

## OVERVIEW

This Report contains 31 paragraphs including three performance audit relating to non/short levy of taxes, duties, interest and penalty etc., involving Rs.72.12 crore. Some of the major findings are mentioned below:

### I. General

The total receipts of the State Government for the year 2010-11 were ₹ 27,608.47 crore. Revenue raised by the Government during the year was ₹ 22,158.35 crore, comprising tax revenue of ₹ 16,828.18 crore and non-tax revenue of ₹ 5,330.17 crore. The State Government also received ₹ 3,050.87 crore as State's share of divisible Union taxes and ₹ 2,399.25 crore as grants-in-aid from the Government of India.

(Paragraph 1.1.1)

Tax revenue in the year 2010-11 showed an increase of 39.77 *per cent* over 2009-10. Sales tax/VAT receipts of ₹ 10,016.91 crore amounted to 59.52 *per cent* of the tax revenue collected during the year 2010-11.

(Paragraph 1.1.2)

Non-tax revenue showed a decrease of 5.71 *per cent* in the year 2010-11 over 2009-10.

(Paragraph 1.1.3)

6,031 Inspection Reports issued upto December 2010 containing 11,330 audit observations with money value of ₹ 6,822.66 crore were outstanding for want of final replies from the departments as on 30 June 2011.

(Paragraph 1.2.1)

During test check of records of the taxes on sales, trade etc., taxes on vehicles, state excise, stamp duty and registration fees, land revenue and other departmental receipts conducted during year 2010-11, we noticed under assessments, short/non-levy, loss of revenue etc. amounting to ₹ 181.61 crore in 7,091 cases. During the year the departments accepted audit observations involving ₹ 30.15 crore in 2,649 cases and collected ₹ 7.01 crore in 354 cases pertaining to the audit findings during the year and previous years.

(Paragraph 1.5.1)

### II. Sales Tax/Value Added Tax

A review of 'Utilisation of declaration forms in Inter State Trade' and other paragraphs revealed the following:

The TINXSYS website was not used by the Department for verification of Declaration Forms (Form C/F) due to non loading of the data on the website.

(Paragraph 2.12.6)

Grant of exemption on branch transfer on the basis of fake F forms has resulted in tax foregone of ₹ 10.82 lakh, which needs to be recovered from the dealers concerned alongwith penalty.

(Paragraph 2.12.8)

Our cross verification revealed acceptance of fake C forms on interstate sales made by dealers to Delhi dealers involving tax of ₹ 19.14 lakh which needs to be recovered.

**(Paragraph 2.12.9)**

There were instances of grant of exemptions without the declarations in Form 'F' leading to non levy of tax of ₹ 4.23 crore.

**{Paragraph 2.12.11 (a)}**

Grant of exemptions on branch transfer on the basis of defective 'F' form resulted in non-levy of tax of ₹ 7.80 crore.

**{Paragraph 2.12.11 (b)}**

Grant of concessional rate of tax on inter state sale on the basis of defective 'C' form resulted in short levy of tax of ₹ 22.65 crore.

**{Paragraph 2.12.12 (a)}**

Grant of concessional rate of CST without the support of declarations in form C resulted in short levy of tax of ₹ 8.31 crore.

**{Paragraph 2.12.12(b)}**

#### **Compliance Deficiencies on Implementation of State VAT/Sales Tax Acts**

Due to non consideration of entry tax for apportionment on account of branch transfer and manufacture and sales of tax free goods, there was short reversal of ITC of ₹ 1.62 crore on Input Tax Credit (ITC).

**{Paragraph 2.14.1.1(a)}**

There was excess allowance of refund mainly due to non consideration of entry tax for apportionment on account of branch transfer and manufacture and sale of tax free goods ₹ 1.63 crore

**{Paragraph 2.14.1.1(b)}**

There was excess allowance of refund ₹ 1.36 crore due to claim of inadmissible input tax credit on account of entry tax by exempted unit.

**(Paragraph 2.14.2)**

There was excess allowance of refund of ₹ 69.22 lakh due to utilisation of notional ITC for discharge of output tax liability.

**(Paragraph 2.14.2.3)**

There was excess allowance of exemption ₹ 1.36 crore due to non/short levy of notional output tax on branch transfer and application of incorrect rate of tax.

**(Paragraph 2.14.3)**

There was non levy of tax ₹ 35.53 lakh on the sale of poultry feed supplements a taxable goods, treating it as tax free goods.

**(Paragraph 2.14.5)**

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### III. Taxes on Vehicles

A Performance audit on '**Computerisation in the Motor Vehicle Department**' and other paragraphs revealed the following:

Computerisation of the VAAHAN and SARATHI in Punjab was achieved in 19 and 13 DTOs and 30 and 26 SDMs, out of 20 DTOs and 52 SDMs respectively, due to delay as well as lack of systematic approach in procurement, establishment and implementation of the system in all the districts/Sub-Divisions. None of the DTOs of the State except DTO, Ropar in total and DTO Mohali in parts had digitized the old records related to VAHAN. Similarly none of the DTOs of the State had digitised the old records related to SARATHI. However, this work was assigned afresh and was undertaken by the BOOT (Build Own Operate and Transfer) operator from 20 July 2011 for the entire State.

**(Paragraphs 3.9.7, 3.9.7.1 and 3.9.7.2)**

Absence of IT Policy and documentation and lack of change management control as well as non-preparation of Business Continuity Planning have exposed the system to risk.

**(Paragraphs 3.9.7.3, 3.9.7.4)**

Plying of vehicles with lapsed registration, non-mapping of rule for calculation of fine on late registration of vehicles raised serious concern about the integrity and reliability of the system. Delay in updation of rates in the system led to short recovery of tax.

**(Paragraphs 3.9.8.1 and 3.9.8.2, 3.9.8.4)**

Inadequate validation checks in VAHAN resulted in registration of vehicles with identical chassis and engine number and registration of two or more vehicles with same insurance cover note, short recovery of registration fee as seen in 830 cases in five DTOs.

**(Paragraph 3.9.10.1, 3.9.10.3 and 3.9.10.4)**

Missing receipt numbers in VAHAN, generation of fake receipts led to manipulation of process of registration of vehicles for generating registration number as per choice of the applicant without charging the prescribed fee for choice number.

**(Paragraphs 3.9.10.7 and 3.9.10.8)**

Lack of Physical and logical access controls alongwith appropriate system of segregation of duties and non-provision of Audit Trail diluted the responsibility and accountability of officials apart from monitoring of the system.

**(Paragraphs 3.9.10.10 and 3.9.10.11)**

Missing receipt numbers in SARATHI raised serious concerns about the reliability of the system.

**(Paragraphs 3.9.11.2)**

Due to deficiency in input controls in SARATHI, we found some instances issuance of driving licences to those who did not possess the minimum educational qualification and minimum age.

**(Paragraph 3.9.11.1, 3.9.11.3)**

#### **Compliance Deficiencies on Taxes on Vehicles**

Misappropriation of Government receipts of ₹ 15.55 lakh was noticed in six offices of the Transport Department due to tampering the counterfoil of the receipt and non-depositing the receipt in treasury.

**(Paragraph 3.11.1)**

There was non/short realisation of motor vehicle tax of ₹ 59.72 lakh in seven DTOs, one RTA and STC office in respect of School/College buses and RSRTC buses.

**(Paragraph 3.11.3)**

#### **IV. State Excise**

A Stand Alone Report titled, 'Working of State Excise Department' is attempted separately

#### **V. Stamp Duty and Registration Fees**

There was misappropriation of Government dues of ₹ 19.74 lakh on account of stamp duty and registration fee on the sale of immoveable property by applying lower value of properties, short totaling of cash, non taking of cash in Cash Book etc.

**(Paragraph 5.10.1)**

Non/short levy of stamp duty and additional stamp duty due to irregularly exemption allowed by the Sub-Registrars ₹ 64.66 lakh

**(Paragraph 5.10.3)**

#### **VI. Other Tax/Non tax receipts**

A review on '**Interest Receipts from Loans and Advances granted by the State Government**' revealed the following:

The outstanding loans as on 31 March 2011 stood at ₹ 2,323.84 crore. Finance Department did not have records of details of the outstanding loans as on 31 March 2011.

**(Paragraph 6.2.8)**

Outstanding recovery of ₹ 35.67 crore as on 31 March 2011 from two Administrative Departments (Co-operation and Housing and Urban Development) in respect of 15 loans was not realised.

**{Paragraph 6.2.9 (a)}**

Non-repayment of part of loan, interest and penal interest by Agriculture and Housing and Urban Development departments from the total loan of ₹ 18 crore are still unrecovered despite being pointed out in earlier Reports of the Comptroller and Auditor General of India

**{Paragraph 6.2.9 (b)}**

Irrigation Department sanctioned loans of ₹ 18.10 crore in 23 cases between June 1979 and March 1990 and the loans are still unrecovered despite being pointed out in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 (Revenue Receipts) Government of Punjab

**{Paragraph 6.2.9 (c)}**

Three departments did not prescribe the terms and conditions in 63 loan cases of ₹ 378.97 crore sanctioned between August 1983 and February 2009

**(Paragraph 6.2.10)**

Department of Agriculture did not recover interest of ₹ 36.18 crore due at the time of conversion of loans into Grant-in-aid

**(Paragraph 6.2.12)**

None of the test checked departments except (the Co-operations) had maintained prescribed records, though loans of ₹ 198.99 crore were disbursed to these departments.

**(Paragraph 6.2.14.1)**

### **Land Revenue**

Non-compliance of the Land Revenue Rules and Government instructions resulted in non-realisation of service charges of ₹ 6.05 lakh.

**(Paragraph 6.4)**

### **Department of Agriculture**

Non-recovery of guarantee fee in contravention of condition lay down by the Government governing the sanction for guarantee resulted in non-realisation of ₹ 12.34 crore

**(Paragraph 6.5)**