

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 Grants-in-aid received from the Government of India during the year 2017-18 and the corresponding figures for the preceding four years are depicted below:

Table 1.1.1: Trend of revenue receipts

(` in crore)

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18 ¹
1.	Revenue raised by the State Government					
	Tax revenue	24,079.19	25,570.20	26,690.49	27,746.66	30,423.24 ²
	Non-tax revenue	3,191.50	2,879.73	2,650.27	5,863.20	4,318.39
	Total	27,270.69	28,449.93	29,340.76	33,609.86	34,741.63
2	Receipts from the Government of India					
	Share of net proceeds of divisible Union taxes and duties	4,431.47	4,702.97	8,008.90	9,599.73	10,616.94 ³
	Grants-in-aid	3,401.38	5,869.95	4,173.72	4,775.83	7,651.01 ⁴
	Total	7,832.85	10,572.92	12,182.62	14,375.56	18,267.95
3.	Total revenue receipts of the State Government (1 and 2)	35,103.54	39,022.85	41,523.38	47,985.42	53,009.58
4.	Percentage of 1 to 3	78	73	71	70	66

The year-wise trend in revenue receipts during 2013-14 to 2017-18 is depicted in the Chart- 1.1.

¹ Finance Account of the State Government.

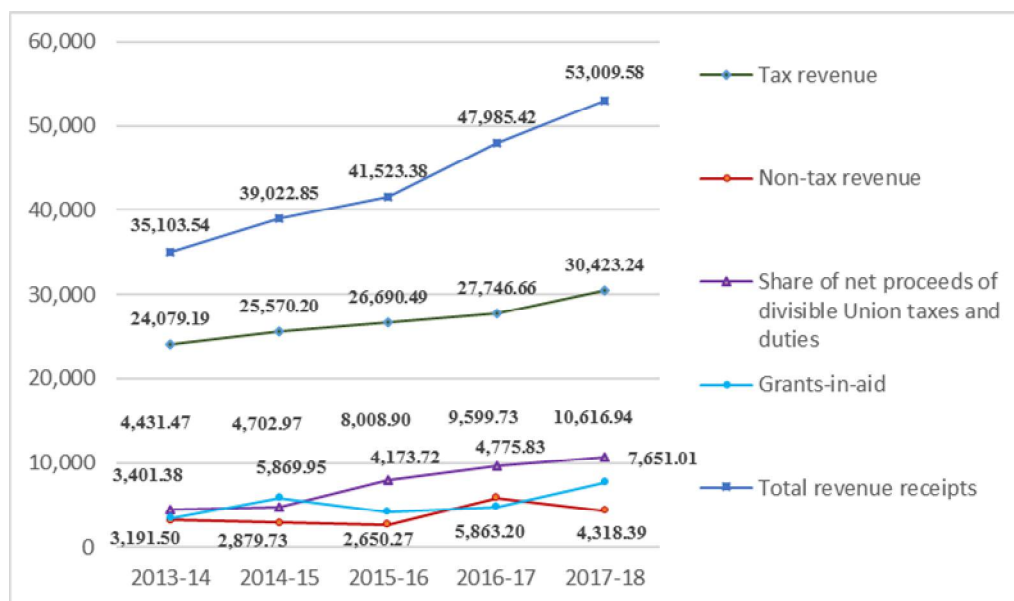
² This includes amount of ` 7,901.14 crore received under Major Head 0006-State Goods and Services Tax.

³ This includes amount of ` 151.60 crore received from Government of India as share of Central Goods and Services Tax and ` 1,072.32 crore as share of Integrated Goods and Services Tax.

⁴ This includes amount of ` 4,037.00 crore received from Government of India as compensation of loss due to implementation of Goods and Services Tax.

Chart- 1.1

(`in crore)



It is observed that during the year 2017-18, the State Government raised (` 34,741.63 crore) 66 per cent of the total revenue receipts. Balance 34 per cent of the receipts were from the Government of India as share of net proceeds of divisible Union taxes and duties and Grants-in-aid. The share of State's own revenue decreased from 78 per cent of total receipts in 2013-14 to 66 per cent during 2017-18, while that of share of net proceeds of divisible Union taxed and duties rose to 20 per cent in 2017-18 as compared to 12.62 per cent in 2013-14. Increase in share of this component in revenue receipts of the State was on account of receipt of State share of CGST (` 151.60 crore) and IGST (` 1,072.32 crore).

1.1.2 Details of the tax revenue raised during the period from 2013-14 to 2017-18 are depicted below:

Table 1.1.2: Details of Tax Revenue raised

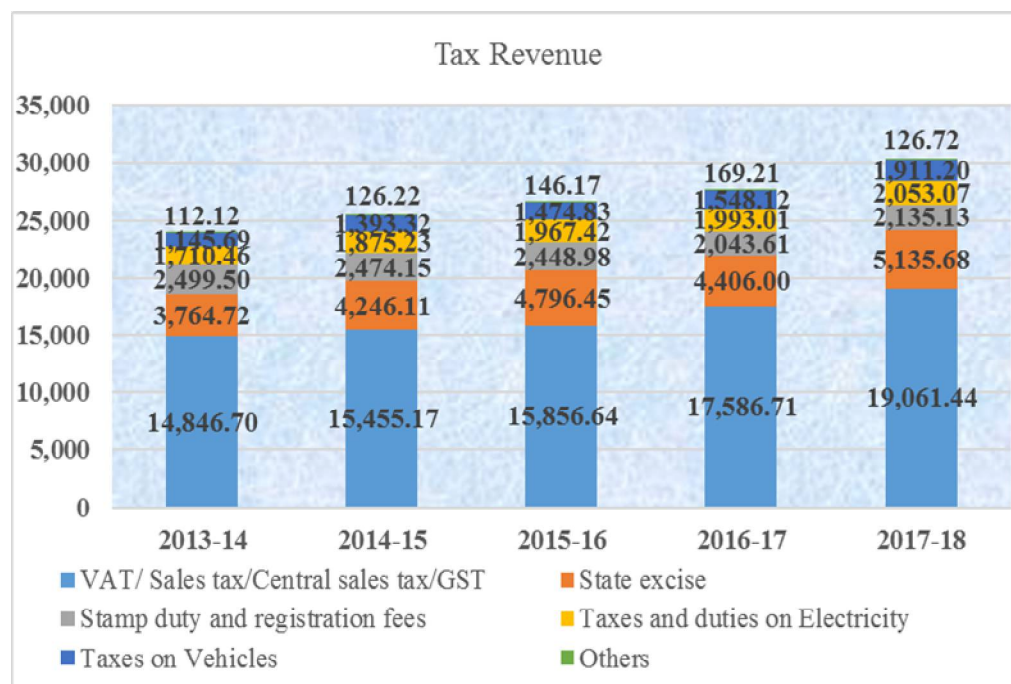
(` in crore)

Sl. No.	Head of revenue	2013-14 Revenue (per cent of Total)	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)	Percentage increase (+) or decrease (-) of actual in 2017-18 over 2016-17
1.	VAT/ Sales tax/Central sales tax/GST	14,846.70 (61.66)	15,455.17 (60.44)	15,856.64 (59.41)	17,586.71 (63.38)	19,061.44 (62.65)	(+)8.39
2.	State excise	3,764.72 (15.63)	4,246.11 (16.61)	4,796.45 (17.97)	4,406.00 (15.88)	5,135.68 (16.88)	(+)16.56
3.	Stamp duty and registration fees	2,499.50 (10.38)	2,474.15 (9.68)	2,448.98 (9.18)	2,043.61 (7.37)	2,135.13 (7.02)	(+)4.48
4.	Taxes and duties on Electricity	1,710.46 (7.10)	1,875.23 (7.33)	1,967.42 (7.37)	1,993.01 (7.18)	2,053.07 (6.75)	(+)3.01
5.	Taxes on Vehicles	1,145.69 (4.76)	1,393.32 (5.45)	1,474.83 (5.52)	1,548.12 (5.58)	1,911.20 (6.28)	(+)23.45
6.	Others ⁵	112.12 (0.47)	126.22 (0.49)	146.17 (0.55)	169.21 (0.61)	126.72 (0.42)	(-)25.11
Total		24,079.19	25,570.20	26,690.49	27,746.66	30,423.24	(+)9.65

The year-wise trend in Tax Revenue receipts during 2013-14 to 2017-18 is depicted in the Chart- 1.2.

Chart 1.2

(` in crore)



It is observed that VAT/Sales Tax/CST/SGST and State Excise are major contributors of revenue and contribute about 79.53 per cent of tax revenue collection. There is increase in revenue from VAT/Sales Tax/CST/GST and

⁵ Revenue Receipts of the two Departments i.e. Land Revenue (` 91.34 crore, which is 34.70 per cent higher than previous year's receipt of ` 67.81 crore), Other taxes and duties on commodities and services (` 35.38 crore, which is 64.89 per cent lower than previous year's receipt of ` 100.78 crore) are less than one per cent of Total Tax Revenue Receipts. Hence, Revenue Receipts of these Departments have been merged in 'Others'.

State Excise from ` 17,586.71 crore & ` 4,406 crore in 2016-17 to ` 19,061.44 crore & ` 5,135.68 crore respectively in 2017-18. There is also increase in revenue from stamp duty and registration fee & taxes and duties on Electricity. Though there is sharp increase in revenue from taxes on vehicles from ` 1,548.12 crore during 2016-17 to ` 1,911.20 crore during 2017-18, the budgetary estimates of 2017-18 have proven to be unrealistic in view of sudden increase of estimates by 92 per cent (from ` 1,650 crore in 2016-17 to ` 3,175 crore in 2017-18). The Finance Department stated (December 2018) to have increased the budget estimates in anticipation of upcoming policies for increasing Motor Vehicle Tax, which were revised considering the actual receipts. However, actual receipts were much less than the Budget Estimates.

Taxes on Vehicles: The department stated that the increase in revenue receipt over previous years was due to increase in tax & fee rates and registration of more vehicles in 2017-18.

Other Departments did not furnish the reasons of variations despite being requested.

1.1.3 The details of the non-tax revenue raised during the period 2013-14 to 2017-18 are depicted below:

Table 1.1.3: Details of Non-Tax revenue raised

Sl. No.	Head of Revenue	2013-14 Revenue (per cent of Total)	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)	Percentage increase (+) or decrease (-) of Actual in 2017-18 over 2016-17
1.	Miscellaneous General Services	1,640.32 (51.40)	1,473.47 (51.17)	999.84 (37.73)	3,028.08 (51.64)	1,478.97 (34.25)	(-) 51.16
2.	Interest receipts	174.68 (5.47)	193.88 (6.73)	225.28 (8.50)	1,293.80 (22.07)	1,404.94 (32.53)	(+) 8.59
3.	Other Administrative Services	102.58 (3.21)	114.12 (3.96)	253.05 (9.55)	133.46 (2.28)	165.85 (3.84)	(+) 24.27
4.	Police	55.26 (1.73)	77.23 (2.68)	48.45 (1.83)	98.52 (1.68)	61.78 (1.43)	(-) 37.29
5.	Medical and Public Health	151.97 (4.76)	116.50 (4.05)	184.25 (6.95)	135.47 (2.31)	253.34 (5.87)	(+) 87.01
6.	Major and Medium Irrigation	65.94 (2.07)	72.81 (2.53)	142.66 (5.38)	93.61 (1.60)	71.38 (1.65)	(-) 23.75
7.	Non-ferrous Mining and Metallurgical Industries	43.83 (1.37)	86.44 (3.00)	56.64 (2.14)	42.08 (0.72)	122.40 (2.83)	(+) 190.87
8.	Public Works	46.73 (1.47)	16.79 (0.58)	18.94 (0.71)	67.96 (1.16)	83.30 (1.93)	(+) 22.57
9.	Forestry and wildlife	20.69 (0.65)	19.45 (0.49)	31.81 (0.12)	20.92 (0.06)	48.67 (0.07)	(+) 132.65
10.	Co-operation	3.44 (0.11)	14.16 (0.49)	3.24 (0.12)	3.37 (0.06)	2.82 (0.07)	(-) 16.32
11.	Dairy Development	0.06 (0.00)	0.11 (0.00)	0.10 (0.00)	0.03 (0.00)	0.02 (0.00)	(-) 33.33
12.	Education, Sports, Art and Culture	96.45 (3.02)	159.36 (5.54)	88.68 (3.35)	95.89 (1.63)	41.87 (0.97)	(-) 56.34
13.	Others ⁶	789.55 (24.74)	535.41 (18.59)	597.33 (22.54)	850.01 (14.50)	583.05 (13.50)	(-) 31.41
Total		3,191.50	2,879.73	2,650.27	5,863.20	4,318.39	(-) 26.35

⁶ The receipts which do not come under the Heads of revenue mentioned at Sr. No. 1 to 12 of the table.

It is observed that there is more than two times increase in revenue through Non-ferrous Mining and Metallurgical Industries in 2017-18 compared to 2016-17. Interest receipts grew by more than eight times over the years from ₹ 174.68 crore in 2013-14 to ₹ 1,404.94 crore in 2017-18. In addition to this, major increase in receipts was from Forest & Wild Life (132.65 per cent) and Medical & Public Health (87.01 per cent) as compared to 2016-17. The Departments which recorded significant decrease in revenue were Education, Sports, Art and Culture (56.34 per cent) and Miscellaneous General Services (51.16 per cent).

The respective Departments reported the following reasons for variations in actual receipts during the year 2017-18:

- (i) **Police:** The Director General of Police, Punjab reported (July 2018) that decrease in actual receipts was due to non-recovery of outstanding claims of previous years and non-payment of deployment charges of forces by other States/departments.
- (ii) **Dairy Development:** The Director, Dairy Development reported (July 2018) that there were no normal revenue receipts as only source of revenue receipt was registration/renewal of feed manufacturers and dealers in the state under “The Punjab Regulation of Compounded Cattle Feed, Mineral, Mixture and Concentrates Order 1988” which lost its validity due to amendment in the ‘Essential Commodity Act’.
- (iii) **Medical and Public Health:** The Director Health and Family Welfare reported (August 2018) that increase in actual receipt over previous year were due to increase in number of outdoor/indoor patients and reimbursement of ₹ 34.59 crore from Employees State Insurance Corporation which was incurred by the Department in 2016-17.
- (iv) **Miscellaneous General Services:** The Deputy Controller (F&A) reported (August 2018) in respect of receipt from lotteries that less receipt⁷ was due to non-conducting of draw of weekly lottery schemes after June 2017.

In respect of the remaining heads⁸ of receipt, the departments despite being requested (June to August 2018) did not furnish the reasons for variations in receipts from that of the previous year.

⁷ Lotteries receipts included in Head “Miscellaneous General Services” at Sr. No. 1

⁸ Cooperation, Education, Sports, Art & Culture, Forestry and Wild life, Major and Medium Irrigation, Miscellaneous General Services, Non-ferrous Mining and Metallurgical Industries, Other Administrative Services and Public Works.

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2018 in respect of principal heads of revenue were ₹ 6,846.56 crore of which ₹ 1,060.57 crore was outstanding for more than five years, as depicted below:

Table 1.2: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2018	Amount outstanding for more than five years as on 31 March 2018	Reply of the Department
1.	Taxes/VAT on sales, Trade etc.	6,317.86	945.62	Amount of ₹ 4,056.59 crore was outstanding on account of cases pending before various appellant courts/authorities and ₹ 1.41 crore to be written off. For remaining amount of ₹ 2,259.86 crore, no reply/reason was furnished by the department.
2.	Forestry and Wildlife Preservation	27.59	27.59	Amount is outstanding against Forest Contractors. Efforts are being made to recover the outstanding amount.
3.	State Excise	358.81	13.97	Amount of ₹ 2.70 crore was non-recoverable and ₹ 0.56 crore has been written off. For remaining amount recovery proceedings against defaulters in most of the cases had already been initiated under Land Revenue Act.
4.	Land Revenue	142.30	73.39	Action has been taken to recover the amount under section 47-A.
Total		6,846.56	1,060.57	

It is observed that out of total outstanding arrears of ₹ 6,317.86 crore in Taxes/VAT on sales, trade etc., arrears of ₹ 4,588.99 crore pertained to seven AETCs⁹, out of which arrears of ₹ 561.22 crore was outstanding for more than five years. The State Transport Commissioner, Punjab intimated that there was no mechanism in the department through which arrears of revenue could be ascertained.

However, during validation of data in seven AETCs¹⁰, it was noticed that in Assistant Commissioner of State Tax (ACST)¹¹ Ludhiana closing balance of arrear of revenue was under reported by ₹ 111.55 crore and ₹ 8.31 crore in case of Taxes/VAT on sales, Trade etc. and State Excise respectively.

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 Department of Excise and Taxation in respect of value added tax and luxury tax & entertainment tax are depicted below:

⁹ Fatehgarh Sahib, Hoshiarpur, Jalandhar-II, Ludhiana-1, Mohali, Roop Nagar (Ropar) and Patiala.

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

¹¹ Designation of Assistant Excise and Taxation Commissioner (AETC) in VAT regime redesignated as Assistant Commissioner of State Tax in GST regime.

Table 1.3: Arrears in Assessment

Head of revenue	Opening balance	New cases due for assessment during 2017-18	Total assessments due	Cases disposed of during 2017-18	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./Luxury & Entertainment Tax	1,13,822	30,286	1,44,108	37,327	1,06,781	25.90

Note: The closing balance of previous year was 85,151 whereas opening balance of this year is 1,13,822. The difference of 28,671 cases is due to supply of lesser number of assessment figures for previous year by AETCs Amritsar-II (5,686), Bathinda (8,293), Jalandhar-1 (1,144), Mohali (150), Muktsar (110), Ropar (2,558) and Sangrur (10,730).

There were arrears in assessment in all the 26 AETCs. However, during validation of data in seven AETCs¹², it was noticed in two AETCs¹³ that cases pending for assessment were not reported correctly. The ACST Jalandhar-II under reported 104 cases¹⁴ and 150 cases¹⁵ were reported in excess by ACST Mohali. This is indicative of inaccuracies in the data provided by the department. The Department may reconcile the data of arrears in assessment.

1.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected by the Excise & Taxation Department and State Transport, cases finalized and the demand for additional tax raised as reported by the Departments are depicted below:

Table 1.4: Evasion of Tax Detected

Sl. No.	Head of revenue	Cases pending as on 31 March 2017	Cases detected during 2017-18	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 2018
					No. of cases	Amount of demand (` in crore)	
1.	Taxes/VAT on sales, Trade etc.	3,012*	2,452	5,464	1,476	49.82	3,988
2.	Taxes on Vehicles	16	0	16	0	0	16
Total		3,028	2,452	5,480	1,476	49.82	4,004

*The closing balance of previous year was 470 whereas the opening balance of this year is 3,028. The difference of 2,558 is due to non-reporting of closing balance by AETC Ropar during previous year.

However, during validation of data in seven AETCs¹⁶, it was noticed in ACST, Roop Nagar (Ropar) that cases of evasion of taxes were wrongly reported as 2,558 whereas actually there was no case of evasion of tax. This is indicative of inaccuracies in the data provided by the department. The

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

13 Mohali and Jalandhar-II

14 Reported 5,283 cases - 5,387 cases found during validation.

15 Reported 5,685 cases - 5,535 cases found during validation.

16 Fatehgarh Sahib, Hoshiarpur, Jalandhar-II, Ludhiana-1, Mohali, Roop Nagar (Ropar) and Patiala.

Department may reconcile the data of evasion of taxes in respect of all the districts.

It is observed that no case was detected/finalised in respect of taxes on vehicles during the year 2017-18. The State Transport Commissioner, Punjab despite being requested (September 2018) did not furnish the reasons for non-finalization of the cases pending for the last three years.

1.5 Refund Cases

The number of refund cases pending at the beginning of the year 2017-18, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2017-18 as reported by the Department are depicted below:

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	5,488*	712.14*	142	2.35
2.	Claims received during the year	8,794	1,114.65	45	1.24
3.	Refunds made during the year	4,580	532.77	22	2.30
4.	Refunds rejected during the year	993	263.79	0	0
5.	Balance outstanding at the end of year	8,709	1,030.23	165	1.28

**The opening balance figures are taken after verification by AG Audit Party during 2016-17.*

It is observed that number of outstanding cases in Sales Tax/VAT has increased by 58.69 per cent and amount by 44.67 per cent during the year. 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. The Department needs to ensure timely refund to assessee.

The refunds in case of Sales Tax/VAT were pending in all 26 excise districts and refunds in case of state excise were pending in ten out of 26 excise districts.

However, during validation of data in seven AETCs¹⁷, it was noticed in AETC, Fatehgarh Sahib that figures of outstanding claims at the beginning of year and claims received during the year in respect of State Excise were two and 43 as against Nil and 16 earlier reported and included in above data. The Department may reconcile the data of refunds in state excise.

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.

17 Fatehgarh Sahib, Hoshiarpur, Jalandhar-II, Ludhiana-1, Mohali, Roop Nagar (Ropar) and Patiala.

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 Department and the Government.

Out of Inspection Reports issued up to December 2017, 16,318 paragraphs involving ₹ 6,280.32 crore relating to 6,358 IRs remained outstanding at the end of June 2018. This, alongwith the corresponding figures for the preceding two years are depicted below:

Table 1.6: Details of pending Inspection Reports

	June 2016	June 2017	June 2018
Number of IRs pending for settlement	5,908	6,170	6,358
Number of outstanding audit observations	14,380	15,478	16,318
Amount of revenue involved (₹ in crore)	5,825.95	6,001.19	6,280.32

1.6.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2018 and the amount 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 (₹ in crore)
1.	Excise and Taxation	Taxes/VAT on sales, Trade etc.	2,031	4,678	1,350.00
		Entertainment and Luxury Tax	359	621	93.41
		State Excise	373	403	592.29
2.	Revenue	Land Revenue	787	1,637	2,315.16
		Stamp Duty and Registration Fee	1,762	5,538	611.00
3.	Transport	Taxes on motor vehicles	749	3,065	700.97
4.	Finance	State Lotteries	22	58	153.29
5.	Forestry and Wildlife Preservation	Forestry and wild life	275	318	464.20
Total			6,358	16,318	6,280.32

During 2017-18, audit did not receive even the first reply in respect of 202 IRs out of 283 IRs from the Head 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 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 has set 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 2017-18 and the paragraphs settled are depicted below:

Table 1.6.2: Details of Departmental Audit Committee Meetings

Head of Revenue	Number of meetings held	Number of outstanding observation	Number of paragraphs settled	Amount (` in crore)
0030-Stamp Duty & Registration Fees	8	5,518	17	0.09
0040-Taxes/VAT on sales, Trade etc.	2	4,720	2	0.03
0406-Forestery & Wild Life	2	339	165	16.51
0045-Luxury and Entertainment Tax	2	626	5	0.02
Total	14	11,203	189	16.65

It is observed that the settlement of outstanding paragraphs was very low in respect of Sales Tax/VAT, Stamp Duty and Registration Fee and Luxury and Entertainment Tax. No audit committee meeting was convened in respect of State Excise, Taxes on vehicles, Land Revenue 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 2017-18 as many as 804 cases/items of auditable records pertaining to Four Departments were not made available to audit as depicted below:

Table 1.6.3: Details of non-production of records

Name of the office/Department	Nature of receipt	Number of cases/items not provided	
		2016-17	2017-18
Excise and Taxation	Sales Tax/VAT	328	557
	State Excise	24	0
	Luxury & Entertainment Tax	35	5
Transport	Taxes on Vehicles	335	62
Revenue	Stamp duty and Registration Fees	127	152
	Land Revenue	344	25
Forest and Wildlife Preservation	Forests and Wild life	40	3
Total		1,233	804

Non-production of records pertaining to revenue is serious and in the absence of examination, the risk associated cannot be commented upon. It is advised to direct the concerned authorities to provide the record during examination.

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 were sent to the Principal Secretaries/Secretaries of the respective Departments between October 2017 and March 2019. Revised versions of the draft paragraphs and Performance Audit were again sent to the Principal Secretaries/Secretaries of the respective Departments between April 2018 and April 2019. The Principal Secretary/Secretary and of the concerned Departments did not reply to any of the above draft paragraphs and one Performance Audit and the same were included in the Report without their response. However, clarifications received during exit conference 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 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 129 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 2012 to 2017 were placed before the State Legislative Assembly between 19 March 2013 and 22 March 2018. ATNs in respect of 73 paragraphs from Six departments¹⁸ had not been received. However, remaining 56 ATNs were received with average delay which ranged between 01 month and 58 months.

The PAC discussed 73 selected paragraphs pertaining to the Audit Reports for the years from 2010-11 to 2014-15 between 2013 and 2018, and its

¹⁸ Sales Tax/VAT, Land Revenue, State Excise, Taxes on Vehicles, Stamp Duty and Forest other tax/non-tax receipts.

recommendations on 24 paragraphs¹⁹ were incorporated in three PAC Reports (2014-15, 2015-16 and 2017-18). However, ATN on the recommendations of the PAC on three paragraphs for the year 2010-11 has not been received up to March 2019 from Agriculture Department.

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 paragraphs 1.7.1 to 1.7.3 discuss performance of the Revenue Department in respect of Stamp Duty and Registration Fee (SD and RF) to deal with cases detected in the course of local audit during the last 10 years up to 2017-18 and also the cases included in the Audit Reports for the years 2007-08 to 2016-17.

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 2018 in respect of SD and RF are depicted below:

Table 1.7.1: Position of Inspection Reports in Stamp Duty and Registration Fee

(` in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance		
	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
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
2015-16	1,423	4,103	485.38	135	745	39.16	18	214	31.50	1,540	4,634	493.04
2016-17	1,540	4,634	493.04	102	525	25.60	11	148	1.63	1,631	5,011	517.01
2017-18	1,631	5,011	517.01	116	622	23.22	3	115	1.15	1,744	5,518	539.08

It is observed that there is increase in the number of outstanding IRs from 1,162 in 2008-09 to 1,744 in 2017-18 and corresponding money value pointed out in IRs has increased from ` 91.81 crore to ` 539.08 crore.

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 are depicted below:

¹⁹ Department of Transport (07) +Department of Agriculture (07) + Department of Electricity (10).

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 up to 31 March 2017	Amount recovered during the year 2017-18	Cumulative position of recovery of accepted cases as of 31/03/2018
1	2	3	4	5	6	7	8
2007-08	11	44.08	--	--	Paras/reviews upto the year 2007-08, 2008-09 and 2009-10 have been transferred by the PAC to the concerned Administrative Secretaries of the Departments to take action at their own level.		
2008-09	7	34.82	--	--			
2009-10	1	22.94	--	--			
2010-11	9	3.99	9	3.99	0	0.96	0.96
2011-12	15	14.69	15	14.69	0	1.34	1.34
2012-13	5	15.25	5	15.25	0	0.44	0.44
2013-14	10	65.60	10	65.60	0	16.11	16.11
2014-15	13	37.96	13	37.96	0	0.50	0.50
2015-16	1	1.96	1	1.96	Reply of the paragraphs for the Audit Report 2015-16 and 2016-17 is still awaited from the department.		
2016-17	6	9.03	6	9.03			
Total	78	250.32	59	148.48	0	19.35	19.35

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

1.7.3 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 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 Stamp Duty and Registration Fee, Punjab featured in the report of 2009-10 with six recommendations and in the report of 2015-16 with three recommendations. In respect of report of 2009-10, the Public Accounts Committee (PAC) in its meeting dated 31.08.2015 directed the department to ensure implementation of the recommendations suggested by the Audit. The report of 2015-16 is yet to be discussed.

1.8 Audit planning

The auditable entities 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 2017-18, there were 495 auditable units. 286 units (57.77 per cent) were due and planned for audit out of which 283 units were audited (99 per cent). The audit of three units could not be completed as one unit²⁰ was excluded from Annual Audit Plan for the year 2017-18 and two units²¹ were not functioning.

Besides, the compliance audit mentioned above, one performance audit titled 'Levy and collection of Taxes on Vehicles' was also conducted to examine the efficacy of the Department concerned in realization of revenue receipts.

1.9 Internal Audit

The Finance Department has an Internal Audit Organization (IAO) under the charge of the Additional Director. This organization is 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 2017-18, out of 2,213 units planned for audit, IAO audited 63 units (2.85 per cent) as depicted below:

Table 1.9: Internal Audit

Revenue Head	No. of units Planned	No. of units audited
0030 – Stamp Duty	396	24
0039 – Excise	271	27
0040 – VAT/Sales Tax	676	9
0041 – Motor Vehicle Tax	648	3
0045 – Entertainment Tax	222	0
Total	2,213	63

The Department replied that the targets planned for audit could not be achieved for the year 2017-18 due to acute shortage of staff. Further, special audits are also assigned by the Government from time to time along with routine audit. It is recommended that Government may direct IAO to plan audit by adopting risk analysis technique and to ensure audit of all the planned units.

20 Pr. Secretary and Financial Commissioner Taxation, Punjab (under head - 0040).

21 Joint Sub Registrar, Binewal (under head - 0030) and M/s. Kee Mee Blended Bottling Plant, Pathankot (under head - 0039)

1.10 Results of audit

1.10.1 Position of local audit conducted during the year

The Principal Accountant General Punjab conducts periodical inspection of the Government Departments to test check the transactions under CAG's (DPC) Act, 1971.

Test check of the records of 283 units administering Sales Tax/Value Added Tax, State Excise, Taxes on Motor Vehicles, Forest Receipts and other Departmental offices conducted during the year 2017-18 showed under assessment/short levy/loss of revenue aggregating ` 298.82 crore in 8,870 cases. The Departments recovered ` 5.71 crore in 2,887 cases during 2017-18, out of which ` 0.19 crore in 52 cases were pointed out during 2017-18 and rest in earlier years.

1.11 Coverage of this Report

This Report contains one performance audit on “*Levy and Collection of Taxes on Vehicles*” and 17 paragraphs involving financial effect of ` 121.47 crore. The replies of the Government/Department have not been received (July 2019). These are discussed in the succeeding Chapters II to VI.

