

PART - II
Revenue Sector

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, the State's share of net proceeds of divisible Union taxes and duties assigned to States and the Grants-in-aid received from the Government of India during the year 2018-19 and the corresponding figures for the preceding four years are depicted in **Table 1.1.1**.

Table 1.1.1: Trend of revenue receipts

(₹ in crore)

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19 ¹
1.	Revenue raised by the State Government					
	Tax revenue	25,570.20	26,690.49	27,746.66	30,423.24	31,574.28
	Non-tax revenue	2,879.73	2,650.27	5,863.20	4,318.39	7,582.29
	Total	28,449.93	29,340.76	33,609.86	34,741.63	39,156.57
2.	Receipts from the Government of India					
	Share of net proceeds of divisible Union taxes and duties	4,702.97	8,008.90	9,599.73	10,616.94	12,005.14 ²
	Grants-in-aid	5,869.95	4,173.72	4,775.83	7,651.01	11,107.37 ³
	Total	10,572.92	12,182.62	14,375.56	18,267.95	23,112.51
3.	Total revenue receipts of the State Government (1 and 2)	39,022.85	41,523.38	47,985.42	53,009.58	62,269.08
Percentage of 1 to 3		73	71	70	66	63

¹ Finance Accounts of the State Government

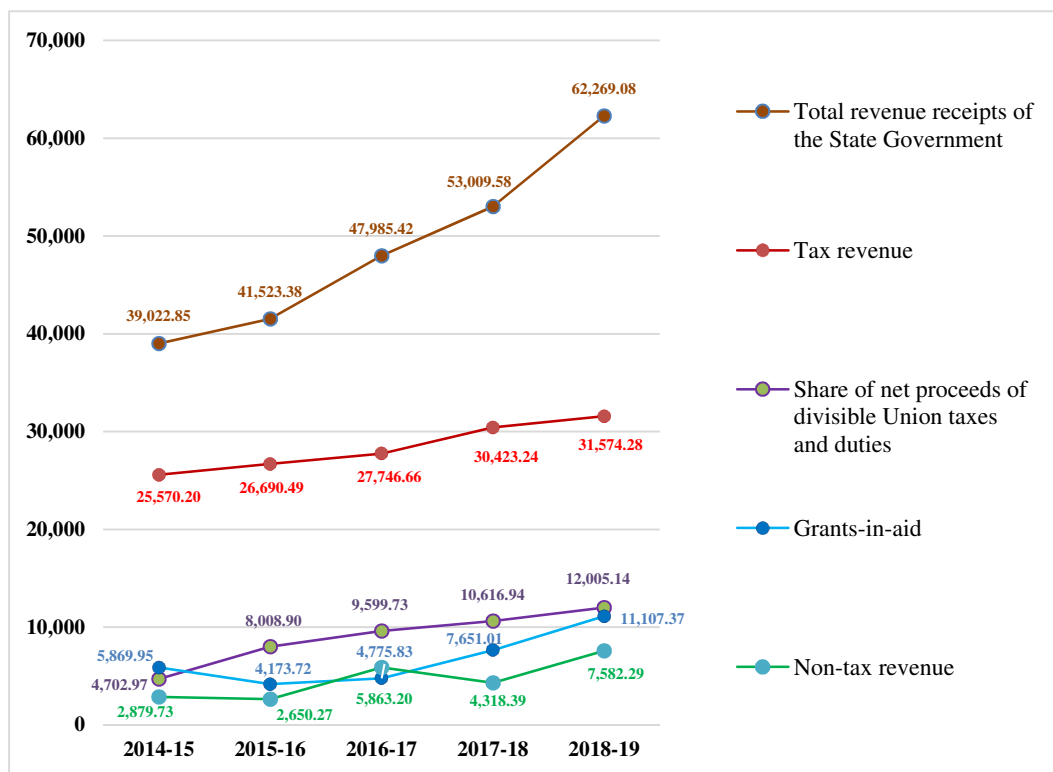
² This includes amount of ₹ 2,964.16 crore received from Government of India as share of Central Goods and Services Tax and ₹ 236.60 crore as share of Integrated Goods and Services Tax.

³ This includes amount of ₹ 7,129.00 crore received from Government of India as compensation of loss due to implementation of Goods and Services Tax.

The year-wise trend in revenue receipts from 2014-15 to 2018-19 is depicted in the **Chart-1.1**.

Chart-1.1

(₹ in crore)



During the year 2018-19, the revenue raised by the State Government (₹ 39,156.57 crore) was 63 per cent of the total revenue receipts. Balance 37 per cent of the receipts was from the Government of India as share of net proceeds of divisible Union taxes and Grants-in-aid. The percentage of revenue receipts of the State Government from its own resources to total receipts shows a declining trend from 2014-15 (73 per cent) to 2018-19 (63 per cent).

1.1.2 The details of tax revenue raised during the period from 2014-15 to 2018-19 are depicted in **Table 1.1.2**.

Table 1.1.2: Details of Tax Revenue raised

(₹ in crore)

Sl. No.	Head of revenue	2014-15 Revenue (Per cent of Total)	2015-16 Revenue (Per cent of Total)	2016-17 Revenue (Per cent of Total)	2017-18 Revenue (Per cent of Total)	2018-19 Revenue (Per cent of Total)	Percentage increase (+) or decrease (-) of actual in 2018-19 over 2017-18
1	VAT/ CST	15,455.17 (60.44)	15,856.64 (59.41)	17,586.71 (63.38)	11,160.30 (36.68)	6,571.92 (20.81)	(+) 4.11
	State Goods and Service Tax (SGST)	--	--	--	7,901.14 (25.97)	13,273.15 ⁴ (42.04)	
2	State Excise	4,246.11 (16.61)	4,796.45 (17.97)	4,406.00 (15.88)	5,135.68 (16.88)	5,072.40 (16.06)	(-) 1.23
3	Stamp Duty and Registration Fees	2,474.15 (9.68)	2,448.98 (9.18)	2,043.61 (7.37)	2,135.13 (7.02)	2,297.54 (7.28)	(+) 7.61
4	Taxes and Duties on Electricity	1,875.23 (7.33)	1,967.42 (7.37)	1,993.01 (7.18)	2,053.07 (6.75)	2,329.55 (7.38)	(+) 13.47
5	Taxes on Vehicles	1,393.32 (5.45)	1,474.83 (5.52)	1,548.12 (5.58)	1,911.20 (6.28)	1,861.39 (5.90)	(-) 2.61
6	Others ⁵	126.22 (0.49)	146.17 (0.55)	169.21 (0.61)	126.72 (0.42)	168.33 (0.53)	(+) 32.84
Total		25,570.20	26,690.49	27,746.66	30,423.24	31,574.28	(+) 3.78
Increase over previous year (per cent)		6.19	4.38	3.96	9.65	3.78	
Overall average growth rate for five years (per cent)							5.59

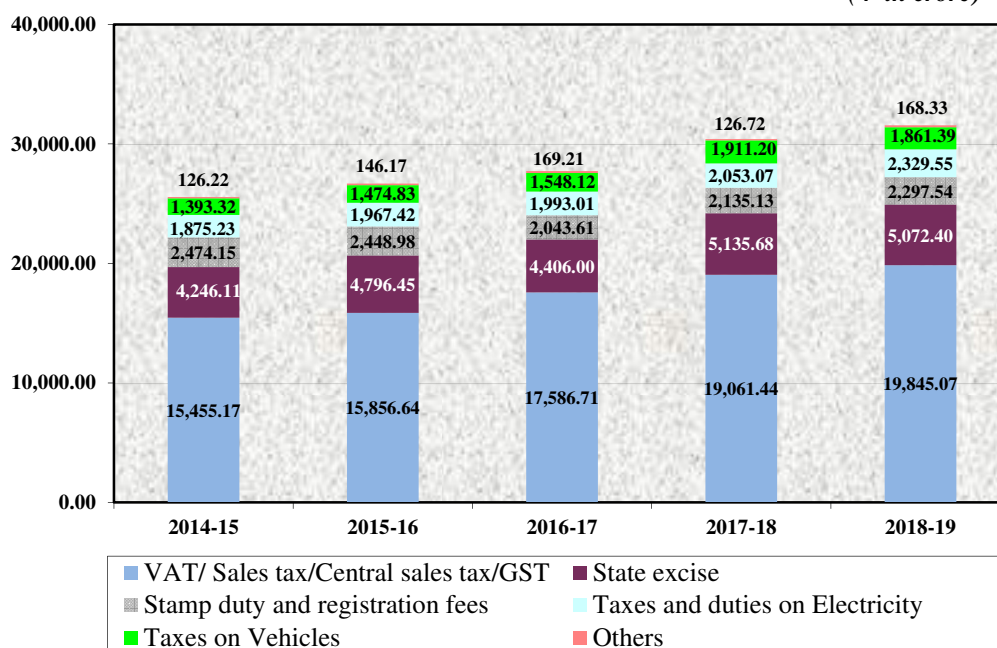
The year-wise trend in Tax Revenue receipts during 2014-15 to 2018-19 is depicted in the **Chart 1.2**.

⁴ The GST figure for the year 2017-18 is only for nine months and for 2018-19, it is for 12 months. Hence comparison cannot be done.

⁵ Revenue receipts of the three Departments i.e. Land Revenue (₹ 69.24 crore which is 24.20 per cent less than previous year's receipt of ₹ 91.34 crore), other taxes and duties on commodities and services (₹ 4.84 crore, which is 86.32 per cent less than previous year's receipt of ₹ 35.38 crore) and other Taxes on Income and Expenditure (₹ 94.25 crore) are less than one per cent of Total Tax Revenue Receipts. Hence, Revenue receipts of these Departments have been merged in 'others'.

Chart 1.2

(₹ in crore)



It is observed that VAT/CST/GST (62.85 per cent) and State Excise (16.06 per cent) are major contributors of the revenue. During 2018-19, these two heads of revenue contributed about 78.91 per cent of total revenue collection. Tax revenue increased by ₹ 6,004.08 crore (23.48 per cent) during the years 2014-15 to 2018-19 with an average rate of growth of 5.59 per cent. However, rate of growth for 2018-19 reduced to 3.78 per cent mainly due to decline in annual growth rate of tax on Sales (VAT/SGST) to 4.11 per cent from 8.39 per cent in 2017-18, as 63.23 per cent of tax receipts is collected under this head alone.

The reasons for variations in revenue receipts as provided by the respective Departments are as under:

State Excise: The Department attributed (January 2020) reasons for decrease in revenue to rationalization of quota of liquor and non-lifting of estimated additional quota as per budget estimates in respect of Punjab Medium Liquor, Indian Made Foreign Liquor and Beer.

Stamp Duty and Registration Fees: The Department stated (April 2020) that main reason for increase in revenue was increase in transaction of sale/purchase of properties.

Taxes on Vehicles: The Department stated (April 2020) that actual receipt under this head during the year 2018-19 was ₹ 1,934.39 crore which was more than the receipt of previous year i.e. ₹ 1,911.20 crore. However, ₹ 73 crore was transferred to 0075-Miscellaneous General Services on instruction from the Government of Punjab (Department of Finance). Therefore, receipt of ₹ 1,861.39 crore was accounted for as actual receipt under the head 0041-taxes

on vehicles. The increase in total receipt was due to levy of security cess⁶ on commercial as well as non-commercial vehicles in 2018-19.

Taxes and Duties on Electricity: Punjab Electrical Inspectorate attributed increase in revenue receipts to increase in the rate of tax on electricity supply meant for rural areas.

Land Revenue: Director Land Records, Punjab attributed reasons for decrease in revenue to less receipt of mutation and copy fee due to lesser number of sale/purchase of properties.

Other Departments did not furnish the reasons of variations in receipts from that of the previous year, despite being requested.

1.1.3 The details of the non-tax revenue raised during the period 2014-15 to 2018-19 are depicted in **Table 1.1.3:**

Table 1.1.3: Details of Non-Tax revenue

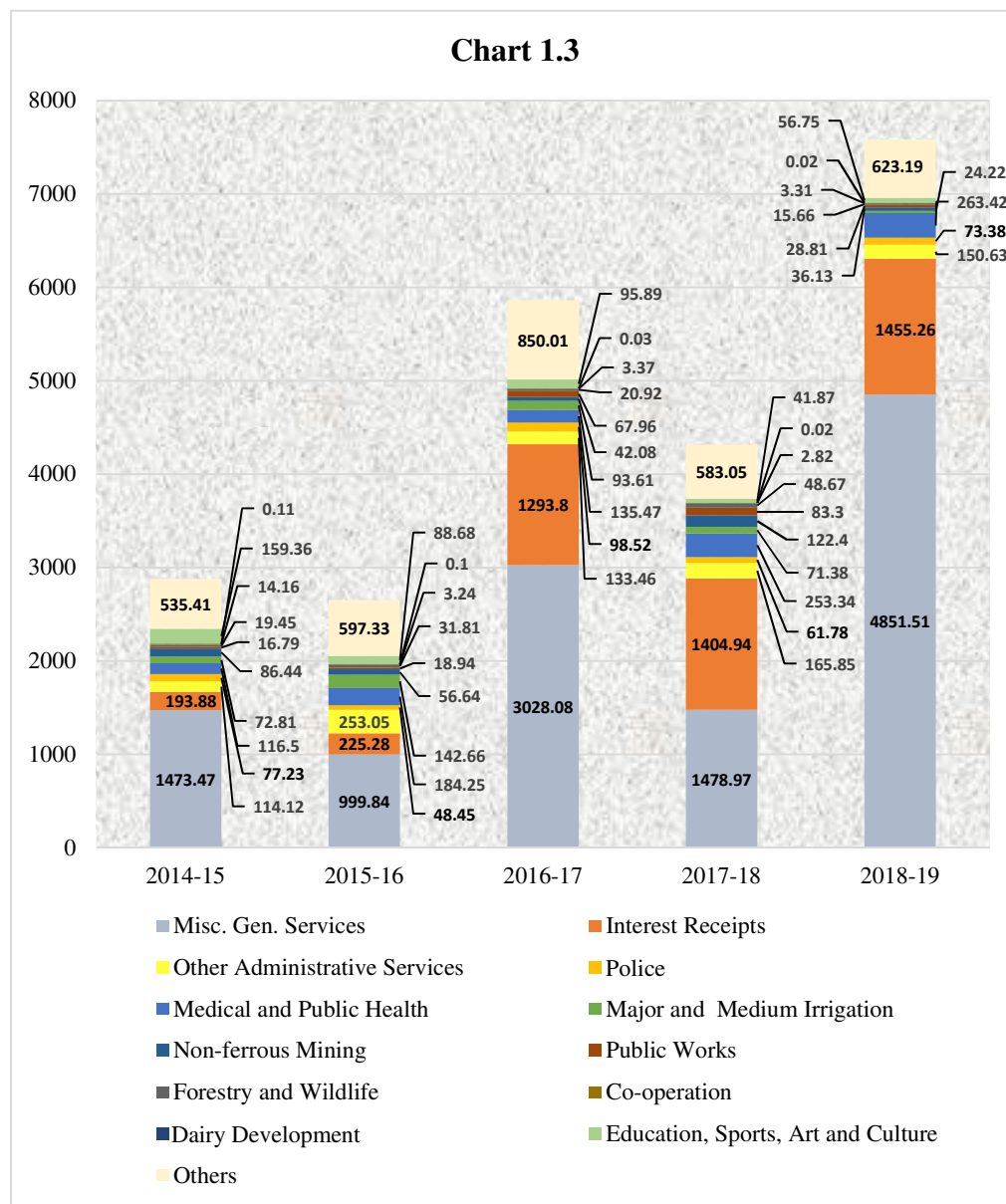
(₹ in crore)

Sl. No.	Head of Revenue	2014-15 Revenue (Per cent of Total)	2015-16 Revenue (Per cent of Total)	2016-17 Revenue (Per cent of Total)	2017-18 Revenue (Per cent of Total)	2018-19 Revenue (Per cent of Total)	Percentage increase (+) decrease (-) of actual in 2018-19 over 2017-18
1	Miscellaneous General Services	1,473.47 (51.17)	999.84 (37.73)	3,028.08 (51.64)	1,478.97 (34.25)	4,851.51 (63.98)	(+) 228.03
2	Interest Receipts	193.88 (6.73)	225.28 (8.50)	1,293.80 (22.07)	1,404.94 (32.53)	1,455.26 (19.19)	(+) 3.58
3	Other Administrative Services	114.12 (3.96)	253.05 (9.55)	133.46 (2.28)	165.85 (3.84)	150.63 (1.99)	(-) 9.18
4	Police	77.23 (2.68)	48.45 (1.83)	98.52 (1.68)	61.78 (1.43)	73.38 (0.97)	(+) 18.78
5	Medical and Public Health	116.50 (4.05)	184.25 (6.95)	135.47 (2.31)	253.34 (5.87)	263.42 (3.47)	(+) 3.98
6	Major and Medium Irrigation	72.81 (2.53)	142.66 (5.38)	93.61 (1.60)	71.38 (1.65)	24.22 (0.32)	(-) 66.07
7	Non-ferrous Mining and Metallurgical Industries	86.44 (3.00)	56.64 (2.14)	42.08 (0.72)	122.40 (2.83)	36.13 (0.48)	(-) 70.48
8	Public Works	16.79 (0.58)	18.94 (0.71)	67.96 (1.16)	83.30 (1.93)	28.81 (0.38)	(-) 65.41
9	Forestry and Wildlife	19.45 (0.68)	31.81 (1.20)	20.92 (0.35)	48.67 (1.13)	15.66 (0.21)	(-) 67.82
10	Co-operation	14.16 (0.49)	3.24 (0.12)	3.37 (0.06)	2.82 (0.07)	3.31 (0.04)	(+) 17.38
11	Dairy Development	0.11 (0.00)	0.10 (0.00)	0.03 (0.00)	0.02 (0.00)	0.02 (0.00)	0.00
12	Education, Sports, Art and Culture	159.36 (5.54)	88.68 (3.35)	95.89 (1.63)	41.87 (0.97)	56.75 (0.75)	(+) 35.54
13	Others ⁷	535.41 (18.59)	597.33 (22.54)	850.01 (14.50)	583.05 (13.50)	623.19 (8.22)	(+) 6.88
	Total	2,879.73	2,650.27	5,863.20	4,318.39	7,582.29	(+) 75.58

⁶ Punjab Government levied (October 2018) Social Security Surcharge at the rate of one per cent of value of vehicle in case of non-transport vehicle and 10 per cent of motor vehicle tax in case of transport vehicle.

⁷ The receipts which do not come under the Heads of revenue mentioned at Sl. 1 to 12 of the table.

The year-wise trend in Non-Tax Revenue receipts during 2014-15 to 2018-19 is depicted in the **Chart 1.3**.



It is observed that there is more than two times increase in revenue under Misc. General Services in 2018-19 as compared to 2017-18. The Departments which recorded significant decrease in revenue were Non-ferrous Mining and Metallurgical Industries (70.48 per cent), Forestry and Wild Life (67.82 per cent), Major and Medium Irrigation (66.07 per cent) and Public Works (65.41 per cent).

The respective Departments reported the following reasons for variations in actual receipts during the year 2018-19:

- (i) **Miscellaneous General Services:** The Department of Finance, Government of Punjab reported (May 2020) that increase in actual receipt over previous year was mainly due to transfer of rural development fund and market fee, collected on sale of agriculture produce by the Punjab Mandi Board and the Punjab

Rural Development Board to Government account for waiving loans of debt stressed farmers of the State.

- (ii) **Police:** The Director General of Police, Punjab, reported (July 2019) that increase in actual receipts was due to recovery of outstanding claims of previous years in respect of deployment charges from Airport Authorities/Punjab Cricket Association (PCA).
- (iii) **Medical and Public Health:** The Director, Health and Family Welfare reported (August 2019) that the reasons for increase in actual receipt over previous year were due to increase in number of outdoor/indoor patients and reimbursement of ₹ 182.64 crore in 2018-19 from Employees State Insurance Corporation against expenditure incurred by the Department in 2017-18.
- (iv) **Major and Medium Irrigation:** The Department attributed reasons for less receipts to less recovery of water cess.
- (v) **Non-ferrous Mining and Metallurgical Industries:** The Department of Mines and Geology, Punjab informed (August 2019) that provisional acceptance of 92 mines was issued during 2017-18 with a total contract value of ₹ 378.96 crore against which the contractors had deposited first installment of ₹ 122.40 crore during 2017-18. However, only 44 out of 92 mines were operated by the contractors due to issues relating to transfer of environmental clearance, non-availability of passage, submergence of mining sites and cancellation of mines due to non-payment of dues, resulting in short realisation of revenue during 2018-19.
- (vi) **Public Works:** The Department attributed (December 2019) reason of shortfall in revenue receipts to reduction in rate of agency charges from nine *per cent* to three *per cent* that was received from National Highways Authority of India (NHAI) in lieu of staff and services provided by the State and completion of all major projects of high value during 2017-18.
- (vii) **Forestry and Wild Life:** The Chief Conservator of Forests, Department of Forest and Wildlife Preservation Department attributed (September 2019) decrease in revenue receipts to less receipts in Minor Head “101-Sale of Timber and Forest Produce”.
- (viii) **Crop Husbandry:** The Department of Agriculture and Farmers Welfare, Punjab attributed (August 2019) decrease in receipts to renewal of lesser number of licences for sale of certified seed, fertilizer, plant protection equipment, pesticides and weedicides and lesser receipts on account of cane cess.

The remaining Departments⁸, despite being requested, did not furnish the reasons for variations in receipts from that of the previous year.

⁸ Interest Receipts, Education, Sports, Art and Culture and Other Administrative Services.

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2019 in respect of principal heads of revenue were ₹ 7,909.18 crore of which ₹ 1,076.21 crore was outstanding for more than five years, as depicted in **Table 1.2**.

Table 1.2: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2019	Amount outstanding for more than five years as on 31 March 2019	Reply of the Department
1.	Taxes/VAT on sales, Trade etc.	7,104.56	952.83	Recovery is under process
2.	Forests and Wildlife	23.21	22.81	PCCF (HOFF) Punjab reported that amount of ₹ 22.81 crore pending against forest contractors is being recovered in instalments and amount of ₹ 39.92 lakh was recoverable from PSFDC on account of royalty.
3.	State Excise	368.77	13.98	Recovery proceedings against defaulters in most of the cases had already been initiated under Land Revenue Act.
4.	Taxes on Vehicles	190.70	86.43	Amount outstanding for more than five years as on 31 March 2019 relates to vehicles which are either condemned without the information of Department or not plying on road. Most of the defaulter vehicles have been blacklisted after issuing recovery notices.
5.	Land revenue	221.94	0.16	Recovery proceedings were under process.
Total		7,909.18	1,076.21	

It is observed that out of total outstanding arrear of ₹ 7,104.56 crore in Taxes/VAT on sales, trade etc., arrears of ₹ 4,589.24 crore (65 per cent) pertain to four⁹ Assistant Commissioner of State Taxes (ACSTs), out of which arrears of ₹ 315.50 crore is outstanding for more than five years.

1.3 Arrears in assessment

The number 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 Department of Excise and Taxation in respect of VAT are depicted in **Table 1.3**.

⁹ Fatehgarh Sahib, Ludhiana-I, Mohali and Patiala.

Table 1.3: Arrears in Assessment

Head of revenue	Opening balance	New cases due for assessment during 2018-19	Total assessments due	Cases disposed of during 2018-19	Balance at the end of the year	Percentage of disposal (Col. 5 - 4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Taxes/VAT on Sales/Trade etc.	1,06,561	15,987	1,22,548	27,943	94,605	22.80

The closing balance of previous year was 1,06,781. However, the opening balance of this year has been taken as 1,06,561 after verification with the Department.

There were arrears in assessment in all the 26 ACSTs. However, during validation of data in seven¹⁰ ACSTs, it was noticed in ACST Hoshiarpur that there was difference of 230¹¹ cases pending as on 31 March 2019. This is indicative of inaccuracies in the data provided by the Department.

The Department may reconcile the data relating to arrears in assessment.

1.4 Evasion of tax

The details of cases of evasion of tax detected by the Excise and Taxation Department, cases finalized and the demand for additional tax raised as reported by the Department are depicted in **Table 1.4** below:

Table 1.4: Evasion of Tax Detected

Sl. No.	Head of revenue	Cases pending as on 31 March 2018	Cases detected during 2018-19	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 2019
					No. of cases	Amount of demand (₹ in crore)	
1.	Taxes/VAT on sales, Trade	1,301	176	1,477	1,094	48.25	383
2.	Taxes on Vehicles	16	---	16	10	0.04	6
Total		1,317	176	1,493	1,104	48.29	389

The closing balance of previous year was 4,004 whereas opening balance of this year is 1,317. The difference of 2,687 cases was due to inadvertent reporting of arrear of assessment as cases of evasion by ACST Ropar.

1.5 Refund Cases

The number of refund cases pending at the beginning of the year 2018-19, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2018-19, as reported by the Department, are depicted in **Table 1.5**.

¹⁰ Tarn Taran, Patiala, Mohali, Fatehgarh Sahib, Ludhiana-1, Roop Nagar (Ropar) and Hoshiarpur.

¹¹ Reported: 2,989 cases, found during validation: 2,759 cases in ACST Hoshiarpur.

Table 1.5: Details of refund cases

(₹ in crore)

Sl. No.	Particulars	GST		Sales tax/VAT		State Excise	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	494	51.05	8,709	1,030.18	194	1.50
2.	Claims received during the year	6,788	778.00	5,951	600.75	26	2.43
3.	Refunds made during the year	5,706	530.45	10,014	1,027.11	5	0.04
4.	Refunds rejected during the year	433	171.77	1,520	309.96	0	0
5.	Balance outstanding at the end of year	1,143	126.83	3,126	293.86	215	3.89

- The closing balance of amount of refund under sales tax/VAT was ₹1,030.23 crore during 2017-18 whereas opening balance for 2018-19 is ₹1,030.18 crore. The difference of ₹0.05 crore is caused due to compilation of figures for the year 2017-18 in rupees whereas figures for the year 2018-19 have been compiled in crore.
- The closing balance of refund cases in State Excise was 165 during 2017-18 whereas opening balance is 194. The difference of 29 cases is due to under reporting by Asstt. Excise and Taxation commissioner Fatehgarh Sahib during 2017-18.

It is observed that while outstanding cases of refund in GST have substantially increased, outstanding refund cases in VAT have decreased by 64 per cent.

The GST refunds were pending in 19 excise districts, Sales tax/VAT refunds were pending in 25 excise districts and excise refunds were pending in 13 out of 26 excise districts.

During validation of data in seven¹² ACSTs, it was noticed in ACST, Roop Nagar (Ropar) that no refund case pertaining to GST was received against the reported receipt and finalization of two cases.

The Department may reconcile the data relating to refund cases pertaining to GST in respect of all the districts.

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 verify 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 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 Head of the office is required to send 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 Departments and the Government.

Inspection Reports issued up to December 2018 disclosed that 9,702 paragraphs involving ₹ 4,965.83 crore relating to 2,421 IRs remained outstanding at the end of June 2019. This, along with the corresponding figures for the preceding two years are depicted in **Table 1.6**.

¹² Tarn Taran, Patiala, Mohali, Fatehgarh Sahib, Ludhiana-1, Roop Nagar (Ropar) and Hoshiarpur.

Table 1.6: Details of pending Inspection Reports

	June 2017	June 2018	June 2019
Number of IRs pending for settlement	6,170	6,358	2,421
Number of outstanding audit observations	15,478	16,318	9,702
Amount of revenue involved (₹ in crore)	6,001.19	6,280.32	4,965.83

1.6.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2019 and the amount involved are mentioned in **Table 1.6.1**.

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 (₹ in crore)
1.	Excise and Taxation	Taxes/VAT on Sales, Trade etc.	318	1,804	1,155.43
		Entertainment and Luxury Tax	122	307	93.74
		State Excise	256	281	537.86
2.	Revenue	Land Revenue	302	875	2,008.71
		Stamp Duty and Registration Fee	962	4,365	562.39
3.	Transport	Taxes on Motor Vehicles	265	1,762	223.52
4.	Finance	State Lotteries	7	26	5.48
5.	Forestry and wildlife Preservation	Forestry and wild life	189	282	378.70
Total			2,421	9,702	4,965.83

Audit did not receive even the first reply in respect of 258 IRs out of 310 IRs issued during 2018-19 from the Head of offices within the stipulated time of four weeks.

The reduction in number of outstanding IRs and audit observation in June 2019 is due to transfer of audit observations up to the period of 2008-09 to administrative secretaries of the State.

The 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 Audit 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 2018-19 and the paragraphs settled are depicted in **Table 1.6.2**.

Table 1.6.2: Details of Departmental Audit Committee Meetings

Head of Revenue	Number of meetings held	Number of outstanding observations discussed	Number of paragraphs settled	Amount (₹ in crore)
0030-Stamp Duty and Registration Fees	30	1,093	41	0.90
0041-Taxes on vehicles	1	32	06	0.10
Total	31	1,125	47	1.00

It is observed that the settlement of outstanding paragraphs through audit committee meetings was very low. No audit committee meeting was held in respect of Land Revenue, State Excise, Luxury and Entertainment Tax, State Lotteries, Forestry and Wild Life and Sales Tax/VAT.

It is recommended that Government should ensure that meetings of the Audit committees are held at regular intervals in all the Departments.

1.6.3 Non-production of records to audit for scrutiny

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

During the year 2018-19, as many as 959 cases/items of auditable records pertaining to seven Departments were not made available to audit as depicted 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 provided	
	2017-18	2018-19
Sales Tax/VAT	557	781
Entertainment and Luxury Tax	5	11
Taxes on Vehicles	62	34
Stamps and Registration Fees	152	68
Land Revenue	25	48
State Excise	0	2
Forests and Wild life	3	15
Total	804	959

Non-production of record pertaining to revenue is serious and in the absence of examination, the constitutional oversight functions of the CAG cannot be exercised. **It is advised to direct the concerned authorities to provide the records required for audit invariably.**

1.6.4 Response of the Departments to 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.

Eighteen draft paragraphs and one Performance Audit included in the Part-II (Revenue Sector) of this report were sent to the Principal Secretaries/Secretaries of the respective Departments between April 2019 and June 2020. Exit conference of the Performance Audit was held with the Government/Department on 22 October 2020. The Principal Secretary/Secretary of the concerned Departments did not reply to the draft paragraphs and the same were included in the Report without their response. However, response of exit conference and replies from the concerned Departmental authorities wherever received, have been appropriately included in the Report.

1.6.5 Follow up on the Audit Reports – summarised status

The internal working system of the Public Accounts Committee (PAC), notified in August 1992, lays 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. The 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 being delayed inordinately. A total of 204 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 2011 to 2018 were placed before the State Legislative Assembly between 28 March 2012 and 27 February 2020. ATNs in respect of 81 paragraphs from six¹³ Departments had not been received. However, remaining 123 ATNs were received with average delay which ranged between one and 70 months.

The PAC discussed 96 selected paragraphs pertaining to the Audit Reports for the years from 2010-11 to 2016-17 and its recommendations on 42 paragraphs¹⁴ were incorporated in four PAC Reports (2014-15, 2015-16, 2017-18, and 2018-19). However, no ATN on the recommendations of the PAC on 21 paragraphs¹⁵ for the years 2017-18 and 2018-19 has been received from two Departments.

¹³ Sales Tax/VAT, Revenue and Rehabilitation, State Excise, Taxes on Vehicles, Forest and Wild Life and Other tax/non-tax receipts.

¹⁴ Department of Agriculture (07) + Department of Transport (25) + Department of Electricity (10).

¹⁵ Department of Agriculture (03) + Department of Transport (18).

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 State Excise Duty was evaluated.

The succeeding Paragraphs 1.7.1 to 1.7.2 discuss performance of the Department of State Excise to deal with cases detected in the course of local audit during the last 10 years up to 2018-19 and also the cases included in the Audit Reports for the years 2009-10 to 2018-19.

1.7.1 Inspection Reports

The summarized position of inspection reports issued during the last 10 years, paragraphs included in these reports and status of the same as on 31 March 2019 in respect of the State Excise Department are depicted in **Table 1.7.1**.

Table 1.7.1: Position of Inspection Reports in State Excise Department

(₹ in crore)

Year	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
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
2016-17	330	333	453.58	29	43	100.89	08	09	79.13	351	367	475.34
2017-18	351	367	475.34	41	69	117.26	11	24	0.30	381	412	592.30
2018-19	381	412	592.30	40	97	149.39	149	167	75.44	272	342	666.25

The decrease in number of IRs and paras in 2018-19 was due to transfer of audit observations up to 2008-09 to administrative Secretaries.

1.7.2 Recovery in accepted cases

The status 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 Duty is depicted in the following **Table 1.7.2**.

Table 1.7.2: Recovery in 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 up to 31 March 2018	Amount recovered during the year 2018-19	Cumulative position of recovery of accepted cases as of 31 March 2019
1	2	3	4	5	6	7	8
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	0.08	01	0.08	---	---	---
2012-13	0	0	---	---	---	---	---
2013-14	02	2.03	---	---	Reply not received from the concerned Department		
2014-15	01	3.24	---	---			
2015-16	01	0.90	---	---			
2016-17	12	57.45	---	---			
2017-18	02	1.50	---	---	---	---	---
Total	49	199.09					

The Public Accounts Committee decided not to pursue the cases up to the period 2011-12.

It is observed that the progress of recovery even in accepted cases was very slow.

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

1.8 Audit planning

During the year 2018-19, there were 451 auditable units, out of which 314 units (69.62 per cent) were planned and audited (100 per cent). The units were selected on the basis of risk analysis. Besides, the compliance audit mentioned above, performance audit titled “Working of Forest and Wild Life Preservation Department” and audit of “Levy and collection of Stamp Duty and Registration Fee on Lease Deeds” were also conducted to examine the efficacy of the concerned Departments with respect to defined audit objectives and in realization of revenue receipts.

1.9 Internal Audit

The Finance Department is having Internal Audit Organization (IAO) under the charge of an Additional Director. This organization 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.

During the year 2018-19, IAO audited 29 units under Major Head 0030 without planning any unit for audit as depicted in **Table 1.8**.

Table 1.8: Internal Audit

Revenue Head	No. of units Planned	No. of units audited
0006-SGST	---	---
0029-Land Revenue	---	---
0030-Stamp Duty	---	29
0039-State Excise	---	---
0040-VAT/Sales Tax	---	---
0041-Motor Vehicle Tax	---	---
0075-State Lottery	---	---
0406 and 2406-Forestry and Wild Life	---	---

Department stated that none of the units were planned for audit for the year 2018-19 due to special audit of stipend/scholarship distributed to SC/BC students who studied in Government/private educational institutes for 2017-18 and 2018-19 as per order of the Chief Minister, Punjab.

It is recommended that the Government may direct IAO to plan audit by adopting risk analysis and to ensure audit of all the planned units.

1.10 Results of audit

1.10.1 Status of local audit conducted during the year

Test check of the records of 314 units out of total auditable units of 451, administering Sales Tax/Value Added Tax, State Excise, Taxes on Motor Vehicles, Forest Receipts and other Departmental offices, conducted during the year 2018-19 showed under assessment/short levy/loss of revenue aggregating ₹ 481.56 crore in 21,637 cases. The Departments recovered ₹ 11.84 crore in 2,719 cases during 2018-19, out of which ₹ 0.55 crore in 39 cases was pointed out during 2018-19 and the remaining in earlier years.

1.10.2 Coverage of Part-II (Revenue Sector)

The Part-II of this report contains one Performance Audit on ‘**Working of Forest and Wildlife Preservation Department**’ and 18 paragraphs involving financial effect of ₹ 194.29 crore. The Departments have accepted audit observations in 50 cases involving ₹ 13.67 crore. The replies in the remaining cases, wherever received, have been incorporated in the Report. These are discussed in the succeeding chapters.