

Chapter-1 General

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Punjab, 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 last five years ending 2011-12 are mentioned below:

(₹ in crore)						
SI. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Revenue raised by the State Government					
	• Tax revenue	9,899.17	11,150.19	12,039.48	16,828.18	18,841.01
	• Non-tax revenue ¹	5,253.97 (1,787.80)	5,783.91 (2,264.36)	5,652.70 (1,659.29)	5,330.17 (1531.88)	1,398.45 (45.06)
	Total	15,153.14 (11,686.97)	16,934.10 (13,414.55)	17,692.18 (13,698.77)	22,158.35 (18360.06)	20,239.46 (18,886.07)
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	1,974.99	2,084.01	2,144.10	3,050.87	3,554.31
	• Grants-in-aid	2,109.49	1,694.68	2,320.30	2,399.25	2,440.64
	Total	4,084.48	3,778.69	4,464.40	5,450.12	5,994.95
3.	Total receipts of the State Government (1 and 2)	19,237.62	20,712.79	22,156.58	27,608.47	26,234.41²
		(15,771.45)	(17,193.24)	(18,163.17)	(23,810.18)	(24,881.02)
4.	Percentage of 1 to 3	79	82	80	80	77

The above table indicates that during the year 2011-12, the revenue raised by the State Government (₹ 20,239.46 crore) was 77 per cent of the total revenue receipts (₹ 26,234.41 crore). The increase in tax revenues in 2011-12 was 12 per cent over the previous year, whereas decrease in non-tax revenues was by 74 per cent. The balance 23 per cent of the receipts 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 2011-12. 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 2007-08 to 2011-12:

(₹ in crore)

Sl. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+)/ decrease (-) in 2011-12 over 2010-11
1.	VAT ³ / Sales tax	5,014.50	6,166.46	7,264.31	9,642.42	10,754.70	(+) 11.53
	Central sales tax	327.99	269.17	313.18	374.49	416.97	(+) 11.34
2.	State excise	1,861.52	1,809.95	2,100.92	2,373.07	2,754.60	(+) 16.08
3.	Stamp duty and registration fees	1,567.84	1,730.29	1,550.94	2,318.46	3,079.13	(+) 32.81
4.	Taxes and duties on electricity	603.80	631.33	230.13	1,422.90	928.28	(-) 34.76
5.	Taxes on vehicles	499.45	524.09	554.74	653.91	850.06	(+) 30.00
6.	Other taxes and duties on commodities and services	6.76	3.46	9.95	23.69	32.62	(+) 37.70
7.	Land revenue	17.31	15.44	15.31	19.24	24.65	(+) 28.12
	Total	9,899.17	11,150.19	12,039.48	16,828.18	18,841.01	(+) 11.96

The following were the reasons for variations reported by the concerned departments:

VAT/Sale Tax: The increase of 11.53 *per cent* during the year 2011-12 over the year 2010-11 is attributed to the various policies implemented by the Department and efficiency of the Department.

State Excise: The increase of 16.08 *per cent* during the year 2011-12 over the year 2010-11 is attributed to the various policies implemented by the Excise Department.

Stamp duty and Registration Fees: The increase of 32.81 *per cent* during the year 2011-12 over the year 2010-11 was attributed to global recession leading to lower sale/purchase of properties in 2010-11.

Taxes on vehicles: The increase of 30 *per cent* during the year 2011-12 over the year 2010-11 was attributed to revised rates of MVT on personalized vehicles, better fiscal management and tax collection by the department.

The other departments did not intimate the reasons for variation.

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 2007-08 to 2011-12:

(₹ in crore)							
Sl. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+)/ decrease (-) in 2011-12 over 2010-11
1.	Interest receipts	348.78	181.98	164.69	169.37	170.16	(+) 0.47
2.	Dairy development	0.09	0.09	0.08	0.10	0.27	(+) 170
3.	Other non-tax receipts	441.62	760.97	486.88	559.19	627.12	(+) 12.15
4.	Forestry and wild life	14.70	15.52	26.47	12.52	5.22	(-) 58.31
5.	Non-ferrous mining and metallurgical industries	16.03	37.07	37.99	61.98	35.58	(-) 42.59
6.	Miscellaneous general services (including State lotteries)	4,189.72	4,567.80	4,780.12	4,277.23	323.72	(-) 92.43
7.	Major and medium irrigation	20.02	11.85	34.62	29.60	25.19	(-) 14.90
8.	Medical and public health	48.12	47.63	45.13	71.88	68.43	(-) 4.80
9.	Co-operation	4.60	4.55	3.73	3.50	3.53	(+) 0.86
10.	Public works	16.83	17.52	22.60	21.30	15.83	(-) 25.68
11.	Police	44.71	58.58	51.88	61.89	51.91	(-) 16.13
12.	Other administrative services	108.75	80.35	-1.49	61.61	71.49	(+) 16.04
Total		5,253.97 (1,787.80)	5,783.91 (2,264.36)	5,652.70 (1,659.29)	5,330.17 (1,531.88)	1,398.45 (45.06)	(-) 73.76

The following were the reasons for variations reported by the concerned departments:

Miscellaneous General Services (including State lotteries): The decrease of 92.43 *per cent* in 2011-12 over the year 2010-11 is due to discontinuation of the weekly lottery schemes by the department during 2011-12.

Non-ferrous mining and metallurgical industries: The decrease of 42.59 *per cent* during the year 2011-12 was due to non-auctioning of big mines measuring 10830 acres due to non receipt of environment clearance.

Police: The decrease of 16.13 *per cent* during the year 2011-12 over the year 2010-11 was due to non-recovery of outstanding claims of the previous years.

The other departments did not intimate the reasons for variations.

1.2 Variation between the budget estimates and actuals

The variation between the budget estimates and actuals of revenue receipts for the year 2011-12 in respect of the main heads of tax and non-tax revenue are mentioned below:-

(₹ in crore)					
Sl. No.	Revenue head	Budget estimates	Actual	Variation excess (+)/ short fall (-)	Percentage of variation
A Tax Revenue					
1.	Sales Tax	11,800.00	11,171.67	(-) 628.33	(-) 5.32
2.	State Excise	3,250.00	2,754.60	(-) 495.40	(-) 15.24
3.	Stamp & Registration Fee	2,900.00	3,079.13	(+)179.13	(+) 6.18
4.	Taxes on vehicles	800.00	850.06	(+) 50.06	(+) 6.26
5.	Taxes and Duties on Electricity	1,400.00	928.28	(-) 471.72	(-) 33.69
6.	Other Taxes and Duties on Commodities and Services	238.70	32.62	(-) 206.08	(-) 86.33
7.	Land Revenue	19.00	24.65	(+) 5.65	(+) 29.74
B Non-Tax Revenue					
1.	Interest Receipts	176.62	170.16	(-) 6.46	(-) 3.66
2.	Road Transport	133.00	183.35	(+) 50.35	(+) 37.86
3.	Major & Medium Irrigation	299.42	25.19	(-) 274.23	(-) 91.59
4.	Police	78.00	51.91	(-) 26.09	(-) 33.45
5.	Public Works	23.00	15.83	(-) 7.17	(-) 31.17
6.	Crop Husbandry	35.00	31.59	(-) 3.41	(-) 9.74
7.	Forestry and Wild Life	32.00	5.22	(-) 26.78	(-) 83.69
8.	Misc. General Services	1,657.10	323.72	(-)1,333.38	(-) 80.46

The following were the reasons for variations reported by the concerned departments:-

Stamp duty and Registration Fees: The increase of 6.18 *per cent* during the year 2011-12 was due to levy of higher collector rates of properties.

Taxes and Duties on Electricity:- The decrease of 33.69 *per cent* for the year 2011-12 was due to non-deposit of electricity duty by Powercom/ Electricity Department in the Punjab Government Account.

Police:- The decrease of 33.45 *per cent* between estimates and actual receipts for the year 2011-12 was due to non -payment of deployment charges by other States/Departments.

Crop Husbandry:- The decrease of 9.74 *per cent* for the year 2011-12 was due to less renewal of licenses for sale of Fertilizer and Plant Protection equipment, pesticides and weedicides.

The other departments did not intimate the reasons for variation.

1.3 Cost of collection of major revenue receipts

The gross collection, expenditure on collection and the percentage of such expenditure to gross collection in respect of the major revenue receipts during the year 2007-08 to 2011-12 along with the relevant all India average percentage of expenditure on collection are mentioned below:-

(₹ in crore)

Sr. No	Head of revenue	Year	Collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage of expenditure to collection
1.	Taxes/VAT on sales, trade etc.	2007-08	5,342.49	45.81	0.86	0.82
		2008-09	6,435.63	48.53	0.75	0.83
		2009-10	7,577.49	59.83	0.79	0.88
		2010-11	1,0016.91	107.25	1.07	0.96
		2011-12	11,171.67	99.73	0.89	0.75
2.	Taxes on vehicles	2007-08	499.45	7.66	1.53	2.47
		2008-09	524.09	9.20	1.76	2.58
		2009-10	554.74	9.19	1.66	2.93
		2010-11	653.91	10.92	1.67	3.07
		2011-12	850.06	15.85	1.86	3.71
3.	State Excise	2007-08	1,861.52	13.27	0.71	3.30
		2008-09	1,809.95	14.57	0.80	3.27
		2009-10	2,100.92	17.23	0.82	2.77
		2010-11	2,373.07	20.55	0.86	3.64
		2011-12	2,754.60	30.16	1.09	3.05
4.	Stamp duty and Registration fees	2007-08	1,567.84	18.22	1.16	2.33
		2008-09	1,730.29	23.69	1.37	2.09
		2009-10	1,550.94	12.42	0.80	2.77
		2010-11	2,318.46	25.47	1.10	2.47
		2011-12	3,079.13	27.56	0.90	1.60

The reasons for the variation in State Excise and Taxes on Vehicles, as furnished by the Department were revision of pay scales and payment of arrears to the employees.

1.4 Analysis of arrears of revenue in terms of total outstanding and outstanding for more than five years

The arrear of revenue as on 31 March 2012 in respect of some principal heads of revenue amounted to ₹ 1,024.30 crore of which ₹ 256.92 crore was outstanding for more than five years as detailed in the succeeding table:-

(₹ in crore)

Sr. No.	Head of revenue	Amount outstanding as on 31 March 2012	Amount outstanding for more than five years as on 31 March 2012	Remarks
1.	Taxes on Sales trade etc./VAT	905.47	201.70	Demands of ₹ 3.03 crore were covered by recovery certificate; arrear of ₹ 251.33 crore were stayed by the High Court/Judicial Authority; recovery stayed by Government Deptt. Authorities ₹ 320.63 crore; recovery due to rectification/review of application ₹ 0.80 crore; recovery of ₹ 2.41 crore due to insolvency of dealers; demands of ₹ 24.59 crore likely to be written off; demands of ₹ 1.02 crore were being recovered in instalments and balance amount of ₹ 301.66 crore was at different stages of action.
2.	State excise	14.21	11.46	Demands of ₹ 1.98 crore were covered by recovery certificates; recovery of ₹ 1.27 crore was stayed by the High Court/other judicial and departmental authorities; demands amounting to ₹ 4.63 crore were likely to be written off; ₹ 1.31 crore were being recovered in instalments; recovery of ₹ 7.19 lakh was held up due to rectification and the balance of ₹ 4.95 crore was at different stages of action.
3.	Taxes on Vehicles	104.62	43.76	Recovery of ₹ 0.31 crore were stayed by the High Court/Judicial Authority; ₹ 0.13 crore was stayed by the Government department and the balance amount of ₹ 104.18 crore was at different stages of action.
Total		1,024.30	256.92	

The arrears outstanding for more than five years constituted 25.08 per cent of the total arrears.

1.5 Arrears in assessment

The opening balance of assessment, assessment due, assessment disposed off and closing balance of assessment during the last five years from 2007-08 to 2011-12 as furnished by the Sales tax/VAT Department in respect of sales tax are mentioned in the succeeding table:

Year	Opening balance	Cases which became due for assessment	Total	Cases disposed during the year	Cases pending at the end of the year
2007-08	3,58,383	—	3,58,383	30,460	3,27,923
2008-09	80,650	—	80,650	27,623	53,027
2009-10	53,027	—	53,027	12,968	40,059
2010-11	40,059	9,253	49,312	7,740	41,572
2011-12	41,572	10,049	51,621	11,155	40,466 ⁴

⁴ PGST assessment case =30417 and VAT assessment is 10049

The closing balance of 2007-08 includes 2,47,273 cases pertaining to VAT and there was no provision for regular assessment under PVAT Act 2005. Further, the addition of 10,049 cases during the year 2011-12 pertains to VAT as all the assessments relating to PGST that became due upto 2007-08 had already been included in the arrears of assessments. The opening balance of 2008-09 and thereafter depicts the sales tax cases only.

It is recommended that Government may consider issuing instructions for early disposal of the cases.

1.6 Evasion of tax

The details of cases of evasion of tax detected by the Departments, cases finalised and the demand for additional tax raised at the end of each year during 2007-08 to 2011-12 as reported by the departments are given below:-

(₹ in crore)

Sr. No.	Revenue Head	Year	No. of cases pending beginning the year	Cases detected during the year	Total	No. of cases in which assessments / investigations completed and additional demand including penalty etc. raised		No. of cases pending at the end of year
						No. of cases	Amount of demand	
1.	Sales tax/ VAT	2007-08	3,850	2,506	6,356	3,049	5.83	3,307
		2008-09	3,307	1,725	5,032	2,706	17.84	2,326
		2009-10	2,326	4,538	6,864	3,068	24.94	3,796
		2010-11	3,796	7,970	11,766	8,376	63.86	3,390
		2011-12	3,390	6,154	9,544	7,203	108.83	2,341
2.	Taxes on Vehicles	2007-08	54	128	182	--	--	182
		2008-09	182	79	261	42	0.86	219
		2009-10	219	13	232	6	48.74	226
		2010-11	226	--	226	160	32.10	66
		2011-12	66	--	66	43	6.31	23
3.	State Excise	2007-08	01	--	--	--	--	01
		2008-09	01	--	01	01	0.01	--
		2009-10	--	--	--	--	--	--
		2010-11	--	182	182	159	1.45	23
		2011-12	23	75	98	98	0.10	--

1.7 Refunds

The opening balance of refund cases, refund cases received, refunds allowed and the closing balance during the period of five years ending 2011-12 as reported by the Excise & Taxation Department are as follows:-

(₹ in crore)

Revenue Head	Year	Claims outstanding at the beginning of the year		Claims received during the year		Cases rejected		Refund made during the year		Balance outstanding at the end of the year	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Sales Tax/VAT	2007-08	2,165	224.52	5,727	223.19	38	2.85	4640	320.84	3214	124.02
	2008-09	3,214	124.02	10,621	496.66	46	5.89	8666	373.80	5123	240.99
	2009-10	5,123	240.99	7,765	437.23	314	38.33	7217	375.66	5357	264.23
	2010-11	5,357	264.23	7,129	549.98	1102	131.50	8381	479.43	3003	203.28
	2011-12	3,003	203.28	9,717	820.06	714	94.82	8888	668.99	3118	259.53

Excise Department

(₹ in crore)

Revenue Head	Year	Claims outstanding at the beginning of the year		Claims received during the year		Refund made during the year		Balance outstanding at the end of the year	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
State Excise	2007-08	78	0.48	21	9.61	15	9.90	84	0.19
	2008-09	84	0.19	61	1.96	31	1.76	114	0.39
	2009-10	114	0.39	14	0.48	18	0.44	110	0.43
	2010-11	110	0.43	28	2.08	23	2.09	115	0.42
	2011-12	115	0.42	25	0.09	12	0.04	128	0.47

1.8 Response of the Government Departments towards audit

- Replies to the audit observations are to be submitted by the Government departments to the office of the Accountant General within one month from the date of issue of Inspection Reports.
- If replies to the audit observations contained in the Inspection Reports are satisfactory, the observations are recommended for settlement after verification of the documents.
- The remaining audit observations are to be settled during the Audit Committee meetings, if the reply of the Department is satisfactory.
- If the audit observations are subjudice, 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 these are recommended for settlement.

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

The Accountant General (Audit) Punjab (AG) 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 by 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 AG 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 2011 disclosed that 7,640 paragraphs involving ₹ 7,329.25 crore relating to 5,004 IRs remained outstanding at the end of June 2012 as mentioned below:

	June 2010	June 2011	June 2012
Number of outstanding IRs	4,628	6,031	5,004
Number of outstanding audit observations	9,650	11,330	7,640
Amount involved (₹ in crore)	3,792.89	6,822.66	7,329.25

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2012 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.	1796	2896	438.39
		Electricity duty	20	78	5005.96
		Entertainment Tax, etc.	275	223	220.50
2.	Office of the Excise and Taxation Commissioner, Excise	State Excise	205	148	354.12
3.	Revenue and Rehabilitation	Land Revenue	764	465	359.11
4.	Transport	Taxes on motor vehicles	582	1396	523.50
5.	Stamps and Registration	Stamp duty and registration fee	1165	2068	143.80
6.	Director of Lotteries	State Lotteries	35	63	132.04
7.	Forest and Environment	Forest and wild life	162	303	151.83
Total			5,004	7,640	7,329.25

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 163 IRs issued upto December 2011. The large pendency of IRs due to non-receipt of replies was indicative of the fact that the Heads of the offices and Heads of the Departments did not 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 audit observations as well as take action against the officer/officers who did not send replies to the IRs/paragraphs as per the prescribed time schedules and also did not take action to recover the loss/outstanding dues in time bound manner.

1.8.2 Departmental Audit Committee Meetings

The Government set up audit committees to monitor and expedite progress of the settlement of audit observations contained in the IRs. No audit committee meeting was held during the year 2011-12. All the Departments were requested to hold the audit committee meetings for expeditious settlement of the outstanding audit observations.

It is recommended that Government should ensure holding of audit committee meetings.

1.8.3 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 2011-12 as many as 1,026 assessment files, returns, refunds, registers and other relevant records were not made available to audit. The tax effect involved in the records not produced in audit could not be computed. Break up of these cases are given below:

Name of Office	Year in which it was to be audited	Number of cases not audited
Taxes/VAT on sales, trade	2011-12	829
Entertainments Tax, etc.	2011-12	28
Excise	2011-12	22
Land Revenue	2011-12	35
Transport	2011-12	70
Forest & Environment	2011-12	42
Total		1,026

1.8.4 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 demi officially to the

Secretaries of the departments concerned 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.

One performance audit and 19 paragraphs proposed to be included in the Report of the Comptroller and Auditor General of India (Revenue Sector) for the year ended 31 March 2012 were forwarded to the Secretaries of the respective departments between May 2012 and August 2012 through demi official letters. Replies to 19 paragraphs were not received.

1.8.5 Follow up on the Audit Reports - summarised position

With a view to ensure accountability of the executive in respect of issues dealt with in the 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 249 paragraphs/reviews included in Audit Reports relating to the period 2005-06 to 2010-11, which were laid before the State Legislature, action taken notes (ATNs) in respect of 143 paragraphs/reviews were not received as on June 2012 even after the lapse of the prescribed period of three months. Out of the above 249 paras, 30 paras pertain to the period 2005-06 and the rest to subsequent years 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 ATNs were due from the departments
2005-06 ⁵	29 March 2007	30	07
2006-07 ⁶	12 March 2008	32	12
2007-08 ⁷	4 March 2009	49	20
2008-09	15 March 2010	50	18
2009-10	11 March 2011	31	29
2010-11	28 March 2012	31 & 26 Stand alone report on State Excise Deptt.	31 and 26 (SAR)
Total		249	143

1.8.6 Compliance with the earlier Audit Reports

During the period from 2006-07 and 2010-11, the departments/Government accepted audit observations involving ₹ 143.60 crore, of which an amount of ₹ 12.15 crore had been recovered till 31 March 2012 as mentioned in succeeding table:

⁵ Outstanding paragraphs pertaining to Audit Reports for the years 2005-06 and 2007-08 had been transferred (January 2012) by the Public Accounts Committee to the concerned departments with direction to take further action at their own level.

⁶ Remarks same as Sr. no. 5.

⁷ Remarks same as Sr. no. 5.

(₹ in crore)

Sl. No.	Year of Audit Report	Total money value	Accepted money value	Recovery made
1	2006-07	197.96	2.90	1.92
2	2007-08	352.33	35.46	2.82
3	2008-09	218.15	42.58	0.33
4	2009-10	94.52	32.51	0.07
5	2010-11	181.61	30.15	7.01
Total		1,044.57	143.60	12.15

The Government may issue appropriate instructions to the concerned departments to effect recovery.

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

In order to analyse the system of addressing the issues highlighted in the IRs/ Audit Report by the Departments/Government, the action taken on the paragraphs and performance audits included in the Audit Report of the last 10 years in respect of Excise and Taxation Department (Sales Tax/VAT) is evaluated and included in this Audit Report.

The succeeding paragraphs 1.9.1 to 1.9.2 discuss the performance of the Director, State Lotteries, Punjab 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 2002-03 to 2011-12.

- There is no Audit Committee set up by the Director, State Lotteries and hence no audit committee meeting was held by the Department.
- At the level of Accountant General, half yearly reminders were issued to the Government/Department furnishing the list of the outstanding paragraphs in Inspection Reports and Audit Reports asking them to expedite necessary steps for early settlement.

1.9.1 Position of Inspection Reports

The summarised position of inspection reports issued during the last 10 years, paragraphs included in these reports and status of the same as on 30 June 2012 are given in the succeeding table:

(₹ 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
2002-03	29	49	98.68	2	6	0.23	3	4	1.82	28	51	97.09
2003-04	28	51	97.09	4	11	0.48	-	-	-	32	62	97.57
2004-05	32	62	97.57	-	-	-	-	-	-	32	62	97.57
2005-06	32	62	97.57	2	5	0.43	-	1	-	34	66	98.00
2006-07	34	66	98.00	1	4	1.63	-	-	-	35	70	99.63
2007-08	35	70	99.63	2	2	38.42	2	2	1.68	35	70	136.37
2008-09	35	70	136.37	1	6	2.69	1	4	22.52	35	72	116.54
2009-10	35	72	116.54	2	5	12.89	-	-	-	37	77	129.43
2010-11	37	77	129.43	1	1	1.93	5	18	7.68	33	60	123.68
2011-12	33	60	123.68	1	6	4.42	-	4	0.47	34	62	127.63

Audit observed that the number of IRs/paras had marginally decreased from 35/70 involving ₹ 136.37 crore in 2007-08 to 34/62 involving ₹ 127.63 crore in 2011-12. The Department may make more concrete efforts to settle the outstanding IRs and paras.

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

1.9.2.1 Recovery of accepted cases

The position of paragraphs included in the audit report, those accepted by the Department and the amount recovered since 2003-04 are mentioned in the succeeding table:

(₹ 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
2003-04	-	-	-	-	-	-
2004-05	-	-	-	-	-	-
2005-06	1	4.70	-	-	-	Para settled by the PAC
2006-07	-	-	-	-	-	-
2007-08	-	-	-	-	-	-
2008-09	1	7.36	-	-	-	Para settled by the PAC
2009-10	1	1.94	-	-	-	-do-
2010-11	-	-	-	-	-	-
Total	3	14.00	-	-	-	-

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

The draft performance audits conducted by the Accountant General are forwarded to the concerned departments/Government for their information with a request to furnish their replies. These performance audits are also discussed in exit conference and the departments/Government's views are incorporated while finalising the performance audit for the Audit Reports of Comptroller and Auditor General of India.

1.10 Audit planning

The unit offices under various departments are categorised into high, medium and low risk units according to revenue earning, past trends of audit observations and other parameters of the concerned department. The annual audit plan is prepared on the basis of risk analysis which inter-alia included critical issues in Government revenues and tax administration i.e. budget speech, white paper on State finances, reports of the finance commission (state and central), recommendations of the taxation reforms committee; statistical

analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during the past five years etc.

During the year 2011-12, there were 442 auditable units, of which 277 units (62.67 *per cent*) were planned and audited. The details are shown in the annexure A.

1.11 Results of audit

1.11.1 Position of local audit conducted during the year

Test check of the records of 277 units of Sales Tax, State Excise, Motor Vehicles Tax, Stamp Duty and Registration Fees, Electricity Duty revealed under assessment/short levy/loss of revenue amounting to ₹ 855.13 crore in 4,824 cases. During the year Departments accepted under assessment and other deficiencies of ₹ 328.80 crore involved in 2,444 cases. The departments collected ₹ 7.94 crore in 463 cases pertaining to earlier years.

1.11.2 About this Report

This Report contains one performance audit on “**Taxation of works contracts under PVAT Act**” and 19 paragraphs having financial effect of ₹ 574.95 crore. The Departments/Government have accepted audit observations involving ₹ 10.49 crore out of which ₹ 85 lakh had been recovered/adjusted. The replies in remaining cases have not been received (December 2012). These are discussed in the succeeding chapters 2 to 5.