

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 2015-16, 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** below.

Table 1.1.1: Trend of Revenue Receipts

(₹ in crore)						
Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16 ¹
1.	Revenue raised by the State Government					
	Tax revenue	18,841.01	22,587.56	24,079.19	25,570.20	26,690.49
	Non-tax revenue	1,398.45	2,629.21	3,191.50	2,879.73	2,650.27
	Total	20,239.46	25,216.77	27,270.69	28,449.93	29,340.76
2.	Receipts from the Government of India					
	Share of net proceeds of divisible Union taxes and duties	3,554.31	4,058.81	4,431.47	4,702.97	8,008.90
	Grants-in-aid	2,440.64	2,775.57	3,401.38	5,869.95	4,173.72
	Total	5,994.95	6,834.38	7,832.85	10,572.92	12,182.62
3.	Total revenue receipts of the State Government (1 and 2)	26,234.41	32,051.15	35,103.54	39,022.85	41,523.38
4.	Percentage of 1 to 3	77	79	78	73	71

During the year 2015-16, the revenue raised by the State Government (₹ 29,340.76 crore) was 71 *per cent* of the total revenue receipts. The share of State Government's own receipts vis-à-vis its total receipts has been decreasing over the last four years from 79 *per cent* in 2012-13 to 71 *per cent* in 2015-16. The balance 29 *per cent* of receipts during 2015-16 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 2011-12 to 2015-16 are mentioned in **Table 1.1.2** below.

¹ For details please see Statement No.14- Detailed accounts of revenue by minor heads in the Finance Accounts of Punjab for the Year 2015-16. Figure under the major head 0045-Entertainment and Luxury Tax – share of net proceeds assigned to states (₹ 5.15 crore) booked in the Finance Accounts under A-Tax Revenue has been excluded from revenue raised by the State and included in the State's share of divisible Union taxes in this table.

Table 1.1.2: Details of Tax Revenue Raised

Sl. No	Head of revenue	₹ in crore										Percentage increase (+) or decrease (-) of	
		2011-12		2012-13		2013-14		2014-15		2015-16			
		Budget Estimates ²	Actual	Budget Estimates	Actual	Budget Estimates	Actual	Budget Estimates	Actual	Budget Estimates	Actual	Actual in 2015-16 over 2014-15	Actual over BE for 2015-16
1	VAT/ Sales tax/Central sales tax	11,800.00	11,171.67	14,213.00	13,217.93	17,760.00	14,846.70	17,760.00	15,455.17	17,850.96	15,856.64	(+)2.60	(-) 11.17
2	State excise	3,250.00	2,754.60	3,800.00	3,331.96	4,180.00	3,764.72	4,600.00	4,246.11	5,100.00	4,796.45	(+)12.96	(-) 5.95
3	Stamp duty and registration fees	2,900.00	3,079.13	3,375.00	2,920.49	3,450.00	2,499.50	2,760.00	2,474.15	2,700.00	2,448.98	(-)1.02	(-) 9.30
4	Taxes and duties on Electricity	1,400.00	928.28	1,540.00	2,035.30	1,694.00	1,710.46	1,860.00	1,875.23	2,050.41	1,967.42	(+)4.92	(-) 4.05
5	Taxes on Vehicles	800.00	850.96	864.00	994.72	1350.00	1,145.69	1,350.00	1,393.32	1,500.00	1,474.83	(+)5.85	(-) 1.68
6	Others ³	257.70	56.37	50.00	87.16	90.00	112.12	150.00	126.22	150.57	146.17	(+)15.81	(-) 2.92
Total		20,407.70	18,841.01	23,842.00	22,587.56	28,524.00	24,079.19	28,480.00	25,570.20	29,351.94	26,690.49	(+) 4.38	(-) 9.07

There was decrease in actual receipts over budget estimates during 2015-16 ranging between (-) 1.68 and (-) 11.17 *per cent* in respect of VAT, State Excise, Stamp Duty and Registration Fee, Taxes on Vehicles and other heads of revenue.

The respective Departments reported the following reasons for the variations:

Stamp Duty and Registration Fee: Department of Revenue, Punjab attributed the shortfall in receipt to overall slowdown in the property market besides remissions allowed on various instruments from time to time.

Taxes and Duties on Electricity: The Chief Electrical Inspector, Punjab, intimated that the decrease of 4.05 *per cent* in respect of electricity duty over BE was due to less deposit of electricity duty by Punjab State Power Corporation Limited. The other Departments did not furnish the reasons for variations in receipts from that of the previous year despite being requested (October 2016).

1.1.3 The details of non-tax revenue raised during the period 2011-12 to 2015-16 are mentioned in **Table 1.1.3** below.

² Budget Estimates (BE) are as per Annual Financial Statements of the Government of Punjab.

³ Revenue Receipts of the three Departments i.e. Land Revenue (₹ 55.21 crore, which is 16.72 *per cent* higher than previous year), Other taxes and duties on commodities and services (₹ 84.30 crore, which is 6.82 *per cent* higher than previous year) and Taxes on goods and passengers (₹ 6.66 crore received in the year 2015-16) 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

Sl. No.	Head of Revenue	₹ in crore)										Percentage increase (+) or decrease (-) of	
		2011-12		2012-13		2013-14		2014-15		2015-16		Actual in 2015-16 over 2014-15	Actual over BE for 2015-16
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual		
1	Miscellaneous General Services	1,657.10	323.72	516.66	1,420.73	592.80	1,640.32	950.00	1,473.47	2,105.60	999.84	(-) 32.14	(-) 52.52
2	Other Non-tax Receipts ⁴	644.48	627.12	731.90	680.88	1,293.42	886.00	915.80	694.77	992.61	686.01	(-) 1.26	(-) 30.89
3.	Other Administrative Services	72.00	71.49	90.00	100.70	96.24	102.58	139.61	114.12	70.09	253.05	(+) 121.74	(+) 261.04
4	Interest Receipts	176.62	170.16	182.17	170.47	183.02	174.68	180.13	193.88	179.92	225.28	(+) 16.20	(+) 25.21
5	Medical and Public Health	72.46	68.43	79.81	79.12	79.81	151.97	265.00	116.50	171.94	184.25	(+) 58.15	(+) 7.16
6	Major and Medium Irrigation	299.42	25.19	350.00	50.98	176.65	65.94	98.91	72.81	39.38	142.66	(+) 95.93	(+) 262.27
7	Others ⁵	204.15	112.34	243.12	126.33	313.92	170.01	233.55	214.18	243.97	159.18	(-) 25.68	(-) 34.75
Total		3,126.23	1,398.45	2,193.66	2,629.21	2,735.86	3,191.50	2,783.00	2,879.73	3,803.51	2,650.27	(-)7.97	(-) 30.32

In Major and Medium Irrigation and Other Administrative Services, the actual receipts over BEs during 2015-16 were 262.27 per cent and 261.04 per cent higher respectively. Interest Receipts increased from ₹ 170.16 crore in 2011-12 to ₹ 225.28 crore in 2015-16. However, in Miscellaneous General Services and Other Non-Tax receipts, the actual receipts were 52.52 and 30.89 per cent below BEs.

The respective Departments reported the following reasons for variations:

Others: Overall decrease in actual receipt over previous year was attributed to decrease in actual receipt in respect of Police and Co-operative Department. The Police Department stated that the decrease in receipts over previous year was due to non-recovery of outstanding claims of previous years. The Directorate of Dairy Development Punjab stated that the decrease in receipts over previous year was due to lesser number of renewal of licenses.

The remaining Departments did not furnish the reasons of variations in receipts from that of the previous year (2014-15) despite being requested (October 2016).

⁴ The receipts which do not come under the Heads of revenue mentioned at Sr. No. 1, 3, 4, 5, 6 and 7 of the table.

⁵ Non-Tax Revenue Receipts of the six Departments [i.e. Police (₹ 48.45 crore, which is 37.27 per cent lower than previous year), Public Works (₹ 18.94 crore, which is 12.81 per cent higher than previous year), Non Ferrous Mining and Metallurgical Industries (₹ 56.64 crore which is 34.47 per cent lower than previous year), Forestry and Wildlife (₹ 31.81 crore, which is 63.55 per cent higher than previous year), Co-operation (₹ 3.24 crore, which is 77.12 per cent lower than previous year) and Dairy Development (₹ 0.10 crore, which is 9.09 per cent lower 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 2016 in respect of principal heads of revenue were ₹ 5,377.39 crore of which ₹ 739.08 crore was outstanding for more than five years as mentioned in **Table 1.2** below.

Table 1.2: Arrears of revenue

(₹ in crore)				
Sl. No.	Head of revenue	Amount outstanding as on 31 March 2016	Amount outstanding for more than five years as on 31 March 2016	Reply of the Department
1.	Taxes/VAT on sales, Trade	4,939.00	604.82	Arrears of ₹ 2.71 crore was pending in the High Court, ₹ 6.74 crore in VAT Tribunal, ₹ 57.25 crore with DETC (A), ₹ 1,331.21 crore in various appellent courts/ authorities, arrears of ₹ 1,511.39 crore was stayed by different appellent courts/ authorities, arrear of ₹ 19.61 crore was recoverable and for arrears of ₹ 2,010.09 crore, no reply was furnished by the department.
2.	Taxes on Vehicles	129.23	106.73	Recovery of ₹ 69.12 crore were stayed by the Government/Department and ₹ 60.11 crore was at different stages of action,
3.	Forests and Wildlife	12.61	12.61	Amount was outstanding against forest contractors.
4.	State excise	17.93	13.98	Demands of ₹ 2.06 crore were likely to be written off, balance ₹ 15.87 crore was at different stages of action.
5.	Land revenue	278.62	0.94	In some of the cases, recoveries had been waived off by the State Government and in remaining cases recoveries were under process.
	Total	5,377.39	739.08	

The arrears under Land Revenue increased to ₹ 278.62 crore in 2015-16 from ₹ 12.51 crore in 2014-15. The reason for the huge increase in arrears was not furnished by the Department (October 2016).

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** below.

Table 1.3: Arrears in Assessment

Head of revenue	Opening balance	New cases due for assessment during 2015-16	Total assessments due	Cases disposed of during 2015-16	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.	46,958	55,649	1,02,607	22,038	80,569	21.48

Out of total 26 Excise Districts in the State, there was an arrear in assessment in 21 Excise Districts. However, during validation of data in seven⁶ AETCs, it was noticed that in three⁷ AETCs 8,206 cases were pending for assessment as against 738 cases intimated by the Department and included in the above table. This is indicative of inaccuracies in the data provided by the department.

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 Departments, cases finalised and the demand for additional tax raised as reported by the departments are mentioned in **Table 1.4** below.

Table 1.4: Evasion of Tax

Sl. No.	Head of revenue	Cases pending as on 31 March 2015	Cases detected during 2015-16	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 2016
					No. of cases	Amount of demand (₹ in crore)	
1.	Taxes/VAT on sales, Trade etc.	919	3,247	4,166	3,682	385.00	484
2.	Taxes on Vehicles	16	--	16	--	--	16
3.	State Excise	17	--	17	--	--	17
Total		952	3,247	4,199	3,682	385.00	517

In Sales Tax Department, the number of cases pending at the end of the year had reduced as compared to the number of cases pending at the start of the year. No case was finalized in respect of State Excise and Taxes on Vehicles. No evasion of tax was detected by these Departments during the year 2015-16.

Out of total 26 units of sales tax/ VAT, cases of tax evasion were pending in 21 units.

⁶ Fatehgarh Sahib, Hoshiarpur, Jalandhar-I, Jalandhar-2, Patiala, Roop Nagar (Ropar) and Sangrur.

⁷ Hoshiarpur, Jalandhar-I and Roop Nagar (Ropar).

1.5 Refund Cases

The number of refund cases pending at the beginning of the year 2015-16, claims received during the year, refunds allowed/rejected during the year and the cases pending at the close of the year 2015-16 as reported by the Department are mentioned in **Table 1.5** below.

Table 1.5: Details of Refund Cases

Sl. No.	Particulars	Sales tax/VAT		State Excise	
		No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in crore)
1.	Claims outstanding at the beginning of the year	3,750	396.65*	128	0.93
2.	Claims received during the year	10,384	1170.69	20	0.15
3.	Refunds made during the year	8,013	759.76	4	0.17
4.	Refunds rejected during the year	2,249	354.38	0	0
5.	Balance outstanding at the end of year	3,872	453.20	144	0.91

*Note: Excluding ₹ 0.81 crore which was inadvertently included in the opening balance of 2012-13 by AETC Mansa.

Out of total 26 Excise Districts in the State, refunds in respect of Sales tax/VAT were pending in 23 Excise Districts.

Section 40 of the Punjab Value Added Tax Act, 2005, provides for payment of interest at the rate of 0.5 per cent per month if the excess amount is not refunded to the dealer within 60 days from the date of the application. Information regarding payment of interest in refund cases during 2015-16 was not furnished by the Department.

1.6 Response of the Government/Departments towards audit

The Principal Accountant General (PAG) Punjab conducts periodical inspection of 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 Inspection Reports (IRs) incorporating audit findings 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 address the observations contained in the IRs, rectify the defects and omissions and report compliance to the PAG within four weeks from the date of receipt of the IRs. Serious financial irregularities are separately reported to the heads of the department and the Government.

IRs issued up to December 2015 disclosed that 14,380 paragraphs involving ₹ 5,825.95 crore relating to 5,908 IRs remained outstanding at the end of June 2016. This, alongwith the corresponding figures for the preceding two years are mentioned in **Table 1.6** below.

Table 1.6: Details of pending Inspection Reports

	June 2014	June 2015	June 2016
Number of IRs pending for settlement	5,328	5,650	5,908
Number of outstanding audit observations	12,608	13,194	14,380
Amount of revenue involved (₹ in crore)	2,918.31	3,609.73	5,825.95

1.6.1 The department-wise details of IRs and audit observations outstanding as on 30 June 2016 and the amounts involved are mentioned in **Table 1.6.1** below.

Table 1.6.1: Department-wise details of pending IRs

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1.	Excise and Taxation	Taxes/VAT on sales, Trade etc.	1,974	4,317	1,098.11
		Entertainment and Luxury Tax	328	523	38.86
		State Excise	313	312	447.78
2.	Revenue	Land Revenue	716	1,414	2,303.74
		Stamp Duty and Registration Fee	1,558	4,674	570.35
3.	Transport	Taxes on motor vehicles	696	2,651	697.68
6.	Finance	State Lotteries	21	52	153.16
7.	Forest and Wild Life Preservation	Forestry and wild life	302	437	516.27
Total			5,908	14,380	5,825.95

During 2015-16, audit did not receive even the first reply in respect of 230 out of 312 IRs from the heads of offices within the stipulated time of four weeks. This large pendency of IRs due to non-receipt of replies is indicative of the fact that the heads of offices and departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the PAG in the IRs. Lack of executive action on audit observations weakens accountability and raises the risk of avoidable loss of revenue. The continuous increase in the number of pending audit paragraphs merits the attention of the Government to ensure effective mechanisms to regularly monitor and review the compliance and settlement of 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. The details of

Audit Committee Meetings held during the year 2015-16 and the paragraphs settled are mentioned in **Table 1.6.2** below.

Table 1.6.2: Departmental Audit Committee Meetings

Head of Revenue	Number of meetings held	Number of paragraphs settled	Amount (₹ in crore)
0030-Stamp Duty & Registration Fees	06	32	0.41
0029-Land Revenue	01	15	6.02
0040-Taxes/VAT on sales Trade etc.	01	03	1.06
0406-Forestry & Wild Life	5	22	10.09
Total	13	72	17.58

Thirteen Audit Committee Meetings in respect of Stamp Duty and Registration Fee, Land Revenue, VAT, Forestry & Wild life held during the year 2015-16 resulted in settlement of 72 outstanding paras involving ₹ 17.58 crore. No Audit Committee meeting was convened in respect of State Excise, Taxes on Vehicles, Luxury and Entertainment Tax and State Lotteries. It is recommended that Government should ensure holding meetings of the Audit Committees at regular intervals in all Departments.

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 2015-16, as many as 491 cases/items of auditable records pertaining to seven departments were not made available to audit as mentioned in **Table 1.6.3** below.

Table 1.6.3: Details of non-production of records

Name of office/Department	Number of cases/items not audited
Sales Tax/VAT	147
Taxes on Vehicles	15
Stamps and Registration Fees	290
Land Revenue	11
State Excise	7
Forests and Wild life	1
Other Taxes and Duties on Commodities and Services	20
Total	491

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 the 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.

Two performance audits and twenty eight draft paragraphs were sent to the Principal Secretaries/Secretaries of the respective Departments between May and August 2016. Out of these, 26 draft paras (clubbed into 21 paragraphs) and one PA have been included in this Report. No reply was received from the Principal Secretaries/Secretaries of the concerned Departments to Performance Audit and all the draft paragraphs despite issue of reminders (between May and August 2016). However, clarifications received during exit conferences at the conclusion of the performance audit and the replies from the concerned departmental authorities, wherever received, have been appropriately included in the Report.

1.6.5 Follow up on the Audit Reports – summarized position

The Public Accounts Committee (PAC) stipulate that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, all Departments shall initiate action on the audit paragraphs and action taken notes (ATNs) 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 inordinately delayed. A total of 172 paragraphs 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 2010 to 2015 were placed before the State Legislature Assembly between 11 March 2011 and 14 March 2016. ATNs from the concerned Departments on these paragraphs were not received in respect of Audit Reports for the years ended 31 March 2014 and 2015. ATNs were received late with average delay of 29, 22, 15, and 15 months in respect of Audit Reports for the years ended 31 March 2010 to 2013 respectively. ATNs in respect of 61⁸ paragraphs had not been received for the Audit Reports for the years ended 31 March 2011 to 2015 (July 2016).

The PAC discussed 139 selected paragraphs pertaining to the Audit Reports for the years from 2008-09 to 2012-13 and its recommendations on 46⁹ paragraphs were incorporated in their five Reports (2008-09, 2009-10, 2010-11, 2011-12 and 2012-13). However, no ATN on the recommendations

⁸ Excise and Taxation (35), Revenue and Rehabilitation (8), Transport (8) and Others (10).

⁹ Electricity (10), Excise and Taxation (16) and Transport (20).

of the PAC on 25¹⁰ paragraphs for the years 2008-09 to 2012-13 has been received from three departments¹¹.

PAC in their meeting held in October 2006 and December 2011 had transferred the audit paras/reviews of CAG's reports (Revenue Receipts) alongwith audit paras/reviews in the PAC reports up to the year 1992-93 (October 2006) and 2007-08 (December 2011) to the administrative Secretaries of the concerned departments to take appropriate action. Information regarding action taken has been received from Department of Forest and Wildlife Preservations, Punjab and Department of Finance (Directorate of Lotteries). Other Departments had not furnished information regarding action taken.

1.7. 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 2016, in respect of State Excise Department, is mentioned in **Table-1.7.1** below.

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
2006-07	367	499	60.67	28	32	1.02	9	20	3.34	386	511	58.35
2007-08	386	511	58.35	27	22	1.38	34	39	15.93	379	494	43.80
2008-09	379	494	43.80	42	46	12.90	15	22	0.43	406	518	56.27
2009-10	406	518	56.27	21	25	17.65	61	83	0.25	366	460	73.67
2010-11	366	460	73.67	34	44	16.80	8	9	0.46	392	495	90.01
2011-12	392	495	90.01	41	51	295.90	21	24	1.22	412	522	384.69
2012-13	412	522	384.69	36	29	2.12	205	271	4.83	243	280	381.98
2013-14	243	280	381.98	46	16	37.13	17	26	0.07	272	270	419.04
2014-15	272	270	419.04	31	23	13.48	5	7	0.60	298	286	431.92
2015-16	298	286	431.92	46	65	24.52	14	18	2.86	330	333	453.58

There was a decrease in the number of outstanding IRs from 367 in 2006-07 to 330 at the end of 2015-16.

1.7.1 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 0039-State Excise is mentioned in **Table 1.7.2** below.

¹⁰ Electricity (10), Excise and Taxation (8) and Transport (7).

¹¹ Excise and Taxation, Transport and Power.

Table 1.7.2: Recovery of accepted cases

							(₹ 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 upto 31/03/2015	Amount recovered during the year 2015-16	Cumulative position of recovery of accepted cases as of 31/03/2016
2005-06	02	7.02	--	--	--	--	PAC decided not to pursue Paras up to the year 2007-08.
2006-07	09	88.53	--	--	--	--	-do-
2007-08	02	3.79	--	--	--	--	-do-
2008-09	02	10.70	--	--	--	--	---
2009-10	02	2.50	--	--	--	--	---
2010-11	26	120.69	04	21.05	6.72	--	6.72
2011-12	01	0.09	01	0.09	--	--	---
2012-13	--	--	--	--	--	--	---
2013-14	02	2.03	--	--	--	--	---
2014-15	01	3.24	--	--	--	--	---
Total	47	238.59	05	21.14	6.72	-----	6.72

The progress of recovery in accepted cases was slow. The recovery of accepted cases was to be pursued as arrears recoverable from the concerned parties.

1.8 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 2015-16, there were 493 auditable units of which 314 units (63.69 *per cent*) were planned and 312 units (99.36 *per cent*) were audited. One unit¹² under Excise and Taxation Department was sealed by the Department and another unit¹³ under Department of Forest was transferred to Economic Sector (PSU) and thus could not be audited.

Besides the compliance audit mentioned above, one performance audit on Levy and collection of stamp duty and registration fee and three thematic audits i.e. (i) Utilization of statutory declaration forms (ii) System of

¹² M/s Bacchus Enterprises, Hambran Ludhiana.

¹³ Punjab State Forest Development Corporation.

collection of arrears of revenue (iii) Lotteries in Punjab were also taken up to examine the efficacy of the Departments concerned in realization of revenue receipts.

1.9 Internal Audit

The Finance Department has an Internal Audit Cell under the charge of an 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 2015-16, out of 1,751 units planned for audit, Internal Audit Cell audited 472 units (26.96 per cent) as detailed in **Table 1.8** below.

Table 1.8: Internal Audit

Revenue Head	No. of units Planned	No. of units audited
0030 – Stamp Duty	374	222
0039 – State Excise	191	26
0040 – VAT/Sales Tax	488	135
0041 – Motor Vehicle Tax	531	52
0045 – Entertainment Tax	167	37
Total	1,751	472

Department replied that the targets planned for audit could not be achieved for the year 2015-16 due to acute shortage of staff and assignment of special audits.

1.10 Results of audit

1.10.1 Position of local audit conducted during the year

Test check of the records of 312 units of Value Added Tax, State Excise, Motor Vehicles, Stamp Duty and Registration Fee, Forest Receipts and other Departmental offices conducted during the year 2015-16 revealed under assessment/short levy/loss of revenue aggregating ₹ 595.96 crore in 15,445 cases. The Departments collected ₹ 12.03 crore in 6,880 cases during 2015-16, out of which ₹ 0.08 crore in 109 cases relates to the year 2015-16 and ₹ 11.95 crore in 6,771 cases relates to earlier years.

1.11 Coverage of this Report

This Report contains one performance audit on *“Levy and Collection of Stamp Duty and Registration Fee”* and 21 paragraphs with revenue implications of ₹ 285.97 crore. The departments have accepted and recovered ₹ 0.11 crore in 10 cases.