

Chapter I: General

1.1. Trend of revenue receipts

1.1.1. The tax and non-tax revenue raised by the Government of Punjab during the year 2002-2003, the share of divisible Union Taxes and Grants-in-aid received from Government of India during the year and corresponding figures for the preceding four years are given below:-

		(In crore of rupees)				
		1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
I	Revenue raised by the State Government.					
	(a) Tax revenue	3,262.47	3,947.47	4,895.22	4,820.23	5,711.00
	(b) Non-tax revenue*	<u>1,507.35</u> (1,500.39)	<u>2,361.46</u> (1,880.40)	<u>2,935.23</u> (1,308.06)	<u>2,960.45</u> (1,101.43)	<u>4,035.57</u> (1,477.58)
	Total-I	<u>4,769.82</u> (4,762.86)	<u>6,308.93</u> (5,827.87)	<u>7,830.45</u> (6,203.28)	<u>7,780.68</u> (5,921.66)	<u>9,746.57</u> (7,188.58)
II	Receipts from the Government of India					
	(a) State's share of divisible Union Taxes	587.16	638.59	719.33	610.49	649.02
	(b) Grants-in-aid					
	i) Plan	91.70	338.88	385.58	378.43	369.25
	ii) Non-Plan	306.95	181.46	441.50	159.02	306.35
	Total	398.65	520.34	827.08	537.45	675.60
	Total II	985.81	1,158.93	1,546.41	1,147.94	1,324.62
III	Total receipts of State Government (I+II)	5,755.63 (5,748.67)	7,467.86 (6,986.80)	9,376.86 (7,749.69)	8,928.62 (7,069.60)	11,071.19** (8,513.20)
IV	Percentage of I to III	83	84	84	87	88

Of the total receipts (Rs.11,071.19 crore) for the year 2002-2003, 88 per cent was raised by the State Government and remaining 12 per cent came from the Union Government as State's share of divisible Union Taxes and Grants-in-aid.

* The figures shown in brackets are net of expenditure of lotteries conducted by the Government.

** For details, please see Statement number 11-Detailed accounts of revenue by minor heads in Finance Accounts of the Government of Punjab for the year 2002-2003. Figures under the head "0021-Taxes on income other than Corporation tax", share of net proceeds assigned to States booked in the Finance Accounts under A-Tax Revenue have been excluded from revenue raised by State and included in the State's share of divisible Union taxes in this statement.

As against decrease of 41 *per cent* in non-plan grants in the year 1999-2000 over 1998-99, the plan grants showed an increase of 270 *per cent*. There was phenomenal increase of 143 *per cent* in non-plan grants in the year 2000-2001 over 1999-2000 while the increase in plan grants was only 14 *per cent*. Non-plan grants, witnessed decrease of 49 *per cent* during 1999-2000 over 1998-99 and 64 *per cent* in the year 2001-2002 over 2000-2001, whereas it registered an overall increase of 93 *per cent* in the year 2002-2003 over 2001-2002.

1.1.2 The details of tax revenue raised during the year 2002-2003 alongwith figures for the preceding four years are given below:-

(In crore of rupees)

Sr. No	Revenue head	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Percentage of increase(+)or decrease(-)in 2002-2003 over 2001-2002.
1.	(a) Sales Tax	1,229.93	1,589.93	2,267.20	2,063.86	2,722.86	(+) 32
	(b) Central Sales Tax	2,59.72	387.35	377.21	620.47	349.58	(-) 44
2.	State Excise	1,204.27	1,231.57	1,324.67	1,350.06	1,428.91	(+) 6
3.	Stamp Duty & Registration Fees	258.12	325.65	424.06	444.31	558.94	(+) 26
4.	Taxes and Duties on Electricity	31.90	76.47	145.08	2.80	187.64	(+) 6,601
5.	Taxes on vehicles	266.72	321.37	338.31	318.44	443.87	(+) 39
6.	Other Taxes and Duties on Commodities and Services	8.91	10.29	11.52	11.71	10.43	(-) 11
7.	Land Revenue	2.90	4.84	7.17	8.58	8.77	(+) 2
	Total	3,262.47	3,947.47	4,895.22	4,820.23	5,711.00	(+) 18

The tax revenue in the year 2002-2003 showed an increase of 18 *per cent* over the year 2001-2002. Sales tax receipts of Rs.3,072.44 crore amounted to 54 *per cent* of the tax revenue collected during the year 2002-2003.

Reasons for variations in receipt during the year 2002-2003 as compared to 2001-2002 as intimated by the departments concerned were as under:-

- **“Sales Tax and Central Sales Tax”:** The increase of 32 *per cent* in Sales Tax was due to increase in rates of taxes of various commodities while the decrease of 44 *per cent* in Central Sales Tax was due to reduction in rates of Central Sales Tax.
- **“Stamp Duty & Registration Fees”:** The increase of 26 *per cent* was due to charging of stamp duty at par with the conveyance deed where it evidenced

delivery of possession of immovable property through an agreement or in case of power of attorney where it was given for consideration.

- **“Taxes on Vehicles”:** The increase of 39 *per cent* was due to deposit of Rs.93.48 crore by Pepsu Road Transport Corporation on account of arrear of Special Road Tax and other enforcement measures taken by department.
- **“Taxes and Duties on Electricity”:** The increase of 6,601 *per cent* was due to deposit of arrear of Electricity Duty by the Punjab State Electricity Board.

1.1.3. The details of the major non-tax revenue raised during the year 2002-2003 alongwith the figures for preceding four years are given below:

(In crore of rupees)

Revenue head	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Percentage of increase (+)/ decrease (-) in 2002-2003 over 2001-2002
Interest Receipts	104.86	535.02	706.11	551.97	913.37	(+) 65
Dairy Development	0.04	0.11	0.21	0.11	0.07	(-) 36
Others Non-Tax Receipts	243.55	253.48	212.54	244.36	314.98	(+) 29
Forestry and Wild Life	6.52	10.79	14.37	15.12	15.81	(+) 5
Non-ferrous Mining and Metallurgical Industries	3.35	3.77	3.05	3.70	7.46	(+) 102
Miscellaneous General Services						
(i) State Lotteries *	14.22 (7.26)	505.86 (24.80)	1,670.95 (43.78)	1,921.36 (62.34)	2,604.49 (46.50)	(+) 36 (-) 25
(ii) Other than Lotteries	1,055.06	957.80	161.47	106.28	26.55	(-) 75
Major and Medium Irrigation	16.28	17.69	11.68	16.33	24.47	(+) 50
Medical and Public Health	15.38	29.76	29.86	29.00	41.30	(+) 42
Co-operation	4.65	2.83	3.37	4.94	3.61	(-) 27
Public Works	6.73	10.55	12.04	7.83	11.09	(+) 42
Police	18.31	15.16	19.92	30.72	27.22	(-) 11
Other Administrative Services	18.40	18.64	89.66	28.73	45.15	(+) 57
Total*	1,507.35 (1,500.39)	2,361.46 (1,880.40)	2,935.23 (1,308.06)	2,960.45 (1,101.43)	4,035.57 (1,477.58)	(+) 36 (+) 34

There was increase of 34 *per cent* in non-tax revenue during the year 2002-2003 over 2001-2002. The major receipt which contributed to this was interest receipts (62 *per cent*) during the year 2002-2003.

* Figures in brackets represent net receipts.

Reasons for variations in receipts during the year 2002-2003 as compared to 2001-2002 as intimated by the departments concerned were as under:-

- **“Interest Receipts”**: The increase of 65 *per cent* was due to interest received from Food Corporation of India on account of Food Account.
- **“Non-Ferrous Mining and Metallurgical Industries”**: The increase of 102 *per cent* was due to fetching of higher bids for quarries.
- **“State Lotteries”**: The increase of 36 *per cent* was due to introduction of more “Lotteries” while the decrease of 25 *per cent* in net receipts was due to payment of Sales tax.
- **“Major and Medium Irrigation”**: The increase of 50 *per cent* was due to receipt of water charges from Public Health department, departmental charges, and increase in auction of land.
- **“Medical and Public Health”**: The increase of 42 *per cent* was due to raising of user charges, increase of students against NRI quota seats in professional courses and share received from Employees State Insurance Corporation, New Delhi.

1.2. Initiatives for Mobilisation of Additional Resources

1.2.1. Initiatives proposed in the Budget Speech:

In the budget speech of 2002-2003, the Government indicated that user charges for services including transport would be revised so as to fully recover the direct operation and maintenance cost, and indicated various proposals by which sales tax revenue was expected to increase to Rs.3,250 crore. It was, however, seen that contrary to the above, receipts from road transport decreased to Rs.200.01 crore during the year 2002-2003 from Rs.222.15 crore during previous year showing a decrease of 10 *per cent*. Also, the sales tax receipts could only be raised from Rs.2,684.33 crore during the year 2001-2002 to Rs.3,072.44 crore during 2002-2003 against expectation of Rs.3,250 crore.

1.2.2. Implementation of Memorandum of Understanding

A Memorandum of Understanding was entered into in April 1999 between Government of India and Government of Punjab under the Fiscal Reforms Programme. The State Government made certain commitments to shore up revenues and reduce expenditure. Audit scrutiny, however, disclosed that:

- though the State Government undertook to enhance the rate of special road tax these were reduced in December 2000 and again in January 2002 resulting in the loss of Rs.56.43 crore per annum to the State exchequer.

- there was a commitment to consider a proposal to levy a road cess of Re.1 per litre on the sale of diesel, which was likely to fetch a revenue of Rs.209 crore per annum (worked out on the basis of consumption of diesel during the year 2001-2002) but no such proposal was considered.
- Irrigation water charges were introduced in November 2002 after a delay of 43 months.

1.3. Variations between budget estimates and actuals

The variations between budget estimates of revenue receipts for the year 2002-2003 and the actual receipts in respect of the principal heads of tax and non-tax revenue are given below:-

(in crore of rupees)					
Sr. No.	Revenue head	Budget estimates	Actual	Variations excess (+) or short fall(-)	Percentage of variation
1.	Sales Tax	3,250.00	3,072.44	(-) 177.57	(-) 5
2.	State Excise	1,440.00	1,428.91	(-) 11.09	(-) 1
3.	Stamps and Registration Fees	500.00	558.94	(+) 58.94	(+) 12
4.	Taxes on vehicles	350.00	443.87	(+)93.87	(+)27
5.	Interest receipt	714.43	913.37	(+)198.94	(+) 28
6.	Taxes and Duties on Electricity	150.15	187.64	(+) 37.49	(+) 25
7.	Road Transport	295.03	200.01	(-) 95.02	(-) 32
8.	Major and Medium Irrigation	18.13	24.47	(+) 6.34	(+) 35
9.	Police	37.96	27.22	(-) 10.74	(-) 28
10.	Public Works	14.10	11.09	(-) 3.01	(-) 21
11.	Crop Husbandry	7.80	6.09	(-)1.71	(-)22

The reasons for variations between budget estimates and actuals as furnished in June-July 2003 by departments concerned were as under:-

- **“Stamp Duty and Registration Fees”**: The excess of 12 *per cent* was due to recovery of arrears on account of determination of proper registration fee/stamp duty in the cases referred to Collector. Further, the receipts being variable in nature depend upon number and kind of instrument and its value.
- **“Taxes on Vehicles”**: The excess of 27 *per cent* was due to deposit of Rs.93.48 crore by Pepsu Road Transport Corporation on account of arrear of Special Road Tax.
- **“Interest Receipts”**: The excess of 28 *per cent* was due to interest received from Food Corporation of India, which was not estimated earlier.
- **“Taxes and Duties on Electricity”**: The excess of 25 *per cent* was due to increase in rates of electricity duty.

- **“Road Transport”**: The shortfall of 32 *per cent* was due to non-induction of new buses into the fleet and withdrawal of buses from the existing fleet.
- **“Major and Medium Irrigation”**: The excess of 35 *per cent* was due to introduction of Irrigation water charges, receipt from Public Health department on account of water charges, receipt of departmental charges and increase in bid money of land and water flour mills.
- **“Public Works”**: The shortfall of 21 *per cent* was due to slow progress of departmental works resulting in less receipt of percentage charges.
- **“Crop Husbandry”**: The shortfall of 22 *per cent* was due to less renewal of licences for sale of fertilizer and pesticides and stay granted by Court against various fees.

1.4. Analysis of collection

Break-up of total collection at pre-assessment stage and after regular assessment of Sales Tax, for the year 2002-2003 and the corresponding figures for the preceding two years as furnished by the department is as follows:-

(in crore of rupees)

Head of revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of column 3 to 7
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sales Tax	2000-2001*	2,400.60	60.01	15.25	4.08	2,471.78	97
	2001-2002**	2,454.31	116.10	20.24	6.57	2,584.08	95
	2002-2003***	2,860.96	60.91	22.21	3.34	2,940.74	97

The table above shows that percentage of collection of revenue at pre-assessment stage ranged between 95 and 97 and that of additional demand raised after regular assessments ranged between 3 and 5 during the years 2000-2001 to 2002-2003.

1.5. Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the years 2000-2001 to 2002-2003 alongwith the relevant all India

* Does not include figures in respect of Amritsar II, Ferozepur, Mansa and Muktsar districts.

** Does not include figures in respect of Ferozepur, Mansa and Muktsar districts.

*** Does not include figures in respect of Ferozepur, Hoshiarpur, Mansa and Muktsar districts.

average percentage of expenditure on collection to gross collection for the year 2002-2003 are given below:-

(In crore of rupees)

Revenue head	Year	Collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage of collection for the year 2001-2002
Taxes on Sales, Trade etc.	2000-2001	2,644.41	27.99	1.05	1.26
	2001-2002	2,684.33	32.95	1.23	
	2002-2003	3,072.44	34.20	1.11	
Taxes on Vehicles	2000-2001	338.31	5.25	1.55	2.99
	2001-2002	318.44	4.89	1.54	
	2002-2003	443.87	5.80	1.31	
Stamp Duty and Registration Fees.	2000-2001	424.06	4.48	1.05	3.51
	2001-2002	444.31	6.29	1.42	
	2002-2003	558.94	18.70	3.35	
State Excise	2000-2001	1,324.67	11.95	0.90	3.21
	2001-2002	1,350.06	10.84	0.80	
	2002-2003	1,428.91	13.67	0.96	

Reasons for increase in expenditure on collection from 1.42 *per cent* during the year 2001-2002 to 3.35 *per cent* during 2002-2003 under the head “Stamp Duty and Registration Fees” have not been received from department concerned (November 2003).

1.6. Collection of Sales Tax per assessee

The total number of assessees, gross collection of Sales Tax and revenue worked out per assessee for the years 1998-1999 to 2001-2002 are given below:

Year	Number of assesses	Sales Tax revenue (In crore of rupees)	Revenue/assessee (in rupees)
1998-1999	2,71,446	1,489.65	5,488
1999-2000	2,79,768	1,977.28	7,068
2000-2001	2,91,011	2,644.41	9,087
2001-2002	3,02,866	2,684.33	8,863

As against an increase of 29 *per cent* in revenue per assessee in the years 1999-2000 and 2000-2001, the revenue per assessee in the year 2001-2002 witnessed a decrease of 2 *per cent*. Reasons for decrease in revenue per assessee during 2001-2002 have not been received (November 2003).

1.7. Analysis of arrears of revenue

The arrears of revenue as on 31 March 2003 in respect of some principal heads of revenue amounted to Rs. 3,004.85 crore of which Rs. 480.37 crore were outstanding for more than 5 years as detailed in the table below:

(In crore of rupees)

Sr. No.	Head of revenue	Amount outstanding as on 31 March 2003	Amount outstanding for more than 5 years as on 31 March 2003	Remarks
1.	Sales Tax *	435.52	164.97	Recoveries of arrears of Rs. 220.59 crore had been stayed by High Court/ Judicial /departmental authorities, demands of Rs.0.32 crore were covered by recovery certificates, recovery of Rs. 2.40 crore was outstanding as dealers had become insolvent, demands of Rs. 8.87 crore were likely to be written off, demands of Rs. 2.08 crore were being recovered in instalments and balance amount of Rs. 201.26 crore was at different stages of action.
2.	State Excise	16.81	11.70	Demand of Rs.2.23 crore was covered by recovery certificates, recovery of Rs.0.62 crore stayed by High Court and other Judicial/departmental authorities, recovery of Rs.0.01 crore was outstanding as dealers had become insolvent. Demands amounting to Rs.3.09 crore were likely to be written off. Rs.1.90 crore were being recovered in instalments, recovery of Rs. 0.56 crore was held up due to rectification and balance amount of Rs.8.40 crore was at different stages of action
3.	Taxes on Vehicles	66.17	34.33	Demands of Rs.0.15 crore were covered by recovery certificates, recovery of Rs.4.08 crore was stayed by High Court/ other Judicial/departmental authorities, Rs.0.61 crore where dealers had become involent, balance amount of Rs.61.33 crore was at different stages of action.
4.	Taxes and Duties on Electricity	183.91	80.87	Rs. 183.20 crore of electricity duty though collected was unauthorisedly retained by the Punjab State Electricity Board and Rs.0.71 crore was recoverable from Municipal Corporation Amritsar.
5.	<u>Interest Receipts</u> (i) Pepsu Road Transport Corporation (ii) Punjab State Electricity Board (iii) Punjab State Tubewell Corporation	29.64 2,228.09 36.46	11.13 138.81 36.46	Non-payment of interest liability attributed to paucity of funds. No specific reasons were given. Non payment of interest liability was attributed to having no source of income.

* **Does not include figures in respect of Ferozepur and Muktsar districts**

6.	Forestry and Wild Life	4.29	0.82	Recovery of Rs.0.32 crore was covered by recovery certificates, Rs. 0.09 crore was likely to be written off, Rs.0.86 crore was being recovered in instalments and balance amount of Rs.3.02 crore was at different stages of action.
7.	Irrigation	3.47	0.94	No reasons for non-recovery of arrears were intimated (November 2003).
8.	Co-operation	0.20	0.08	Revenue of Rs.0.02 crore was covered by recovery certificates and the balance amount of Rs.0.18 crore was at different stages of action.
9.	Land Revenue	0.29	0.26	No reasons for non-recovery of arrear were intimated (November 2003).
	Total	3,004.85	480.37	

1.8. Arrears in assessments

The details of cases pending assessment at the beginning of the year 2002-2003, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of the year 2002-2003 as furnished by the Department in respect of sales tax and purchase tax on sugarcane are as follows:

Name of tax	Opening balance	New cases due for assessment during 2002-2003	Total assessments due	Cases disposed of during 2002-2003	Balance at the end of the year.	Percentage of Column 6 to 4.
1	2	3	4	5	6	7
Sales Tax *	4,16,740	2,34,609	6,51,349	2,67,880	3,83,469	59
Purchase Tax on Sugarcane.	128	21	149	29	120	81
Total	4,16,868	2,34,630	6,51,498	2,67,909	3,83,589	59

It would be seen from the above that 59 per cent of total cases (sales tax and purchase tax) were pending assessment as on 31st March 2003.

1.9. Evasions of tax

The details of cases of evasion of tax detected by the Excise and Taxation Department, cases finalised and the demands for additional tax raised as

* Does not include figures of Muktsar district.

reported by the Departments are given below:

(In lakh of rupees)

Sr. No	Name of tax/ duty	Cases pending as on 31 March 2002	Cases detected during 2002-2003	Total	No. of cases in which assessments/investigations completed and additional demand including penalty etc., raised		Number of cases pending finalisation as on 31 March 2003
					No. of cases	Amount of demand	
1.	Sales Tax *	1,100	3,460	4,560	3,742	476.22	818
2.	State Excise	1	--	1	-	-	1
3.	Land Revenue	186	-	186	23	1.15	163
4.	Public Health	4	-	4	--	--	4

1.10. Write off, and waiver of revenue

During the year 2002-2003, demands for Rs.3.13 crore (in 224 cases) and Rs.55.36 lakh (in 65 cases) relating to Sales Tax and State Excise respectively were written off by the Department treating them as irrecoverable. Reasons for the write off of these demands as reported by the departments were as follows:

(In lakh of rupees)

Sr. No	Reasons	Sales Tax#		State Excise	
		No. of cases	Amount	No. of cases	Amount
1.	Whereabouts of defaulters not known	142	220.33	26	15.58
2.	Defaulters no longer alive	17	22.89	13	16.43
3.	Defaulters not having any property	21	42.49	26	23.35
4.	Defaulters adjudged insolvent	4	0.50	-	-
5.	Other reasons	40	26.79	-	-
	Total	224	313.00	65	55.36

1.11. Refunds

The number of refund cases pending at the beginning of the year 2002-2003, claims received during the year, refunds allowed during the year and cases pending at the close of the year, as reported by the Department

*# Does not include figures in respect of Ferozepur and Muktsar districts

are given below:

(In lakh of rupees)					
		Sales Tax *		State Excise Duties	
		No. of cases	Amount	No. of cases	Amount
1	Claims outstanding at the beginning of the year	337	230.45	72	19.24
2	Claims received during the year	609	497.65	1	0.08
3	Refunds made during the year	647	334.41	9	7.40
4	Balance outstanding at the end of the year	299	393.69	64	11.92

1.12. Results of audit

Test check of records of Sales Tax, Land Revenue, State Excise, Motor Vehicles Tax, Stamps Duty and Registration Fees, Electricity Duty, Other Tax Receipts, and Non-tax Receipts during the year 2002-2003 revealed under-assessment/short levy/loss of revenue amounting to Rs. 254.24 crore in 1,892 cases. During the year the departments accepted under-assessment of Rs.13.89 crore in 202 cases pointed out in 2002-2003 and earlier years and recovered Rs.13.77 crore. No replies have been received in respect of the remaining cases.

This Report contains 34 paragraphs including 1 review relating to non-levy/short-levy of taxes, duties, interest and penalties etc., involving Rs.244.43 crore. The Department/Government have accepted audit observations involving Rs.19.51 crore, of which Rs.0.40 crore had been recovered upto July 2003.

1.13. Failure of senior officials to enforce accountability and protect interest of Government

Principal Accountant General (Audit) Punjab arranges to conduct periodical inspection of various offices of the Government departments to test check the transactions of tax and non-tax receipts and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed by Inspection Reports (IRs) issued to the Heads of the offices with a copy to the next higher authorities. The State Government have prescribed that first replies to IRs should be sent to Audit within a period of four weeks by the executive after ensuring action in compliance with the prescribed Acts, rules and procedures and fixing accountability for the deficiencies, lapses, etc., noticed during audit inspection. Serious irregularities are also brought to the notice of the Heads of the Departments. A half yearly report of pending IRs is also sent to the Secretary of the Department to facilitate monitoring of the audit observations at Government level.

Inspection reports issued upto 31 December 2002 pertaining to offices under the Excise and Taxation, Revenue, Forests, Power, Transport, and Finance

* Does not include figures in respect of Mansa and Muktsar districts.

departments disclosed that 7,758 objections relating to 4,253 IRs involving Rs.742.35 crore were outstanding at the end of June 2003. Of these, 3,861 IRs containing 6,829 objections involving Rs.703.39 crore were pending for settlement for more than 1 year. The year wise position of the outstanding IRs and paragraphs is detailed in the *Appendix*.

In respect of 281 paragraphs relating to 119 IRs involving Rs.2.34 crore issued upto December 2002, even the first replies, which were required to be received from the Heads of offices within four weeks from the date of issue of I.R. had not been received.

A review of IRs which were pending due to non-receipt of replies, in respect of various departments, revealed that the Heads of offices and the Heads of the Departments failed to send any reply to a large number of IRs/paragraphs. The Heads of Departments/Administrative Secretaries to the Government, who were informed of the position through half yearly reports, also did not ensure due and timely action. Such inaction would result in continuation of serious financial irregularities and loss of revenue to the Government despite these having been pointed out in Audit.

It is recommended that Government look into this matter again and (a) ensure that replies to IRs/paras are sent as per the prescribed time schedule, (b) ensure action to recover loss/under-assessments in a time bound manner and (c) revamp the system of proper response to audit observations in the Department.

1.14. Departmental Audit Committee Meetings

For expeditious settlement of outstanding audit observations contained in the Inspection Reports, Audit Committees were constituted in March 1985 in all the departments.

In order to expedite the clearance of outstanding audit observations, it is necessary that Audit Committees meet regularly and ensure appropriate action on all audit observations leading to their settlement. During the year 2002-2003 only two, out of the six Government departments concerned convened meetings of the Audit Committee. This indicates that some of the Government departments have not taken initiative to use the machinery created for expeditious settlement of outstanding audit observations.

1.15. Response of the departments to Draft Audit Paragraphs.

On the recommendation of the Public Accounts Committee, the Department of Finance issued directions to all departments in October 1967 to send their response to the Draft Audit Paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The Draft Paragraphs are always forwarded by the Audit office to the Secretaries of the departments concerned through demi official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the Government is

invariably indicated at the end of each such paragraph included in the Audit Report.

Paragraphs/reviews included in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2003 were forwarded to the Secretaries of the respective departments between October 2002 and July 2003 through demi official letters. Replies have not been received.

1.16. Follow up on Audit Reports- summarised position

To ensure accountability of the executive in respect of all the issues dealt with in various Audit Reports, the Department of Finance issued instructions in August 1992 to initiate suo-motu action on all paragraphs/reviews figuring in the Audit Reports irrespective of whether the cases were taken up for examination by the PAC or not. Out of paragraphs/reviews included in Audit Reports relating to the period 1997-98 to 2001-2002 which have already been laid before the State Legislature, Action Taken Notes in respect of 103 paragraphs/reviews were not received in Audit office as on June 2003 even after the lapse of the prescribed period of three months. The outstanding ATNs date back to 1997-98 as detailed below:

Year of Report	Date of presentation of Audit report to the legislature	No. of paragraphs/reviews included in the Audit Reports	No. of paragraphs/reviews on which ATNs are due from the departments
1997-1998	8 September 1999	35	3
1998-1999	5 September 2000	37	18
1999-2000	21 June 2002	22	22
2000-2001	21 June 2002	32	32
2001-2002	29 March 2003	28	28
	Total	154	103

Though the Audit Reports for the year ended March 2000, and March 2001 were laid on the table of the State Vidhan Sabha in June, 2002 and that of March 2002 in March 2003 and the time limit of three months for furnishing the ATNs has since elapsed, the departments have not submitted/furnished remedial ATNs on 82 paragraphs.

Appendix

YEAR WISE DETAILS OF OUTSTANDING INSPECTION REPORTS AND AUDIT OBSERVATIONS AS ON 30TH JUNE 2003

(Reference: Paragraph 1.14)

(in crore of rupees)

Sr. No	Receipts Head	Upto 1998-1999			1999-2000			2000-2001			2001-2002			2002-2003			Total		
		IRs	Objs	Amount	IRs	Objs	Amount	IRs	Objs	Amount	IRs	Objs	Amount	IRs	Objs	Amount	IRs	Objs	Amount
1	Taxes on Sales, Trade etc.	971	1267	29.21	200	473	5.86	188	419	22.42	151	324	15.88	143	277	29.85	1653	2760	103.21
2.	Taxes on Vehicles	294	949	304.19	14	146	3.44	157	207	105.76	23	129	28.97	50	195	4.91	538	1626	447.28
3.	Stamp Duty and Registration Fees	513	581	4.33	90	174	0.49	70	158	1.11	106	235	0.65	32	93	0.16	811	1241	6.72
4.	Electricity Duty	6	10	0.48	-	-	-	1	3	64.13	1	6	3.50	2	8	0.76	10	27	68.88
5.	Entertainment Duty/Tax	131	189	4.52	22	60	2.70	24	44	1.02	19	57	1.30	18	47	0.55	214	397	10.09
6.	Land Revenue	315	504	5.00	30	52	1.52	55	84	4.31	19	35	0.07	93	184	0.31	512	859	11.22
7.	State Excise Duties	236	306	12.49	9	23	28.68	24	21	7.24	19	32	3.24	34	50	0.03	322	432	51.68
8.	Forestry and Wild Life	71	113	29.73	19	28	1.96	14	34	1.39	11	20	0.21	18	71	0.16	133	266	33.45
9.	Other Non-tax receipts	54	138	1.99	1	1	-	1	1	5.60	2	6	-	2	4	2.23	60	150	9.82
	Total	2591	4057	391.94	385	957	44.65	534	971	212.98	351	844	53.82	392	929	38.96	4253	7758	742.35

IRs = Inspection Reports.
Objs = Objections