.5.7)

IV. Stamp Duty and Registration Fee

Stamp Duty and Registration fee of ₹192.17 lakh was short realised on 'Agreement to sale and Development Agreements', 'Power of attorney instruments in lieu of conveyance', Certificate of Sale and on account of undervaluation of land, Buildings and Super structures.

(Paragraphs 4.5.1, 4.5.2, 4.5.3, 4.5.4 & 4.5.5)

V. Motor Vehicles Tax

Detailed Compliance Audit on 'Establishing Rural Connectivity through Biju Gaon Gadi Yojana' (BGGY) revealed the following deficiencies:

Inefficient planning, gaps in co-ordination, non-consideration of passenger footfall, inadequate incentives for operators contributed towards lack of achievement of physical and financial targets under the scheme.

(Paragraph 5.4.2.1)

BGGY permits to the vehicles were not issued or issued without mentioning stoppage stations and timings, contributing to inefficiency in plying

(Paragraph 5.4.2.2)

BGGY routes under the scheme were not identified or not covered resulting in inadequate provision of rural connectivity as intended on specific routes and irregular exemption of road tax and permit fee worth ₹67.91 lakh.

(Paragraph 5.4.2.3)

Regular transport connectivity under the scheme could not be established in all identified routes in Left Wing Extremist (LWE) affected areas.

(Paragraph 5.4.2.4)

Lack of awareness amongst vehicle operators, non-issue of periodic certificates by the BLCs, non-submission of proposals by RTOs were contributing factors towards negligible expenditure towards interest subvention under the scheme

(Paragraph 5.4.3.1)

As a condition of grant of incentives under the scheme, the requirement of regular review of performance of vehicles was not ensured.

(Paragraph 5.4.4.1)

Other Audit Observations

Motor Vehicles tax and additional tax of ₹13.29 crore and penalty of ₹26.58 crore was not realised from registered owners of 14,039 Goods Carriages and Contract Carriages.

(Paragraph 5.6.1)

Motor Vehicles tax of ₹1.84 crore and penalty of ₹3.68 crore was not realised from registered owners of 8,805 Tractor Trailer Combinations, Private Service Vehicles.

(Paragraph 5.6.2)

Motor Vehicles tax of ₹0.08 crore and penalty of ₹0.16 crore was not realised from registered owners of 136 Stage Carriages.

(Paragraph 5.6.3)

VI. Mining Receipts

Royalty worth ₹124.26 crore was short levied and contribution towards National Mineral Exploration Trust of ₹2.49 crore and contribution towards District Mineral Foundation Fund of ₹37.28 crore on sized coal was short realised.

(Paragraph 6.5.1)

Part -B

Departments and Entities under Economic Sector

VII. Introduction

This part of the Report of the Comptroller and Auditor General of India (CAG) on Economic sector of Government of Odisha relates to observations arising from Compliance audit of Government Departments. Compliance audit refers to examination of the transactions relating to expenditure, receipts, assets and liabilities of the audited entities to ascertain whether the provisions of the applicable Rules, Laws, Regulations, various orders and instructions issued by the competent authorities are being complied with.

The CAG conducts audit of expenditure of the departments of Government of Odisha under section¹ 13 of the CAG's DPC Act, 1971. In addition, the CAG conducts audit of Autonomous Bodies substantially funded by the State Government.

There are 39 departments in the State headed by Additional Chief Secretaries/ Principal Secretaries/ Commissioner-cum-Secretaries at the Secretariat level. Directors and Sub-ordinate Officers assist them. Out of 39 departments, 12 dealt with the Economic Sector. This part of the Report includes the results of audit of four² departments.

VIII. Compliance Audit

Significant audit observations on Compliance Audit

Detailed Compliance Audit of Assistance to Farmers through Primary Agricultural Cooperative Societies

A Detailed Compliance Audit on the assistance to farmers through Primary Agricultural Cooperative Societies (PACS) was undertaken during June to September 2019.

The system adopted by the Societies/ Cooperative Banks for facilitating repayment of crop loans by the farmers by sanctioning fresh crop loans year on year without actual disbursement, needs to be reviewed and addressed. State Government needs to review immediately the institutional steps (whether a common savings bank account, or other forms of support) that need to be taken to address the issue comprehensively, both from the banks' and farmers' point of view. The risk of some loans converting to NPA needs to be examined separately for efficiency of operations of OSCB and other banks. Sanctioning new loans to repay old loans cannot be prudent lending by any means and carries the inherent risk of perpetuating indebtedness for farmers and turning into NPAs for co-operative banks at the time they are finally reckoned with. The State Government should review all such cases for

¹ Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to Contingency Fund and Public Account and (iii) all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts

² Departments of Cooperation, Forest & Environment, Water Resources and Works

legitimate grant of interest subvention and all such cases of evergreening of loans in other PACS too.

The Department implemented a new system for facilitating drawal of credit by farmers through RuPay Kisan Cards but without ensuring the basic requirement of verification of farmer member details, failed to activate them and ensure other necessary infrastructure requirements critical to the task, which put an additional burden on the exchequer to the tune of ₹17.43 crore, which was rendered entirely wasteful.

Non-extension of relief to calamity affected farmers by non-declaration of 'annevari' in time, laxity in framing modalities for establishment of Agro Service Centres, coupled with lack of initiatives in computerisation and networking impacted delivery of agricultural benefits to the farmers.

Monitoring mechanism at all levels needs to be strengthened to ensure that the crop loans are utilised for the purpose for which they are sanctioned and genuineness of the land owners to whom crop loans were sanctioned can be established.

Owing to lack of monitoring, the computerisation in PACS and connectivity through VSAT was also delayed for which the farmers were deprived of e-banking and access to ATMs through RuPay Kisan Cards.

(Paragraph 8.1)

Non-disposal of timber and poles

In Bonai forest Division, the Divisional Forest Officer failed to take timely action for disposal of timber and poles seized during 2017-18 and Salvage materials pertaining to the period from 2010-11 to 2017-18. This resulted in non-realisation of revenue of ₹1.49 crore.

(Paragraph 8.2)

Infructuous expenditure due to overlapping of culturable command area

Due to overlap of ayacut of Hadua irrigation project by the Mega lift irrigation project, the expenditure of ₹64.68 crore incurred on Hadua irrigation project became infructuous in Narsinghpur Block of Cuttack district.

(Paragraph 8.3)

Short recovery of cost of stone

Construction of Spillway, including Earthen dam, of Deo Irrigation project was awarded (December 2012) to Odisha Construction Corporation for ₹49.97 crore for completion by December 2015. Against ₹10.17 crore towards cost and transportation charges recoverable from the contractor for the hard stone issued, the Executive Engineer recovered only ₹2.12 crore from the bills of the contractor for the quantity of stone issued at lesser rate without transportation cost. This resulted in short recovery of ₹8.05 crore.

(Paragraph 8.4)

Short realisation of licence fee

An amount of ₹4.57 crore was short realized (₹4.50 per 1,000 litres against 5.60 per 1,000 litres) by the EE on account of license fee recoverable from an industrial establishment drawing water from an irrigation source,

(Paragraph 8.5)

Avoidable extra expenditure

Despite clear Departmental instructions to include mechanical excavation in estimates against manual excavation on account of economies in the former, in estimates/ agreements of 14 works in Jajpur Irrigation Division, manual excavation of earth from burrow area was provided. This inflated the excavation cost of earth leading to undue benefit extended to the contractors which was estimated to be ₹6.90 crore.

(Paragraph 8.6)

Loss of revenue due to non-levy of licence fee

Joint physical verification conducted (December 2018/ January 2019) by the audit team with the project representatives and officers of Central Ground Water Board disclosed that 17 out of 445 industries/projects were unauthorisedly abstracting groundwater from Government sources without paying licence fee. Non-levy of fee for abstraction of 83.92 lakh cum of ground water by these Industries/ Projects during April 2017 to December 2018 resulted in loss of revenue of ₹6.77 crore.

(Paragraph 8.7)

Undue benefit to contractors

Incorrect adoption of output of dozer for spreading of earth and utilisation of Vibratory Road Roller instead of Sheep Foot Roller for compaction of earth, resulted in undue benefit to the contractors worth ₹7.10 crore.

(Paragraph 8.8)

Excess payment to a contractor

In a World Bank project for construction of a high level bridge and its approaches, while there was non-execution of 273 metres of approach road work, the contract price was not reduced as per the provisions of the contract. The Executive Engineer made full payment of ₹7.12 crore without corresponding reduction for the work resulting in excess payment of ₹4.86 crore.

(Paragraph 8.9)