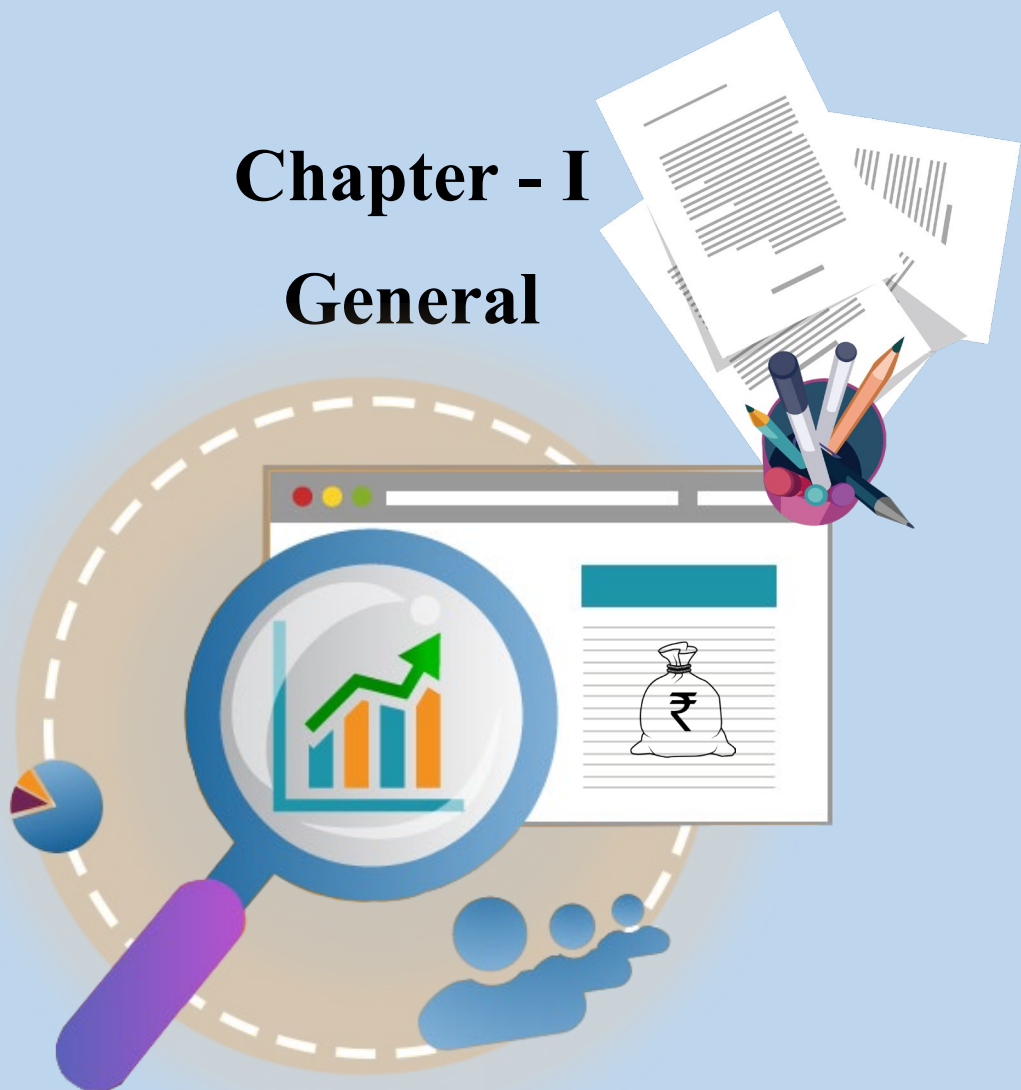


Chapter - I

General



Chapter-I

General

1.1 Introduction

This Report covers matters arising out of the Compliance Audit of the Revenue Departments of the State Government. The primary purpose of this Report is to bring to the notice of the Legislature the important results of audit. Findings of the audit are expected to enable the Executive to take corrective action as also to frame policies and directives that will lead to improved financial management of the organisations contributing better governance.

The Report has been organised in four chapters as under:

- **Chapter-I** contains a profile of the State with the details of 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 2021-22, the authority of audit, audit jurisdiction, planning and conduct of audit, response of the Government to various audit products namely Inspection Reports and follow-up action on Audit Reports.
- **Chapter-II** contains observations of the Subject Specific Compliance Audit on 'Department's Oversight on GST Payments and Return Filing'.
- **Chapter-III** contains observations of the Information Systems Audit of 'Integrated Financial Management System'.
- **Chapter-IV** contains individual observations related to Compliance Audit of Revenue Departments.

1.2 Trend of revenue receipts

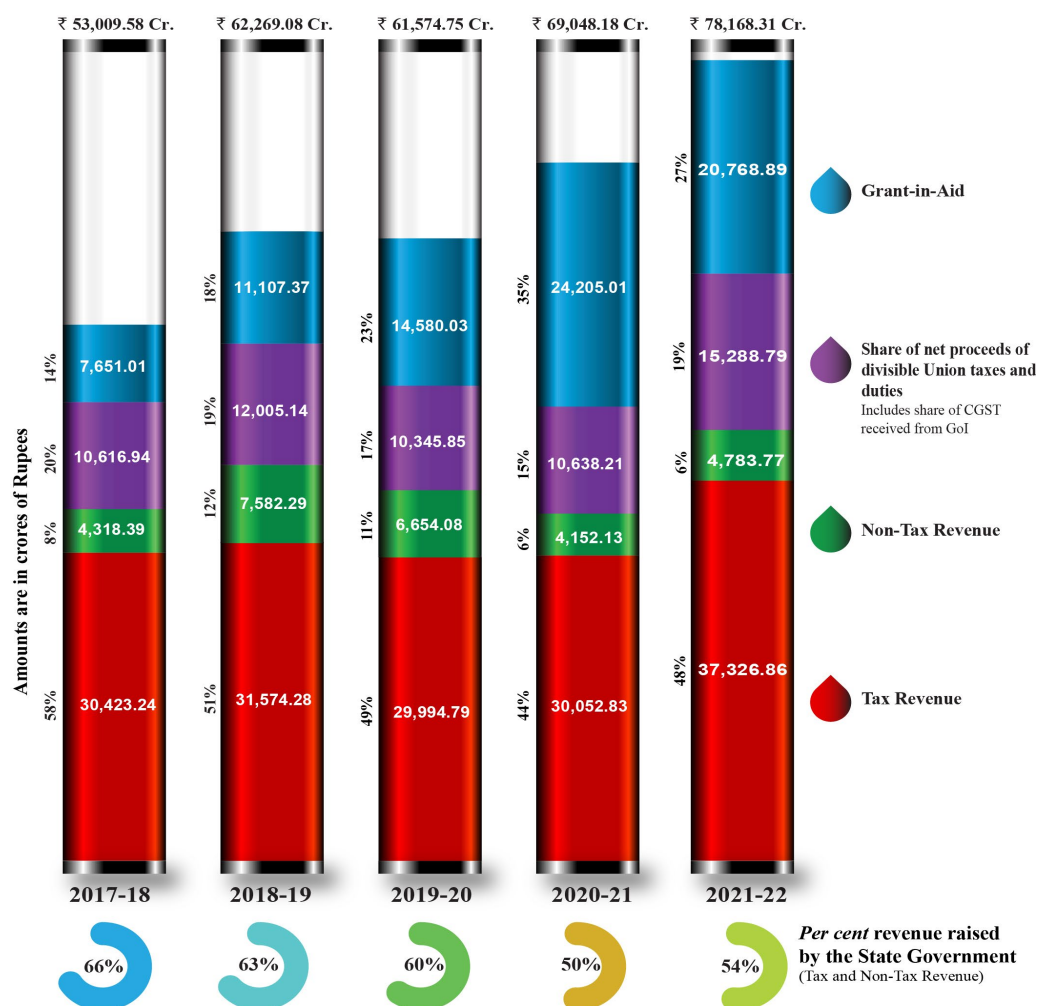
1.2.1 The tax and non-tax revenue raised by the Government of Punjab, the State's share of net proceeds of divisible Union taxes and duties assigned to States and Grants-in-aid received from the Government of India during the year 2021-22 and the corresponding figures for the preceding four years are depicted in **Table 1.1** and **Chart 1.1** below.

Table 1.1: Trend of revenue receipts

(₹ in crore)						
Sr. No	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
1.	Revenue raised by the State Government					
	Tax revenue	30,423.24	31,574.28	29,994.79	30,052.83	37,326.86
	Non-tax revenue	4,318.39	7,582.29	6,654.08	4,152.13	4,783.77
	Total	34,741.63	39,156.57	36,648.87	34,204.96	42,110.63
2.	Receipts from the Government of India					
	Share of net proceeds of divisible Union taxes and duties	10,616.94	12,005.14	10,345.85	10,638.21	15,288.79
	Grants-in-aid	7,651.01	11,107.37	14,580.03	24,205.01	20,768.89
	Total	18,267.95	23,112.51	24,925.88	34,843.22	36,057.68
3.	Total revenue receipts of the State Government (1 and 2)	53,009.58	62,269.08	61,574.75	69,048.18	78,168.31
Percentage of 1 to 3		66	63	60	50	54

Source: Finance Accounts

Chart 1.1 Trend of revenue receipts



Data Source : Finance Accounts

Five-year trend of revenue receipts shows that the share of State's own revenue decreased from 65.54 *per cent* of total receipts in 2017-18 to 53.87 *per cent* in 2021-22. While share of net proceeds of divisible Union taxes and duties slightly reduced from 20.03 *per cent* in 2017-18 to 19.56 *per cent* in 2021-22, Grants-in-Aid increased from 14.43 *per cent* (₹ 7,651.01 crore) in 2017-18 to 26.57 *per cent* (₹ 20,768.89 crore) in 2021-22.

During the year 2021-22, the State Government raised 54 *per cent* (₹ 42,110.63 crore) of the total revenue receipts. Balance 46 *per cent* (₹ 36,057.68 crore) of the receipts was from the Government of India as share of net proceeds of divisible Union taxes and duties and Grants-in-Aid. Overall, the State's own revenue has shrunk and dependency on Grants-in-Aid has increased in the last four years.

1.2.2 Details and trend of tax revenue raised during the period from 2017-18 to 2021-22 are depicted in **Table 1.2** and **Chart 1.2** below.

Table 1.2: Details of Tax Revenue

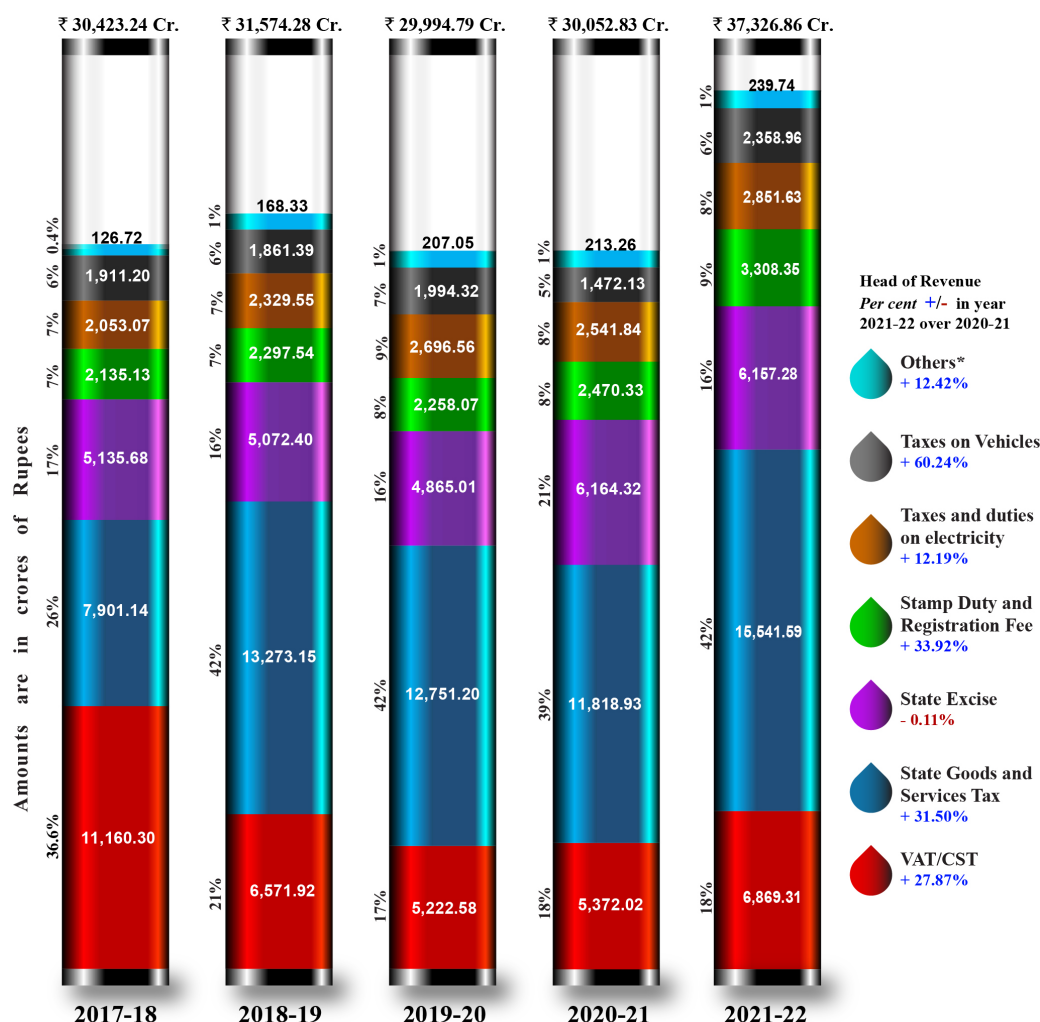
(₹ in crore)

Sr. No	Head of revenue	2017-18 Revenue (Per cent of Total)	2018-19 Revenue (Per cent of Total)	2019-20 Revenue (Per cent of Total)	2020-21 Revenue (Per cent of Total)	2021-22 Revenue (Per cent of Total)	Percentage increase (+) or decrease (-) of actual in 2021-22 over 2020-21
1	Taxes on Sales, Trades, etc.	11,160.30 (36.68)	6,571.92 (20.81)	5,222.58 (17.41)	5,372.02 (17.87)	6,869.31 (18.40)	(+) 27.87
	State Goods and Service Tax (SGST)	7,901.14 (25.97)	13,273.15 (42.04)	12,751.20 (42.51)	11,818.93 (39.33)	15,541.59 (41.64)	(+) 31.50
2	State Excise	5,135.68 (16.88)	5,072.40 (16.06)	4,865.01 (16.22)	6,164.32 (20.51)	6,157.28 (16.50)	(-) 0.11
3	Stamps and Registration Fees	2,135.13 (7.02)	2,297.54 (7.28)	2,258.07 (7.53)	2,470.33 (8.22)	3,308.35 (8.86)	(+) 33.92
4	Taxes and duties on Electricity	2,053.07 (6.75)	2,329.55 (7.38)	2,696.56 (8.99)	2,541.84 (8.46)	2,851.63 (7.64)	(+) 12.19
5	Taxes on Vehicles	1,911.20 (6.28)	1,861.39 (5.90)	1,994.32 (6.65)	1,472.13 (4.90)	2,358.96 (6.32)	(+) 60.24
6	Others ¹	126.72 (0.42)	168.33 (0.53)	207.05 (0.69)	213.26 (0.71)	239.74 (0.64)	(+) 12.42
Total		30,423.24	31,574.28	29,994.79	30,052.83	37,326.86	(+) 24.20

Source: Finance Accounts

¹ Revenue receipts of four heads of accounts i.e. [1] 'Other Taxes on Income and Expenditure' (₹ 155.89 crore, which is 9.24 *per cent* higher than the previous year's receipt of ₹ 142.70 crore), [2] 'Land Revenue' (₹ 83.54 crore which is 23.53 *per cent* higher than the previous year's receipt of ₹ 67.63 crore), [3] 'Taxes on Goods and Passengers' (₹ 0.0026 crore, which is 99.90 *per cent* lesser than the previous year's receipt of ₹ 2.71 crore) and, [4] 'Other Taxes and Duties on Commodities and Services' (₹ 0.31 crore, which is 40.91 *per cent* higher than the previous year's receipt of ₹ 0.22 crore) are less than one *per cent* of total Tax Revenue Receipts. Hence, Revenue receipts of these heads have been merged in 'Others'.

Chart 1.2: Trend of Tax Revenue



* Others includes 'Land Revenue', 'Other Taxes and Duties on Commodities and Services', 'Other Taxes on Income and Expenditure', 'Taxes on Goods and Passengers'

Data Source : Finance Accounts

It is observed that 'Taxes on Sales, Trades, etc.', 'State Goods and Services Tax' and 'State Excise' are major contributors of revenue. During 2021-22, these heads of revenue contributed about 76.54 per cent of total revenue collection. There was decrease of 0.11 per cent in revenue from 'State Excise' in comparison to the previous year. The revenue under 'State Goods and Services Tax' registered increase of 31.50 per cent, whereas 'Taxes on Sales, Trades, etc.' registered increase of 27.87 per cent. The revenue from 'Taxes on Vehicles', 'Stamps and Registration Fee' and 'Taxes and Duties on Electricity' increased by 60.24 per cent, 33.92 per cent and 12.19 per cent, respectively.

The reasons for increase or decrease in revenue receipts as provided by the respective Departments are given below.

Taxes on Sales, Trades, etc.: The Department attributed (September 2022) the reasons for increase (27.87 per cent) in revenue to business activities resuming after the pandemic. There was increase in revenue from sale of diesel and petrol as well.

State Goods and Services Tax: The Department attributed (September 2022) the reasons for increase (31.50 *per cent*) in revenue to resumption of business activities in the financial year 2021-22 after the pandemic.

State Excise: The Department attributed (June 2022) the reason for decrease (0.11 *per cent*) in revenue to lesser collection of license fee² caused due to extension of the Excise Policy 2021-22 for three months up to 30 June 2022. Further, the Government had allowed relief to retail liquor vends due to Covid-19.

Stamps and Registration Fees: The Department attributed (July 2022) the reason for increase (33.92 *per cent*) in revenue receipts to higher number of registrations and increase in Collector's rates.

Taxes and Duties on Electricity: The Department attributed (May 2022) reasons for increase (12.19 *per cent*) in revenue to addition of electricity duty arrears for the year 2020-21.

Taxes on Vehicles: The Department attributed (June 2022) reasons for increase (60.24 *per cent*) in revenue receipts to increase in registration of vehicles and realisation of Motor Vehicle Tax from Punjab Road Transport Corporation and defaulter private stage carriage operators. Moreover, the reasons for less revenue during the previous year was due to exemption of Motor Vehicle Tax to commercial vehicles, stage carriage buses and educational institutions buses due to Covid-19 pandemic.

Others: It covers four heads of tax revenue viz. 'Other Taxes on Income and Expenditure', 'Land Revenue', 'Taxes on Goods and Passengers' and 'Other Taxes and Duties on Commodities and Services'.

- **Other Taxes on Income and Expenditure:** The Department attributed (September 2022) increase (9.24 *per cent*) in revenue to concerted efforts of the Department to register persons who were qualified³ as per provisions of the Punjab State Development Tax Act, 2018 but were yet not registered.
- **Land Revenue:** The Department attributed (June 2022) the increase (23.53 *per cent*) in revenue to lesser impact of Covid-19 pandemic during 2021-22 as compared to the previous year.

² Fixed license fee, additional license fee, renewal fee in respect of licenses L-1, L-1BB, L-1(Import) etc.

³ Every person who is an income tax payee and is engaged in any profession, trade or employment and whose taxable income is more than zero, is liable to pay tax under the Punjab State Development Tax Act, 2018.

The reasons for increase of 40.91 *per cent* under ‘Other Taxes and Duties on Commodities and Services’ and decrease of 99.90 *per cent* under ‘Taxes on Goods and Passengers’ were not informed by the concerned departments.

1.2.3 The details and trend of non-tax revenue raised during the period 2017-18 to 2021-22 are depicted in **Table 1.3** and **Chart 1.3** below.

Table 1.3: Details of Non-Tax Revenue

(₹ in crore)

Sr. No	Head of Revenue	2017-18 Revenue (Per cent of Total)	2018-19 Revenue (Per cent of Total)	2019-20 Revenue (Per cent of Total)	2020-21 Revenue (Per cent of Total)	2021-22 Revenue (Per cent of Total)	Percentage increase (+) decrease (-) of actual in 2021-22 over 2020-21
1	Miscellaneous General Services ⁴	1,478.97 (34.25)	4,851.51 (63.98)	2,743.87 (41.24)	2,208.41 (53.19)	2,375.91 (49.67)	(+) 7.58
2	Interest receipts	1,404.94 (32.53)	1,455.26 (19.19)	2,105.51 (31.64)	144.38 (3.48)	181.08 (3.78)	(+) 25.42
3	Other Administrative Services ⁵	165.85 (3.84)	150.63 (1.99)	145.23 (2.18)	233.92 (5.63)	69.70 (1.46)	(-) 70.20
4	Police	61.78 (1.43)	73.38 (0.97)	60.93 (0.92)	89.76 (2.16)	142.34 (2.98)	(+) 58.58
5	Medical and Public Health	253.34 (5.87)	263.42 (3.47)	250.57 (3.76)	287.61 (6.93)	406.81 (8.50)	(+) 41.45
6	Irrigation ⁶	71.40 (1.65)	24.22 (0.32)	94.32 (1.42)	94.35 (2.27)	134.73 (2.82)	(+) 42.80
7	Non-ferrous Mining and Metallurgical Industries	122.40 (2.83)	36.13 (0.48)	90.88 (1.36)	120.56 (2.90)	136.53 (2.85)	(+) 13.25
8	Public Works	83.30 (1.93)	28.81 (0.38)	21.71 (0.33)	14.26 (0.34)	11.34 (0.24)	(-) 20.48
9	Forestry and Wildlife	48.67 (1.13)	15.66 (0.21)	19.53 (0.29)	30.88 (0.75)	19.13 (0.40)	(-) 38.05
10	Co-operation	2.82 (0.07)	3.31 (0.04)	7.09 (0.11)	7.47 (0.18)	6.57 (0.14)	(-) 12.05
11	Education, Sports, Art and Culture	41.87 (0.97)	56.75 (0.75)	196.22 (2.95)	137.70 (3.32)	155.19 (3.24)	(+) 12.70
12	Others ⁷	583.05 (13.50)	623.21 (8.22)	918.22 (13.80)	782.83 (18.85)	1,144.44 (23.92)	(+) 46.19
Total		4,318.39	7,582.29	6,654.08	4,152.13	4,783.77	(+) 15.21

Source: Finance Accounts

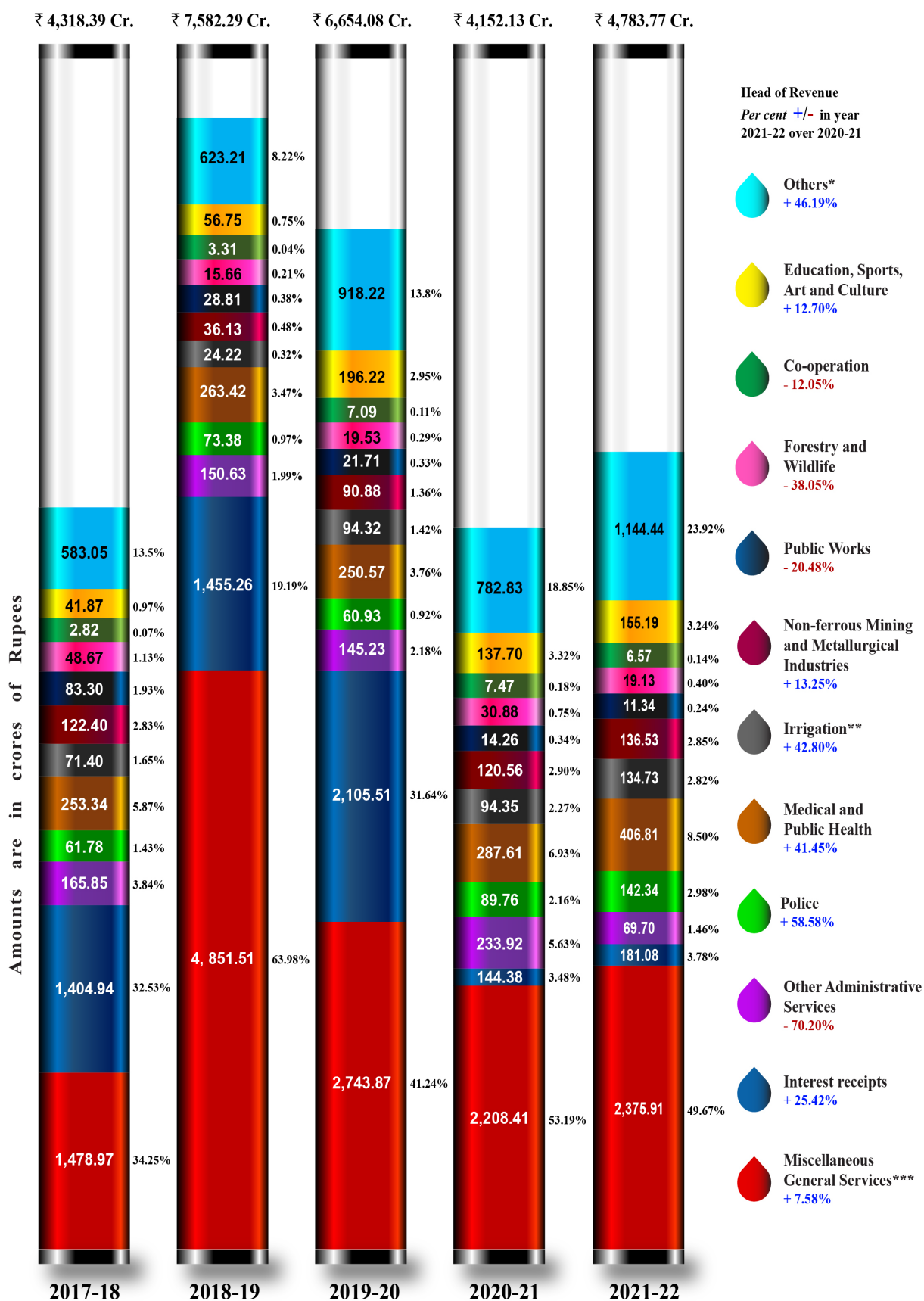
⁴ This head includes receipts from ‘Unclaimed Deposits’, ‘Pre-Partition Receipts’, ‘State Lotteries’, ‘Guarantee Fee’ and ‘Other Receipts’.

⁵ This head includes receipts from ‘Administration of Justice’, ‘Election’ and ‘Other Services’ (Home Guards, Marriage Fees, Fee for Government Audit, Receipts from Guest Houses, etc.).

⁶ This head includes Major Irrigation, Medium Irrigation and Minor Irrigation. The receipt during 2021-22 under Major Irrigation, Medium Irrigation and Minor Irrigation was ₹ 99.41 crore, ₹ 8.73 crore and ₹ 26.59 crore respectively.

⁷ This includes 32 Heads of revenue, which are not covered under the Heads of revenue mentioned at Serial No. 1 to 11 of the table. The details of receipts for the year 2021-22 under Heads of Revenue included in ‘Others’ is available at Appendix 1.1 to this Report.

Chart 1.3: Trend of Non-Tax Revenue



* 'Others' includes 32 heads of revenue, details of which is available at Appendix 1.1 to this report.

** 'Irrigation' includes Major Irrigation, Medium Irrigation and Minor Irrigation.

*** 'Miscellaneous General Services' Includes receipts from 'Unclaimed Deposit', 'State Lotteries', 'Guarantee Fee' and 'Other Receipts'

Data Source : Finance Accounts

There was significant increase under 'Police' (58.58 *per cent*), 'Irrigation' (42.80 *per cent*), 'Medical and Public Health' (41.45 *per cent*) and 'Interest Receipts' (25.42 *per cent*) in 2021-22 as compared to 2020-21. The Departments which recorded significant decrease in revenue were 'Other Administrative Services' (70.20 *per cent*), 'Forestry and Wildlife' (38.05 *per cent*), 'Public Works' (20.48 *per cent*) and 'Co-operation' (12.05 *per cent*).

The reasons for variations in non-tax revenue receipts as provided by the respective departments and as per accounts analysis are given below.

Miscellaneous General Services: Overall increase (7.58 *per cent*) under Miscellaneous General Services was primarily due to increase in receipts under minor heads 'State Lotteries' and 'Guarantee Fee'. The Department attributed (June 2022) increase under minor head 'State Lotteries' to earnest money received against allotment of tenders for running lottery schemes. Reasons for increase under minor heads 'Guarantee Fee', 'Pre-Partition Receipts', 'Other Receipts' and decrease under 'Unclaimed Deposits' were not informed.

Interest Receipts: The Department did not furnish reasons for increase (25.42 *per cent*) in interest receipts. However, the increase was mainly due to collective increase of 27.07 *per cent* under two minor heads 'Interest realised on Investment of Cash Balances' and 'Other Receipts'.

Other Administrative Service: The Department did not furnish reasons for decrease (70.20 *per cent*) of revenue. However, this decrease was mainly due to 86.53 *per cent* lesser receipts under minor head 'Other Receipts' below sub-major head '60-Other Services' as compared to the previous year.

Police: The Department attributed (June 2022) increase (58.58 *per cent*) in revenue receipts to deposit of recruitment fees received from candidates on account of Police recruitment.

Medical and Public Health: The Director Health and Family Welfare attributed (August 2022) increase (41.45 *per cent*) in revenue receipts to higher receipts from Cancer and Drugs Rehabilitation Centers, late fee for birth and death registrations and deposit of outstanding receipt into Government treasury by the Directorate of Research and Medical Education pertaining to the previous year.

Irrigation: The Department attributed (June 2022) increase (42.80 *per cent*) in revenue receipts to increased canal water supply to industries, increase in water tariffs, compensation receipt of Gujarat gas pipe line under Ferozepur Faridkot canal, and additional receipts on account of auction and miscellaneous purposes.

Non-ferrous Mining and Metallurgical Industries: The Department attributed (June 2022) increase (13.25 *per cent*) in revenue receipt in the

current year owing to lesser receipts in the preceding year due to the Covid pandemic outbreak.

Public Works: The Department attributed (July 2022) decrease (20.48 *per cent*) in revenue receipt to lesser number as well as low value projects during the year and reduction in agency charges received from National Highway Authority of India against the staff and services provided.

Forestry and Wildlife: The decrease (38.05 *per cent*) in revenue receipt was primarily due to 51.58 *per cent* lesser receipt on account of sale of timber and other forest produces as compared to the previous year.

Co-operation: The decrease (12.05 *per cent*) in receipt was mainly due to 91.33 *per cent* lesser receipt under minor head 'Other Receipts' as compared to the previous year.

Education, Sports, Art and Culture: The overall increase (12.70 *per cent*) of receipts under Education, Sports, Art and Culture was primarily due to increase of 188.18 *per cent* under 'Technical Education' and 66.55 *per cent* increase under 'Art and Culture' as compared to the previous year.

Others: 'Others' category covers 32 heads of non-tax revenue, other than those included in Table 1.3 at Sr. No. 1 to 11 (**Appendix 1.1**). Under this category, there was overall increase in receipts by 46.19 *per cent* in comparison to the previous year. Out of the 32 heads, there was increase between 37.96 *per cent* and 9,24,800 *per cent* under 15 heads, whereas receipts under 14 heads decreased between 0.48 *per cent* and 100 *per cent*. Under three heads, the receipt neither increased nor decreased.

The reasons for variations under three heads as informed by respective Departments are mentioned below:

- **Crop Husbandry:** The Department attributed (June 2022) decrease (6.30 *per cent*) in receipts to lesser number of new/renewal/modification of licenses for sale of certified seed, fertiliser and plant protection pesticides and weedicides and less receipt on account of cane cess due to court cases.
- **Dairy Development:** The Department clarified (June 2022) that no revenue is earned by the Department. The decrease (92.50 *per cent*) in receipts during the current year was due to the fact that previous year monies remaining unspent due to the Covid-19 pandemic under various schemes were deposited in the treasury. The minor receipts during the current year were on account of miscellaneous receipts and sale of unserviceable items.
- **Road Transport:** The Department attributed (June 2022) decrease (9.44 *per cent*) to reduced number of bus fleet as compared to the previous year because new buses were not added to the fleet since 1995. All buses in the fleet had reached end-of-life and were being run on local routes instead of profitable inter-state routes. Further, the Government had

provided free bus travel facilities to women through transport buses for which expenses were to be reimbursed by the Social Security and Women & Child Development Department. However, claims made by the Department against free bus facilities provided to women were not received from the Social Security and Women & Child Development Department.

Other respective Departments did not intimate the reasons for variations in receipts of 2021-22 from that of the previous year under 29 heads⁸ of non-tax revenue.

1.3 Authority for audit

Authority for audit by the Comptroller and Auditor General of India (CAG) is derived from Articles 149 and 151 of the Constitution of India and the CAG's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). The CAG conducts audit of expenditure of State Government Departments under Section 13⁹ of the CAG's DPC Act. In addition, CAG also conducts audit of other Autonomous Bodies which are substantially financed by the Government under Section 14¹⁰ of DPC Act. Section 16 of the CAG's DPC Act authorises CAG to audit all receipts (both revenue and capital) of the Government of India and of Government of each State and of each Union Territory having a legislative assembly and to satisfy himself that the rules and procedures are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed. Principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts (Amendments), 2020 and Auditing Standards issued by the Indian Audit and Accounts Department.

1.4 Planning and conduct of audit

In Compliance Audit, the audit process commences with a risk assessment of Departments, schemes, considering the criticality/complexity of activities, level of delegated financial powers, internal controls, concerns of stakeholders and previous audit findings. Based on this risk assessment, the scope of audit is decided and an Annual Audit Plan is formulated.

⁸ (1) 0050-Dividend and Profits, (2) 0051-Public Service Commission (3) 0056-Jails (4) 0057-Supplies and Disposals (5) 0058-Stationery and Printing (6) 0071-Contributions and Recoveries towards Pension and Other Retirement Benefits (7) 0211-Family Welfare (8) 0215-Water Supply and Sanitation (9) 0216-Housing (10) 0217-Urban Development (11) 0220-Information and Publicity (12) 0230-Labour and Employment (13) 0235-Social Security and Welfare (14) 0250-Other Social Services (15) 0403-Animal Husbandry (16) 0405-Fisheries (17) 0415-Agricultural Research and Education (18) 0435-Other Agricultural Programmes (19) 0515-Other Rural Development Programmes (20) 0801-Power (21) 0802-Petroleum (22) 0851-Village and Small Industries (23) 0852-Industries (24) 1053-Civil Aviation (25) 1054- Roads and Bridges (26) 1275-Other Communication Services (27) 1452-Tourism (28) 1456-Civil Supplies (29) 1475-Other General Economic Services

⁹ Audit of (i) all expenditure from the Consolidated Fund of the State; (ii) all transactions relating to Contingency Funds and Public Accounts; and (iii) all trading, manufacturing, profit and loss accounts, balance-sheets and other subsidiary accounts.

¹⁰ Several non-Commercial Autonomous/Semi-Autonomous Bodies, established to implement Schemes for employment generation, poverty alleviation, spread of literacy, health for all and prevention of diseases, environment, etc., and substantially financed by the Government, are audited under Section 14.

During the year 2021-22, there were 393 auditable units¹¹ related to tax revenue, of which 108 units¹² (27.48 *per cent*) were planned on the basis of risk analysis and were audited. Test-check of audited units revealed under assessment/short levy/loss of revenue aggregating ₹ 189.17 crore in 65,960 cases. The Departments recovered ₹ 9.84 crore in 1,473 cases during 2021-22, of the cases pointed out in audit upto the year 2021-22.

Besides the compliance audit mentioned above, a Subject Specific Compliance Audit (SSCA) titled ‘Department’s Oversight on GST Payments and Return Filing’ and one Information Systems Audit of ‘Integrated Financial Management System’ were also conducted.

The SSCA titled ‘Department’s Oversight on GST Payments and Return Filing’ brought out compliance deficiencies in 140 cases¹³ involving ₹ 872.20 crore during examination of GST return scrutiny procedures, internal audit and other compliance functions of the Department’s field formations. Out of these, recoveries of ₹ 2.27 crore¹⁴ were made in 23 cases before finalisation of this Report.

The Information Systems Audit of ‘Integrated Financial Management System’ brought out deficiencies related to project planning, non-execution of Memorandum of Understanding, slow migration of legacy data to new system, absence of Change Management Policy, missing validation checks causing deficiencies in modules, delay in processing of bills, inconsistencies in integration with other systems, data inconsistencies, non-implementation of digital signature for authentication, non-adherence of password policy and absence of Disaster Recovery Plan.

1.5 Lack of response of Government to Audit

The Principal Accountant General (Audit), Punjab (PAG), conducts periodic 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 inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action.

The heads of the offices are required to comply with the observations contained in the IRs 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.

¹¹ Land Revenue: 87 units, Stamp Duty: 178 units, State Excise: 60 units, Value Added Tax/GST: 55 units, Transport: 13 units

¹² Land Revenue: 5 units, Stamp Duty: 50 units, State Excise: 30 units, Value Added Tax/GST: 10 units, Transport: 13 units

¹³ Centralised Audit: ₹ 820.17 crore in 97 cases, Detailed Audit: ₹ 52.03 crore in 43 cases

¹⁴ Centralised Audit: ₹ 2.13 crore in 14 cases, Detailed Audit: ₹ 0.14 crore in 9 cases

In the Tax-Revenue Departments, 108 Inspection Reports¹⁵ were issued to Heads of Departments for the year 2021-22. Out of those, Audit did not receive replies for 93 Inspection Report within the stipulated time of four weeks. Further, the Inspection Reports issued for the years up to March 2022 reveal that 10,069 observations¹⁶ involving ₹ 4,050.79 crore¹⁷ relating to 2,311 Inspection Reports¹⁸ remained outstanding at the end of June 2022.

The year-wise position of outstanding Inspection Reports/observations along with their money value is given in **Table 1.4**.

Table 1.4: Outstanding Inspection Reports/Observations

Particulars	Prior to April 2017	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Inspection Reports	1,441	250	226	167	119	108	2,311
Observations	5,623	988	987	922	713	836	10,069
Money value (₹ in crore)	2,931.68	177.01	264.48	292.85	190.85	193.92	4,050.79

Source: Office records

The purpose of audit is to check whether prescribed rules, laws and procedures are being adhered to, and to highlight cases of non-compliance, systemic weaknesses, and failures. The large number of pending IRs and audit observations pending settlement indicate inadequate response to audit observations. The lack of action on these audit observations weakens accountability and raises the risk of loss of revenue. Increasing pendency of audit paragraphs merits urgent attention of the Government for addressing the issues consistently raised by Audit. The departmental officers failed to take action on observations contained in IRs within the prescribed time frame, resulting in erosion of accountability. It is recommended that the Government should ensure prompt and proper response to audit observations.

1.5.1 Departmental audit committee meetings

The Government has set up departmental audit committees to monitor and expedite progress of the settlement of the audit observations contained in the Inspection Reports.

During the year 2021-22, 14 observations involving money value of ₹ 33.90 crore were settled in three audit committee meetings held with the Excise and Taxation Department.

The Government may ensure holding audit committee meetings at regular intervals for all Revenue Departments.

¹⁵ Land Revenue: 5 units, Stamp Duty: 50 units, State Excise: 30 units, Value Added Tax/GST: 10 units, Transport: 13 units

¹⁶ **Observations:** Entertainment and Luxury Tax (215), Land Revenue (1,005), Motor Vehicle Tax (1,786), State Excise (396), Stamp Duty (4,921) and VAT (1,746).

¹⁷ **Money Value:** Entertainment and Luxury Tax (₹ 16.54 crore), Land Revenue (₹ 1,957.54 crore), Motor Vehicle Tax (₹ 339.62 crore), State Excise (₹ 388.23 crore), Stamp Duty (₹ 619.48 crore) and VAT (₹ 729.38 crore).

¹⁸ **Inspection Reports:** Entertainment and Luxury Tax (95), Land Revenue (275), Motor Vehicle Tax (207), State Excise (286), Stamp Duty (1,111) and VAT (337).

1.6 Response of Departments to Draft Audit Observations and Detailed Compliance Audit Observations

Regulations on Audit and Accounts (Amendments), 2020 stipulate that responses to draft audit observations proposed for inclusion in the Report of the Comptroller and Auditor General of India should be sent within the specified period.

In the last few years, Audit has reported on several significant deficiencies in revenue realisations, tax assessments as well as on the quality of internal controls that adversely impact the efficiency and functioning of the Departments. The audit offered suitable recommendations to the Executive for taking corrective action and improving revenue realisations.

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

1.7 Follow-up on Audit Reports

The follow-up on Audit Reports have been found to be inadequate as given below:

1.7.1 Non-submission of Action Taken Notes

According to the Rules and Procedure for the Public Accounts Committee (PAC), all administrative departments are to initiate *suo motu* action on all Compliance Audit observations and Performance Audits featuring in the Audit Reports of the Comptroller and Auditor General of India, regardless of whether these are taken up for examination by the PAC or not. They are also to furnish detailed notes, duly vetted by audit, indicating the remedial action taken or proposed to be taken by them within three months of the presentation of the Audit Reports to the State Legislature.

In spite of these provisions, the explanatory notes on audit observations of the Reports were being delayed inordinately. A total of 108 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 2016 to 2021 were placed before the State Legislative Assembly between 29 March 2017 and 7 March 2023.

Out of 108 paragraphs, the Action Taken Notes (ATNs) in respect of 13 paragraphs¹⁹ were to become due on 6 June 2023. Out of the remaining 95 paragraphs, 38 ATNs were received with average delay ranging between three and 65 months, whereas 57 ATNs were not received up to the end of March 2023. The details of ATNs received with delays and those not received are depicted in **Tables 1.5** and **1.6** respectively.

Table 1.5: Delay in receipt of ATNs

Sr. No.	Year of Audit Report	No. of paragraphs (including Performance Audit)	ATNs received	Date of laying of Audit Report in legislature	ATNs received during the period	Delay in receipt of ATN
1.	2015-16	22	12	29-03-2017	2018 to 2022	09 to 65 months
2.	2016-17	23	19	22-03-2018	2018 to 2022	03 to 53 months
3.	2017-18	18	7	27-02-2020	2021 to 2023	09 to 32 months
Total			38			

Source: Office records

Table 1.6: Non-receipt of ATNs as on 31 March 2023

Sr. No.	Year of Audit Report	Department	ATNs not received		Date of presentation of Audit Report in the State Legislature
			Para No.	Para Count	
1.	2015-16	Department of Excise and Taxation	2.3, 2.4, 2.6, 2.7, 2.8, 2.13, 3.3, 6.5	8	29-03-2017
		Four Departments ²⁰	6.4	1	
		Department of Revenue, Rehabilitation and Disaster Management	6.6	1	
2.	2016-17	Department of Excise and Taxation	2.9, 2.13, 2.15, 6.4	4	22-03-2018
3.	2017-18	Department of Excise and Taxation	2.6, 2.7, 2.9, 2.10, 2.12	5	27-02-2020
		Department of Revenue, Rehabilitation and Disaster Management	4.3, 4.4, 4.5, 4.6, 4.7, 4.8	6	

¹⁹ Report for the year 2020-21 having 13 paragraphs for Revenue Departments was presented in State Legislature on 7 March 2023.

Department	Para No.	Para Count
Department of Excise and Taxation	Ch-III, Ch-IV, 7.9, 7.10, 7.11, 7.12, 7.13, 7.14, 7.15	9
Department of Revenue, Rehabilitation and Disaster Management	7.16, 7.17	2
Department of Transport	7.18, 7.19	2
Total		13

²⁰ (1) Department of Revenue, Rehabilitation and Disaster Management, (2) Department of Excise and Taxation, (3) Department of Transport and (4) Department of Forests & Wildlife Preservation

Sr. No.	Year of Audit Report	Department	ATNs not received		Date of presentation of Audit Report in the State Legislature
			Para No.	Para Count	
4.	2018-19	Department of Excise and Taxation	2.3, 2.4, 2.5, 2.6, 2.7, 2.8, 2.9, 2.10, 3.3, 3.4, 3.5, 7.3	12	29-06-2022
		Department of Revenue, Rehabilitation and Disaster Management	4.3, 4.4, 4.5, 4.6, 4.7	5	
		Department of Transport	5.3	1	
		Department of Forests & Wildlife Preservation	6.3	1	
5.	2019-20	Department of Excise and Taxation	2.3, 2.4, 2.5, 2.6, 2.7, 2.8, 2.9, 3.3	8	29-06-2022
		Department of Revenue, Rehabilitation and Disaster Management	4.3, 4.4, 4.5, 4.6	4	
		Department of Transport	5.3	1	
Total				57	

Source: Office records

By 31 March 2023, PAC discussed 28 selected paragraphs pertaining to the CAG's Audit Reports for the years from 2015-16 to 2017-18. PAC had given 34 recommendations²¹ in respect of CAG's Audit Reports for the years from 2012-13 to 2016-17 and these recommendations were incorporated in three PAC Reports²². However, ATNs against none of these 34 recommendations²³ were received from the respective two Departments up to 31 March 2023.

²¹ Department of Revenue, Rehabilitation and Disaster Management (21) + Department of Transport (13)

²² PAC Report 209 of 2019-20, PAC Report 212 of 2020-21 and PAC Report 214 of 2022-23

²³ Department of Revenue, Rehabilitation and Disaster Management (21) + Department of Transport (13)

