

Chapter-I

General

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 2014-15, 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 in **Table 1.1.1**:

**Table 1.1.1
Trend of revenue receipts**

(₹ in crore)						
Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1.	Revenue raised by the State Government					
	Tax revenue	16,828.18	18,841.01	22,587.56	24,079.19	25,570.20
	Non-tax revenue	5,330.17	1,398.45	2,629.21	3,191.50	2,879.73
	Total	22,158.35	20,239.46	25,216.77	27,270.69	28,449.93
2.	Receipts from the Government of India					
	Share of net proceeds of divisible Union taxes and duties	3,050.87	3,554.31	4,058.81	4,431.47	4,702.97
	Grants-in-aid	2,399.25	2,440.64	2,775.57	3,401.38	5,869.95
	Total	5,450.12	5,994.95	6,834.38	7,832.85	10,572.92
3.	Total revenue receipts of the State Government (1 and 2)	27,608.47	26,234.41	32,051.15	35,103.54	39,022.85
4.	Percentage of 1 to 3	80	77	79	78	73

The above table indicates that during the year 2014-15, the revenue raised by the State Government (₹ 28,449.93 crore) was 73 per cent of the total revenue receipts. The balance 27 per cent of the receipts during 2014-15 was from the Government of India as share of net proceeds of divisible Union taxes and duties and Grants-in-aid.

1.1.2 The details of the tax revenue raised during the period from 2010-11 to 2014-15 are mentioned in **Table 1.1.2**:

Table 1.1.2
Details of Tax Revenue raised

(₹ in crore)													
Sl. No	Head of revenue	2010-11		2011-12		2012-13		2013-14		2014-15		Percentage increase (+) or decrease (-) of	
		BE ¹	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	Actual in 2014-15 over 2013-14	Actual over BE for 2014-15
1	VAT/ Sales tax/Central sales tax	9,600.00	10,016.91	11,800.00	11,171.67	14,213.00	13,217.93	17,760.00	14,846.70	17,760.00	15,455.17	(+) 4.10	(-) 12.98
2	State excise	2,520.00	2,373.07	3,250.00	2,754.60	3,800.00	3,331.96	4,180.00	3,764.72	4,600.00	4,246.11	(+) 12.79	(-) 7.69
3	Stamp duty and registration fees	2,395.00	2,318.46	2,900.00	3,079.13	3,375.00	2,920.49	3,450.00	2,499.50	2,760.00	2,474.15	(-) 1.01	(-) 10.36
4	Taxes and duties on Electricity	980.00	1,422.90	1,400.00	928.28	1,540.00	2,035.30	1,694.00	1,710.46	1,860.00	1,875.23	(+) 9.63	(+) 0.82
5	Taxes on Vehicles	645.00	653.91	800.00	850.96	864.00	994.72	1350.00	1,145.69	1,350.00	1,393.32	(+) 21.61	(+) 3.21
6	Others ²	168.00	42.93	257.70	56.37	50.00	87.16	90.00	112.12	150.00	126.22	(+)12.59	(-)15.85
Total		16,308.00	16,828.18	20,407.70	18,841.01	23,842.00	22,587.56	28,524.00	24,079.19	28,480.00	25,570.20	(+) 6.19	(-) 10.22

The above table indicates that there was decrease in actual receipts over budget estimates during 2014-15 ranging between (-)7.69 to (-)15.85 *per cent* in respect of VAT/Sales Tax, State Excise, Stamp Duty & Registration Fee and other heads of revenue.

The Department of Taxes on Vehicles intimated that the increase of 21.61 *per cent* in actual receipts of 2014-15 over actuals of the previous year was due to revision of rates of MVT and better fiscal management by the Department. The other Departments despite being requested (July to August 2015) did not furnish the reasons for variations in receipts from that of the previous year (2013-14).

1.1.3 The details of the non-tax revenue raised during the period 2010-11 to 2014-15 are mentioned in **Table 1.1.3:**

¹ Budget Estimates (BE) are as per Annual Financial Statements of the Government of Punjab.

² Revenue Receipts of the two Departments i.e. Land Revenue (₹ 47.30 crore, which is 11.40 *per cent* higher than previous year) and other taxes and commodities on services (₹ 78.92 crore, which is 12.88 *per cent* higher than previous year) are less than five *per cent* of Total Tax Revenue Receipts, hence Revenue Receipts of these Departments have been merged in "Others".

Table 1.1.3
Details of Non-Tax revenue raised

(₹ in crore)													
Sl. No.	Head of Revenue	2010-11		2011-12		2012-13		2013-14		2014-15		Percentage increase (+) or decrease (-) of	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	Actual in 2014-15 over 2013-14	Actual over BE for 2014-15
1	Miscellaneous general services	5,349.20	4,277.23	1,657.10	323.72	516.66	1,420.73	592.80	1,640.32	950.00	1,473.47	(-) 10.17	(+) 55.10
2	Other non-tax receipts ³	562.66	559.19	644.48	627.12	731.90	680.88	1,293.42	886.00	915.80	694.77	(-) 21.58	(-) 24.13
3	Interest receipts	143.00	169.37	176.62	170.16	182.17	170.47	183.02	174.68	180.13	193.88	(+) 0.99	(+) 7.63
4	Others ⁴	593.85	324.38	648.03	277.45	762.93	357.13	666.62	490.50	737.07	517.61	(+) 5.53	(-) 29.77
Total		6,648.71	5,330.17	3,126.23	1,398.45	2,193.66	2,629.21	2,735.86	3,191.50	2,783.00	2,879.73	(-) 9.77	(+) 3.48

In Miscellaneous General Services, the actual receipt over budget estimates during 2014-15 was 55.10 *per cent* higher. The interest receipts also increased from ₹ 169.37 crore in 2010-11 to ₹ 193.88 crore in 2014-15.

The respective Departments reported the following reasons for variations:

Miscellaneous General Services: Overall decrease of actual receipt over previous year was mainly due to decrease in Guarantee Fees and Lottery receipts.

The Lottery Department replied that decrease of actual receipt over previous year was due to decrease in number of draws and change in schemes.

Other non-tax receipts: Overall decrease of actual receipt over previous year was mainly due to decrease in actual receipt in respect of Jails, Supplies and Disposals, Contributions and Recoveries towards Pension and Retirement Benefits, Family Welfare, Water Supply and Sanitation, Animal Husbandry, Industries and Tourism Departments.

The other Departments despite being requested (July to August 2015) did not furnish the reasons for variations in receipts from that of the previous year (2013-14).

³ The receipts which do not come under the Heads of revenue mentioned at Sr. No. 1, 3 and 4 of the table.

⁴ Non-Tax Revenue Receipts of the nine Departments [i.e. Medical and Public Health (₹ 116.50 crore, which is 23.34 *per cent* lower than previous year), Other Administrative Services (₹ 114.12 crore, which is 11.25 *per cent* higher than previous year), Major and Medium Irrigation (₹ 72.81 crore, which is 10.42 *per cent* higher than previous year), Police (₹ 77.23 crore, which is 39.76 *per cent* higher than previous year), Public Works (₹ 16.79 crore, which is 64.07 *per cent* lower than previous year), Non Ferrous Mining and Metallurgical Industries (₹ 86.44 crore which is 97.22 *per cent* higher than previous year), Forestry and Wildlife (₹ 19.45 crore, which is 5.99 *per cent* lower than previous year), Co-operation (₹ 14.16 crore, which is 311.63 *per cent* higher than previous year) and Dairy Development (₹ 0.11 crore, which is 83.33 *per cent* higher than previous year)] are less than five *per cent* of total Non-Tax Revenue Receipts, hence Non-Tax Revenue Receipts of these Departments have been merged in "Others".

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2015 in respect of principal heads of revenue were ₹ 3,712.58 crore of which ₹ 518.17 crore was outstanding for more than five years, as mentioned in **Table 1.2:**

Table 1.2
Arrears of revenue

(₹ in crore)				
Sl. No.	Head of revenue	Amount outstanding as on 31 March 2015	Amount outstanding for more than five years as on 31 March 2015	Reply of the Department
1.	Taxes/VAT on sales, Trade etc.	3,531.12	434.21	Arrears of ₹ 0.12 crore were pending in the Supreme Court, ₹ 1.92 crore in the High Court, ₹ 14.53 crore in VAT Tribunal, ₹ 53.93 crore with DETC (A) and ₹ 1,079.09 crore in various appellant courts/authorities, arrears of ₹ 207.29 crore was stayed by different appellant authorities/courts, arrears of ₹ 1.35 crore were demanded, arrears of ₹ 10.81 crore was recoverable and for arrears of ₹ 2,162.08 crore no reply was furnished by the Departments.
2.	Taxes on Vehicles	130.83	43.76	Recovery of ₹ 69.12 crore was stayed by the Government/Department; ₹ 61.71 crore was at different stages of action.
3.	Forests and Wildlife	24.11	24.11	Amount was outstanding against forest contractors.
4.	State excise	14.01	14.01	Demands of ₹ 58.46 lakh were likely to be written off and balance ₹ 13.43 crore was at different stages of action.
5.	Land revenue	12.51	2.08	In some of the cases, recoveries had been waived off by the State Government and in remaining cases recoveries were under process.
Total		3,712.58	518.17	

The office of the Excise and Taxation Commissioner, Punjab, Patiala had informed that an amount of ₹ 1,950.21 crore was outstanding as arrears of revenue relating to Sales Tax/VAT in respect of six⁵ Assistant Excise and Taxation Commissioners (AETCs). However, during revalidation of data in these AETCs, it was noticed that the outstanding arrears as on 31 March 2015 was ₹ 1,797.28 crore.

⁵ AETC Fatehgarh Sahib, Ludhiana-I, Ludhiana-II, Patiala, Ropar and Sangrur.

1.3 Arrears in assessment

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalization at the end of the year as furnished by the Sales Tax Department in respect of sales tax are mentioned in **Table 1.3:**

Table 1.3
Arrears in Assessment

Head of revenue	Opening balance	New cases due for assessment during 2014-15	Total assessments due	Cases disposed of during 2014-15	Balance at the end of the year	Percentage of disposal (Col. 5 to 4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Taxes/VAT on Sales/Trade etc.	40,713	22,280	62,993	16,035	46,958	25.46

Out of total 26 Excise Districts in the State, there was an arrear in assessment in respect of 17 Excise Districts, data of seven districts⁶ i.e. 26.92 per cent was revalidated and found correct.

1.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected by the Sales Tax/VAT, State Transport and State Excise Department, cases finalised and the demand for additional tax raised as reported by the Department are mentioned in **Table 1.4:**

Table 1.4
Evasion of Tax

Sl. No.	Head of revenue	Cases pending as on 31 March 2014	Cases detected during 2014-15	Total	No. of cases in which assessment / investigation completed and additional demand with penalty etc. raised		No. of cases pending for finalization as on 31 March 2015
					No. of cases	Amount of demand (₹ in crore)	
1.	Taxes/VAT on sales, Trade etc.	1,435	2,000	3,435	2,516	267.16	919
2.	Taxes on Vehicles	21	--	21	5	--	16
3.	State Excise	17	--	17	--	--	17
Total		1,473	2,000	3,473	2,521	267.16	952

It would be seen from the table that the number of cases pending at the end of the year has reduced than number of cases pending at the start of the year. No

⁶ AETC Fatehgarh Sahib, Ludhiana-I, Ludhiana-II, Mohali, Patiala, Ropar and Sangrur.

case was finalized in respect of State Excise during the year 2014-15. Further, no evasion of tax was detected by the Departments of State Transport and State Excise during the year 2014-15.

Out of total 26 units of sales tax/ VAT, cases of tax evasion were pending in 18 units. Data of six⁷ units was revalidated and found correct.

1.5 Refund Cases

The number of refund cases pending at the beginning of the year 2014-15, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2014-15 as reported by the Department are mentioned in **Table 1.5:**

Table 1.5
Details of refund cases

(₹ in crore)					
Sl. No.	Particulars	Sales tax/VAT		State Excise	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	3,336	373.16	132*	4.28*
2.	Claims received during the year	9,009	1,024.48	5	0.88
3.	Refunds made during the year	7,430	765.61	9	4.23
4.	Refunds rejected during the year	1,165	234.56	0	0
5.	Balance outstanding at the end of year	3,750	397.47	128	0.93

**Note: Includes five refund cases of ₹3.72 crore which were outstanding as on 31.3.2014 but inadvertently taken as 'nil' by the Department.*

Out of total 26 Excise Districts in the State, refunds in respect of Sales tax/VAT were pending in 24 Excise Districts. Data of seven⁸ units was revalidated and found correct.

1.6 Response of the Government/Departments towards audit

The Principal Accountant General (PAG) Punjab conducts periodical inspection of the Government Departments to test check the transactions and verifies the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the 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, rectify the

⁷ AETC Fatehgarh Sahib, Ludhiana-I, Ludhiana-II, Patiala, Ropar and Sangrur.

⁸ AETC Fatehgarh Sahib, Ludhiana-I, Ludhiana-II, Mohali, Patiala, Ropar and Sangrur.

defects and omissions and report compliance through initial reply to the PAG within four weeks from the date of receipt of the IRs. Serious financial irregularities are reported to the heads of the Department and the Government.

Inspection Reports issued up to December 2014 disclosed that 13,194 paragraphs involving ₹ 3,609.73 crore relating to 5,650 IRs remained outstanding at the end of June 2015. This, alongwith the corresponding figures for the preceding two years are mentioned in **Table 1.6:**

Table 1.6
Details of pending Inspection Reports

	June 2013	June 2014	June 2015
Number of IRs pending for settlement	5,126	5,328	5,650
Number of outstanding audit observations	11,755	12,608	13,194
Amount of revenue involved (₹ in crore)	7,330.98	2,918.31	3,609.73

1.6.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2015 and the amounts involved are mentioned in **Table 1.6.1:**

Table 1.6.1
Department-wise details of pending IRs

SI. No	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1.	Finance	Taxes/VAT on sales, Trade etc.	1,934	3,879	997.68
		Entertainment and Luxury Tax	309	482	24.45
2.	Excise	State Excise	289	276	426.50
3.	Revenue	Land Revenue	688	1,354	441.40
4.	Transport	Taxes on motor vehicles	678	2,547	661.90
5.	Stamps and Registration	Stamp Duty and Registration Fee	1,453	4,187	532.79
6.	Director of Lotteries	State Lotteries	19	48	152.02
7.	Forest and Environment	Forestry and wild life	280	421	372.99
Total			5,650	13,194	3,609.73

Audit did not receive even the first replies from the Heads of offices within the stipulated time for 244 IRs issued during 2014-15. This large pendency of IRs due to non-receipt of replies is indicative of the fact that the Heads of offices and the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the PAG in the IRs.

The Government may consider to have an effective system for prompt and appropriate response to audit observations.

1.6.2 Departmental Audit Committee Meetings

The Government sets up audit committees to monitor and expedite progress of the settlement of the audit observations contained in the IRs. No audit committee meeting was held during the year 2014-15. 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.

1.6.3 Non production of records to audit for scrutiny

The programme of local audit of Tax Revenue/Non-tax Revenue offices is drawn up and intimations are issued to the Departments to enable them to keep the relevant records ready for audit scrutiny.

During the year 2014-15 as many as 1,618 cases/items of auditable records pertaining to seven Departments were not made available to audit as mentioned in **Table 1.6.3**:

Table 1.6.3
Details of non-production of records

Name of the office/Department	Number of cases/items not audited
Sales Tax/VAT	430
Taxes on Vehicles	818
Stamps and Registration Fees	251
Land Revenue	51
State Excise	23
Forests and Wild life	22
Other Taxes and Duties on Commodities and Services	23
	1,618

1.6.4 Response of the Departments to the draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the PAG to the Principal Secretaries/Secretaries of the concerned Department, drawing their attention to audit findings and requesting them to send their response within six weeks. The fact of non-receipt of the replies from the Departments/Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Twenty six draft paragraphs and one Performance Audit were sent to the Principal Secretaries/Secretaries of the respective Departments by name between May to August 2015. The Principal Secretary/Secretary of the concerned Departments did not send replies to 25 draft paragraphs and one Performance Audit despite issue of reminders (May to August 2015) and the same were included in the Report without their response. However, the replies from the concerned Departmental authorities wherever received have been incorporated suitably.

1.6.5 Follow up on the Audit Reports – summarized position

The internal working system of the Public Accounts Committee (PAC), notified in December 2002, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and the action taken explanatory notes (ATENs) thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. 195 paragraphs (including Performance Audits) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Punjab for the years ended 31 March 2009 to 2014 were placed before the State Legislature Assembly between 15 March 2010 and 20 March 2015. The ATENs from the concerned Departments on these paragraphs were not received in respect of Audit Reports for the years ended 31 March 2013 and 2014. However, ATENs were received late with average delay of 35, 29, 16, and 15 months in respect of Audit Reports for the years ended 31 March 2009 to 2012 respectively. ATENs in respect of 51 paragraphs from six Departments⁹ had not been received for the Audit Reports for the years ended 31 March 2010 to 2014 (August 2015).

The PAC discussed 115 selected paragraphs pertaining to the Audit Reports for the years from 2008-09 to 2011-12 and its recommendations on

⁹ Excise and Taxation, Forestry and Wild Life, Housing and Urban Development, Industries, Revenue & Rehabilitation and State Transport.

36 paragraphs¹⁰ were incorporated in their four Reports (2010-11, 2012-13, 2013-14 and 2014-15). However, no ATEN on the recommendations of the PAC on 13 paragraphs for the years 2008-09 has been received from the Department (Excise and Taxation) concerned.

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

To analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Report by the Departments/Government, the action taken on the paragraphs and performance audits included in the Audit Reports of the last 10 years in respect of Stamp Duty and Registration Fee of the Revenue Department, Punjab was evaluated and included in this Audit Report.

The succeeding paragraph 1.7.1 and 1.7.2 discuss the performance of the Revenue Department under revenue head 0030-Stamp Duty and Registration Fee and cases detected in the course of local audit during the last 10 years up to 2014-15 and also the cases included in the Audit Reports for the years 2004-05 to 2013-14.

1.7.1 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 31 March 2015 is mentioned in **Table-1.7.1:**

Table 1.7.1

Position of Inspection Reports

Year	(₹ in crore)											
	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
2005-06	862	1,008	67.86	102	600	2.51	55	160	0.09	909	1,448	70.28
2006-07	909	1,448	70.28	108	575	3.36	40	300	0.61	977	1,723	73.03
2007-08	977	1,723	73.03	110	475	9.92	10	200	1.02	1,077	1,998	81.93
2008-09	1,077	1,998	81.93	124	371	10.13	39	134	0.25	1,162	2,235	91.81
2009-10	1,162	2,235	91.81	93	285	23.90	116	136	7.22	1,139	2,384	108.49
2010-11	1,139	2,384	108.49	155	764	55.05	40	202	56.28	1,254	2,946	107.26
2011-12	1,254	2,946	107.26	81	565	66.08	32	185	3.92	1,303	3,326	169.42
2012-13	1,303	3,326	169.42	103	473	23.13	191	453	11.49	1,215	3,346	181.06
2013-14	1,215	3,346	181.06	114	568	152.00	16	214	9.25	1,313	3,700	323.81
2014-15	1,313	3,700	323.81	115	576	170.21	5	173	8.64	1,423	4,103	485.38

The Government arranges Ad-hoc Committee meetings between the Department and PAG's office to settle the old paragraphs. As would be evident from the above table, against 862 outstanding IRs with 1,008 paragraphs as on start of 2005-06, the number of outstanding IRs increased to 1,423 with 4,103 paragraphs at the end of 2014-15. This is indicative of the fact that adequate steps were not taken by the Department in this regard resulting in increase of the outstanding IRs and paragraphs.

¹⁰ Excise and Taxation Department (16) + Transport Department (20).

1.7.2 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Department and the amount recovered under the Head 0030-Stamp Duty and Registration Fee is mentioned in **Table 1.7.2:**

Table 1.7.2

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of money value paragraphs accepted	Money value of accepted paragraphs	Amount recovered upto 31/03/2014	Amount recovered during the year 2014-15	Cumulative position of recovery of accepted cases as of 31/03/2015
2004-05	10	10.64	----	----	-----	-----	PAC decided not to pursue Paras up to the year 2007-08.
2005-06	2	0.20	-----	-----	-----	-----	-do-
2006-07	6	8.97	-----	-----	-----	-----	-do-
2007-08	11	44.08	-----	-----	-----	-----	-do-
2008-09	7	34.82	5	2.13	0.22	0.08	0.30
2009-10	1	29.20	1	29.20	-----	1.63	1.63
2010-11	9	3.99	9	3.99	0.26	-----	0.26
2011-12	15	14.69	15	14.69	1.12	-----	1.12
2012-13	5	15.25	----	-----	-----	-----	No reply furnished by the Department.
2013-14	10	65.60	----	-----	-----	-----	-do-
Total	76	227.44	30	50.01	1.60	1.71	3.31

It is evident from the above table that the progress of recovery even in accepted cases was very slow during the last six years. The recovery of accepted cases was to be pursued as arrears recoverable from the concerned parties.

The Department may take immediate action to pursue and monitor prompt recovery of the dues involved in accepted cases.

1.8 Action taken on the recommendations accepted by the Departments/Government

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

The Review titled "Levy and Collection of Stamp Duty and Registration Fee" on the Revenue Department, Punjab featured in the Report of 2009-10 with six recommendations. Out of 31 ATENs due, 30 ATENs were received on

Review and other paragraphs and all the recommendations of the Performance Audit were accepted by the Government/Department.

1.9 Audit planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of the audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter-alia* includes 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, factors of the tax administration, audit coverage and its impact during the past five years etc.

During the year 2014-15, there were 502 auditable units, of which 281 units (55.98 *per cent*) were planned and audited.

Besides, the compliance audit mentioned above, one performance audit on “System of Assessment under VAT” and three thematic audits i.e. (i) Cases referred to the Collector under Section 47-A of Indian Stamp Act, 1899 (ii) Collection of revenue from outsourced activities in MVT and (iii) Receipt from Timber/Trees and Bamboos were also taken up to examine the efficacy of the Departments concerned in realization of revenue receipts.

1.10 Internal Audit

The Finance Department has an Internal Audit Cell under the charge of the Additional Director. This cell was to conduct test check of cases as per approved action plan and in accordance with the criteria decided by the Steering Committee so as to ensure adherence to the provisions of the Act and Rules as well as Departmental instructions issued from time to time.

During the year 2014-15, out of 2,564 units planned for audit, Internal Audit Cell audited 1,419 units (55 *per cent*) as detailed in **Table 1.8:**

Table 1.8
Internal Audit

Revenue Head	No. of units Planned	No. of units audited
0030 – Stamp Duty	333	156
0039 – Excise	318	164
0040 – VAT/Sales Tax	1,254	1,030
0041 – Motor Vehicle Tax	519	69
0045 – Entertainment Tax	140	--
Total	2,564	1,419

Department replied that the targets planned for audit could not be achieved for the year 2014-15 due to acute shortage of staff as well as conducting of special audit on priority as per orders of higher authorities from time to time. However, the results of these special audits were not provided to audit.

1.11 Results of audit

1.11.1 Position of local audit conducted during the year

Test check of the records of 281 units of Sales Tax/Value Added Tax, State Excise, Motor Vehicles, Goods and Passengers, Forest Receipts and other Departmental offices conducted during the year 2014-15 showed under assessment/short levy/loss of revenue aggregating ₹ 2,494.57 crore in 35,362 cases. The Departments collected ₹ 18.26 crore in 4,459 cases during 2014-15, out of which ₹ 0.09 crore in 14 cases was for the year 2014-15 and ₹18.17 crore in 4,445 cases was of earlier years.

1.12 Coverage of this Report

This Report contains 26 paragraphs and one performance audit on “**System of Assessment under VAT**” involving financial effect of ₹ 339.99 crore. The Departments have accepted audit observations in seven cases involving ₹ 5.40 crore, out of which ₹ 0.13 crore in three cases had been recovered/adjusted. The replies in the remaining cases have not been received (November 2015). These are discussed in the succeeding Chapters II to VII.