

EXECUTIVE SUMMARY- CHAPTER I

Overall increase in the Government receipts	In 2010-11, there was an increase of 39.77 <i>per cent</i> in tax revenue whereas in the non-tax receipts there was a decrease of 5.71 <i>per cent</i> when compared to the previous year. The reasons for decrease in the non tax receipts were mainly attributed to the discontinuance of certain lottery scheme due to the implementation of the Central Government Lottery Regulation Rules-2010.
Failure of the Senior official to enforce accountability and protect interest of the Government	The inspection reports issued upto December 2010 disclosed that 11,330 paragraphs involving ₹ 6822.66 crore relating to 6031 IRs remained outstanding as on 30 June 2011. Even the first replies required to be received from the heads of the offices within one month from the date of issue of IRs were not received for 173 IRs issued upto December 2010. The large pendency of IRs/Paragraphs is indicative of the fact that the Heads of the offices and Heads of the Departments failed to initiate action to rectify the defects, omissions and irregularities pointed by audit in IRs.
Department audit committee meetings	In five Audit Committee Meetings in respect of State Excise, Forest and Wild life and Director of State Lotteries held during 2010-11, 333 paragraphs involving ₹ 31.97 crore were settled. However, other departments did not come forward to hold the Audit Committee Meeting for expeditious settlement of the outstanding audit observations.
Non-productions of records of audit scrutiny	During 2010-11 as many as 360 assessments files, returns, refunds, register and other records were not made available to audit.
Results of audit	<p>Test check of the records of 331 units of Sales tax/VAT, State Excise, Motor Vehicle Tax, Stamp duty and Registration fee, Electricity duty, other tax and non-tax receipts offices conducted during 2010-11 revealed under assessment/short levy/loss of revenue aggregating ₹ 181.61 crore in 7,091 cases. The Departments have accepted under assessments and other deficiencies of ₹ 30.15 crore in 2,649 cases during the year and collected ₹ 7.01 crore in 354 cases pertaining to audit finding of the previous years.</p> <p>This report contains 28 paragraphs and three Performance Audit Reports involving financial effect of ₹ 72.12 crore, out of which audit observations of ₹ 51.36 crore were accepted by the Government and a recovery of ₹ 95 lakh was also made in respect of these audit observations.</p>

CHAPTER-I

General

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Punjab during the year 2010-11, the State's share of net proceeds of divisible Union taxes and duties assigned to States 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:

(₹ in crore)						
Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Revenue raised by the State Government					
	• Tax revenue	9,017.16	9,899.17	11,150.19	12,039.48	16,828.18
	• Non-tax revenue ¹	7,744.58 (5,699.85)	5,253.97 (1,787.80)	5,783.91 (2,264.36)	5,652.70 (1,659.29)	5,330.17 (1,531.88)
	Total	16,761.74 (14,717.01)	15,153.14 (11,686.97)	16,934.10 (13,414.55)	17,692.18 (13,698.77)	22,158.35 (18,360.06)
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	1,565.75	1,974.99	2,084.01	2,144.10	3,050.87
	• Grants-in-aid	2,239.65	2,109.49	1,694.68	2,320.30	2,399.25
	Total	3,805.40	4,084.48	3,778.69	4,464.40	5,450.12
3.	Total receipts of the State Government (1 and 2)	20,567.14	19,237.62	20,712.79	22,156.58	27,608.47²
		(18,522.41)	(15,771.45)	(17,193.24)	(18,163.17)	(23,810.18)
4.	Percentage of 1 to 3	81	79	82	80	80

The above table indicates that during the year 2010-11, the revenue raised by the State Government (₹ 22,158.35 crore) was 80 per cent of the total revenue receipts (₹ 27,608.47 crore). The increase in tax revenues was 40 per cent over the previous year, whereas the non-tax revenues decreased by six per cent. The balance 20 per cent of the receipts during 2010-11 was received from the Government of India.

¹ The figures shown in brackets in the chapter are net of expenditure on prize winning tickets of lotteries conducted by the Government.

² For details please see statement number 11-Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Punjab for the year 2010-11. Figures under the head 0021- Taxes on income other than corporation tax-share of net proceeds assigned to States booked in the Finance Accounts under A – Tax revenue have been excluded from revenue raised by the State and included in the State's share of divisible Union taxes in this statement.

1.1.2 The following table presents the details of tax revenue raised during the period from 2006-07 to 2010-11:

(₹ in crore)

Sl. No.	Head of revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of increase (+)/ decrease (-) in 2010-11 over 2009-10
1.	VAT ³ / Sales tax	4,503.31	5,014.50	6,166.46	7,264.31	9,642.42	(+) 32.74
	Central sales tax	325.71	327.99	269.17	313.18	374.49	(+) 19.58
2.	State excise	1,367.79	1,861.52	1,809.95	2,100.92	2,373.07	(+) 12.95
3.	Stamp duty and registration fees	1,803.93	1,567.84	1,730.29	1,550.94	2,318.46	(+) 49.49
4.	Taxes and duties on electricity	527.58	603.80	631.33	230.13	1,422.90	(+) 518.30
5.	Taxes on vehicles	468.05	499.45	524.09	554.74	653.91	(+) 17.88
6.	Other taxes and duties on commodities and services	5.52	6.76	3.46	9.95	23.69	(+) 138.09
7.	Land revenue	15.27	17.31	15.44	15.31	19.24	(+) 25.67
	Total	9,017.16	9,899.17	11,150.19	12,039.48	16,828.18	(+) 39.77

The following are the reasons for increase in receipts during 2010-11 over those of 2009-10, as stated by some of the departments:

Taxes and duties on electricity: The increase of 518.30 *per cent* during the year 2010-11 over the year 2009-10 is due to 3 *per cent* increase in the rate of Electricity duty (13 *per cent* from 10 *per cent*), and recovery of arrears of previous years during the current year.

Stamp duty and Registration Fees: The increase of 49.49 *per cent* during the year 2010-11 over the year 2009-10 is attributed to the fact that during the year 2009-10 there was global recession and due to it sale/purchase of properties was less in 2009-10.

Taxes on vehicles: The increase of 17.88 *per cent* during the year 2010-11 is attributed to the best efforts of the Department and better fiscal management.

The other departments did not intimate (December 2011) the reasons for variations in receipts from that of the previous year.

³ Value Added Tax (VAT) with effect from 1 April 2005.

1.1.3 The following table presents the details of the major non-tax revenue raised by the State during the period from 2006-07 to 2010-11:

(₹ in crore)

Sl. No.	Head of revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of increase (+)/ decrease (-) in 2010-11 over 2009-10
1.	Interest receipts	658.57	348.78	181.98	164.69	169.37	(+) 2.84
2.	Dairy development	0.12	0.09	0.09	0.08	0.10	(+) 25.00
3.	Other non-tax receipts	509.28	441.62	760.97	486.88	559.19	(+) 14.85
4.	Forestry and wild life	14.62	14.70	15.52	26.47	12.52	(-) 52.70
5.	Non-ferrous mining and metallurgical industries	12.72	16.03	37.07	37.99	61.98	(+) 63.15
6.	Miscellaneous general services (including State lotteries)	6,386.49	4,189.72	4,567.80	4,780.12	4,277.23	(-) 10.52
7.	Major and medium irrigation	20.14	20.02	11.85	34.62	29.60	(-) 14.50
8.	Medical and public health	42.82	48.12	47.63	45.13	71.88	(+) 59.27
9.	Co-operation	5.02	4.60	4.55	3.73	3.50	(-) 6.17
10.	Public works	12.26	16.83	17.52	22.60	21.30	(-) 5.75
11.	Police	36.68	44.71	58.58	51.88	61.89	(+) 19.29
12.	Other administrative services	45.86	108.75	80.35	-1.49	61.61	(+) 4234.90
Total		7,744.58 (5,699.85)	5,253.97 (1,787.80)	5,783.91 (2,264.36)	5,652.70 (1,659.29)	5,330.17 (1,531.88)	(-) 5.71 (-) 7.68

The following are the reasons for increase/decrease in receipts during 2010-11 over those of 2009-10, as stated by some of the departments:

Miscellaneous General Services (including State lotteries): The decrease of 10.52 per cent in 2010-11 is because of discontinuance of certain lottery schemes due to implementation of Central Government Lottery (Regulation) Rules-2010 from April, 2010.

Non-ferrous mining and metallurgical industries: The Increase of 63.15 per cent during the year 2010-11 was due to the fact that during the year 2010-11, 366 khad (mines) were auctioned for six months for ₹ 39 crore and these were again extended for four months for ₹ 24 crore approximately.

The other departments did not intimate (December 2011) the reasons for variations in receipts, despite being requested repeatedly.

1.2 Response of the Government departments towards audit

- Annotated replies to the audit observations are to be submitted by the Government departments/auditee to the office of the Principal Accountant General within one month from the date of issue of Inspection Reports.
- In case the annotated replies to the audit observations contained in the Inspection Reports are satisfactory and the documents enclosed are duly attested by the competent authority, the observations are recommended for settlement after verification of the documents.
- The audit observations are to be settled during the Audit Committee meetings, if the reply of the Department is satisfactory.
- If the audit observations are adjudged, the observations remain pending till decision of the courts.
- At the time of next audit, rest of the audit observations are reviewed by the audit party at length and after verification of the records they are recommended for settlement.

1.2.1 Failure of senior officials to enforce accountability and protect interest of the Government

The Principal Accountant General (Audit) Punjab (PAG) conducts periodical inspection of the Government departments to test check the transactions and verify maintenance of the important accounts and other records as prescribed in the rules and procedures. These inspections are followed with the inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of the offices/Government are required to promptly comply with the observations contained in the IRs to rectify the defects and omissions and report compliance through initial reply to the PAG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the departments and the Government.

Inspection reports issued upto December 2010 disclosed that 11,330 paragraphs involving ₹ 6,822.66 crore relating to 6,031 IRs remained outstanding at the end of June 2011 as mentioned below.

	June 2009	June 2010	June 2011
Number of outstanding IRs	4,494	4,628	6,031
Number of outstanding audit observations	9,227	9,650	11,330
Amount involved (₹ in crore)	3,223.30	3,792.89	6,822.66

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2011 and the amounts involved are mentioned below.

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1.	Department of Finance	Taxes/VAT on sales, trade etc.	2179	3883	358.69
		Electricity duty	19	79	5,092.98
		Entertainments Tax, etc.	318	469	22.07
2.	Office of the Excise and Taxation Commissioner, Excise	State Excise	388	490	349.83
3.	Revenue and Rehabilitation	Land Revenue	791	1490	35.96
4.	Transport	Taxes on motor vehicles	811	2501	531.76
5.	Stamps and Registration	Stamp duty and registration fee	1314	1971	134.35
6.	Forest and environment	Forestry and wild life	172	371	161.23
7.	Director of Lotteries	State Lotteries	39	76	135.79
Total			6,031	11,330	6,822.66

Even the first replies required to be received from the heads of offices within one month from the date of issue of IRs were not received for 173 IRs issued upto December 2010. The large pendency of IRs due to non-receipt of replies is indicative of the fact that the Heads of the offices and Heads of the Departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by the Audit in the IRs.

It is recommended that the Government may take suitable steps to install an effective procedure for prompt and appropriate response to the audit observations as well as taking action against the officers who failed to send replies to the IRs within the prescribed time schedule and failed to take action to recover the loss/outstanding dues.

1.2.2. Departmental Audit Committee Meetings

The Government set up audit committees (during various periods) to monitor and expedite progress of the settlement of audit observations contained in the IRs. The details of the audit committee meetings held during the year 2010-11 and the paragraphs settled are mentioned below:

(₹ in crore)			
Head of Revenue	Number of meetings held	Number of paragraphs settled	Amount
Taxes/VAT on sales, trade etc.	3	258	10.62
Electricity duty	-	-	-
Entertainments Tax, etc.	-	-	-
State Excise	-	-	-
Land Revenue	-	-	-
Taxes on motor vehicles	-	-	-
Stamp and registration fee	-	-	-
Forestry and wild life	1	53	6.29
State Lotteries	1	22	15.06
Total	5	333	31.97

In five audit committee meetings in respect of State Excise, Forestry and Wild Life and Directorate of Lotteries held during the year 2010-11, 333 outstanding paras involving ₹ 31.97 crore were got settled. However, the other departments did not come forward to hold the audit committee meetings for expeditions settlement of the outstanding audit observations.

1.2.3 Non-production of records to Audit for scrutiny

The programme of local audit of Tax revenue/Non-Tax revenue offices is drawn up sufficiently in advance and intimations are issued, usually one month before the commencement of audit, to the departments to enable them to keep the relevant records ready for audit scrutiny.

During 2010-11 as many as 360 assessment files, returns, refunds, registers and other relevant records were not made available to audit. The tax effect could not be computed. Break up of the cases are given below:

(₹ in lakh)		
Name of Office	Year in which it was to be audited	Number of cases not audited
Taxes/VAT on sales, trade etc.	2010-11	63
Entertainments Tax, etc.	2010-11	12
Excise	2010-11	2
Land Revenue	2010-11	24
Transport	2010-11	145
Stamps and registration	2010-11	93
Forest and environment	2010-11	21
Total		360

1.2.4 Response of the departments to the draft audit paragraphs

On the recommendation of the Public Accounts Committee (PAC), the Department of Finance issued directions to all the departments in October 1967 to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The draft paragraphs are forwarded by the audit office to the Secretaries of the Departments concerned through demi official letters

drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the Government is invariably indicated at the end of each paragraph included in the Audit Report.

31 paragraphs/reviews included in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2011 were forwarded to the Secretaries of the respective departments between May 2011 and November 2011 through demi official letters. Replies to 24 of the paragraphs have not been received.

1.2.5 Follow up on the Audit Reports - summarised position

To ensure accountability of the executive in respect of all the issues dealt in the various audit reports, the Department of Finance issued instructions in August 1992 to initiate *suo moto* action on all paragraphs/reviews figuring in the Audit Reports irrespective of whether the cases were taken up for examination by the PAC or not. Out of 217 paragraphs/reviews included in Audit Reports relating to the period 2004-05 to 2009-10, which had already been laid before the State Legislature, action taken notes (ATNs) in respect of 116 paragraphs/reviews were not received as on June 2011 even after the lapse of the prescribed period of three months. The outstanding ATNs date back to 2004-05 as mentioned below:

Year of Report	Date of presentation of Audit Report to the legislature	No. of paragraphs/ reviews included in the Audit Reports	No. of paragraphs/ reviews on which ATN were due from the departments
2004-05	13 March 2006	25	7
2005-06	29 March 2007	30	7
2006-07	12 March 2008	32	12
2007-08	4 March 2009	49	20
2008-09	15 March 2010	50	39
2009-10	11 March 2011	31	31
Total		217	116

1.2.6 Compliance with the earlier Audit Reports

During the years between 2005-06 and 2009-10, the departments/Government accepted audit observations involving ₹ 117.55 crore, out of which an amount of ₹ 8.89 crore was recovered till 31 March 2011 as mentioned below:

(₹ in crore)				
Sl. No.	Year of Audit Report	Total money value	Accepted money value	Recovery made
1	2005-06	245.62	4.10	3.75
2	2006-07	197.96	2.90	1.92
3	2007-08	352.33	35.46	2.82
4	2008-09	218.15	42.58	0.33
5	2009-10	94.52	32.51	0.07
Total		1,108.58	117.55	8.89

The Government may issue appropriate instructions to the concerned departments to make recovery in the accepted cases.

1.3 Analysis of the mechanism for dealing with the issues raised by audit

The succeeding paragraphs 1.3.1 to 1.3.2 discuss the performance of the Chief Electrical Inspector, Patiala to deal with cases detected in the course of local audit conducted during the last 10 years and also the cases included in the Audit Reports for the years 2001-02 to 2010-11.

- There is no Audit Committee set up by the CEI and hence no audit committee meetings were held by the Department.
- At the level of Principal Accountant General half yearly reminders are issued to the Government/Department intimating list of the outstanding paragraphs in Inspection Reports and Audit Reports asking them to take necessary steps for their early settlement

1.3.1 Position of Inspection Report

The summarised position of inspection reports issued during the last 10 years, paragraphs included in these reports and their status as on 30 June 2011 are tabulated below:

(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing during the year		
	IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value
2001-02	9	11	77.53	1	3	261.59		1	258.10	10	13	81.02
2002-03	10	13	81.02	1	1	380.26		3	0.78	11	11	460.50
2003-04	11	11	460.50	1	6	27.78		1	202.74	12	16	285.54
2004-05	12	16	285.54	1	3	167.82		1	30.34	13	18	423.02
2005-06	13	18	423.02	1	11	1794.01		-	-	14	29	2,217.03
2006-07	14	29	2,217.03	1	11	154.30		8	868.11	15	32	1,503.22
2007-08	15	32	1,503.22	1	08	170.40		-	-	16	40	1,673.62
2008-09	16	40	1,673.62	1	09	349.00		-	-	17	49	2,022.62
2009-10	17	49	2,022.62	1	30	2,342.98		8	318.03	18	71	4,047.57
2010-11	18	71	4,047.57	1	08	1,045.41		-	-	19	79	5,092.98

We observed that the number of IRs/Paras had increased from 15/32 involving ₹ 1,503.22 crore in 2006-07 to 19/79 involving ₹ 5,092.98 crore in 2010-11. The ever increasing tendency reflects the poor action taken by the Department.

1.3.2 Assurances given by the Department/Government on the issues highlighted in the Audit Reports

1.3.2.1 Recovery of accepted cases

The position of paragraphs included in the Audit Reports since 2002-03, those accepted by the Department and the amount recovered are mentioned below:

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year	Cumulative position of recovery of accepted cases
2002-03	3	180.87	2 Para accepted	177.52	-	Para 5.2 of 2002-03 involving ₹ 118.16 crore. (Pertains to Government Departments) was adjusted but concurrence of Finance Department is awaited
				1.72	-	awaited.
2003-04	Nil	-	-	-	-	-
2004-05	1	21.06	Accepted	21.06		Money was deposited in 2005-06
2005-06	1	35.20	Not Accepted	-	-	-
2006-07	Nil	-	-	-	-	-
2007-08	2	103.47	1 Accepted	82.28	-	Out of ₹ 82.28 crore an amount of ₹ 58.52 crore pertains to court cases and rest of the amount stand recovered during 2008-09 and 2009-10
	1 Review	149.88	Not accepted	-	-	-
2008-09	1	25.46	Not accepted	-	-	-
2009-10	Nil	-	-	-	-	-
Total	9	515.94	3	282.58		

1.3.2.2 Action taken on the recommendations accepted by the departments/Government

The draft performance reviews conducted by the Accountant General are forwarded to the concerned departments/Government for their information with a request to furnish their replies. These reviews are also discussed in an exit conference and the departments/Government's views are included while finalising the reviews for the Audit Reports.

The following table/paragraph discusses the issues highlighted in the reviews on the “**Chief Electrical Inspector**” featured in the last 10 Audit Reports.

Year of Audit Report	Name of the Review	Number of recommendations	Details of the recommendations accepted	Status
2001-02 } 2002-03 } 2003-04 } 2004-05 } 2005-06 } 2006-07 }	Nil			
2007-08	Levy of collection of electricity duty	4	Accepted	applied
2008-09 } } 2009-10 }	Nil			

Although the Department accepted all the four recommendations, contained in the Audit Report for the year 2007-08, scrutiny of the records revealed that out of four recommendations, two recommendations had been implemented by the Department. Remaining two recommendations regarding periodical inspections of electrical establishments to ensure safety to the human being and animals and strengthening of Internal Audit had not been implemented by the Department. The Department stated that at the time of passing new electrical establishments, all the safety measures are reviewed and shortcomings are got made up from the concerned quarter.

1.4 Audit planning

The unit offices under various departments are categorised into high, medium and low risk units according to their revenue earning, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which inter-alia include critical issues in Government revenues and tax administration i.e. budget speech, reports of the finance commission (state and central), recommendations of the taxation reforms committee; statistical analysis of the revenue earnings during the past 5 years, features of the tax administration, audit coverage and its impact during past 5 years etc..

During the year 2010-11, there were 600 auditable units, of which 332 units were planned for audited, which is 55.33 *per cent* of the total auditable units. The details are shown in the annexure.

Besides the compliance audit, two performance audits were also taken up to examine the efficacy of tax administration of the receipts concerned.

1.5 Results of audit

1.5.1 Position of local audit conducted during the year

Test check of the records of 332⁴ units of sales tax, state excise, motor vehicles tax, stamp duty and registration fees, electricity duty, other tax and non-tax receipts offices conducted during the year 2010-11 revealed under assessment/short levy/loss of revenue aggregating ₹ 181.61 crore in 7,091 cases. During the course of the year, the Departments accepted under assessment and other deficiencies of ₹ 30.15 crore involved in 2,649 cases. The Departments collected ₹ 7.01 crore in 354 cases pertaining to the audit finding of previous years.

1.5.2 This Report

This Report contains 28 paragraphs and three performance audits on 'Utilisation of declaration forms in Inter State trade', IT review on 'Computerisation in the Transport Department' and 'Interest Receipts on Loan and Advances', involving financial effect of ₹ 72.12 crore.

The Departments/ Government have accepted audit observations involving ₹ 51.36 crore out of which ₹ 95 lakh have been recovered. The replies in remaining cases have not been received (October 2011). These are discussed in the succeeding chapters II, III, V and VI.

⁴ The audit of one unit could not be conducted being closed unit.