

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 2016-17 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 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 ¹ |
| 1. | Revenue raised by the State Government | | | | | |
| | Tax revenue | 22,587.56 | 24,079.19 | 25,570.20 | 26,690.49 | 27,746.66 |
| | Non-tax revenue | 2,629.21 | 3,191.50 | 2,879.73 | 2,650.27 | 5,863.20 |
| | Total | 25,216.77 | 27,270.69 | 28,449.93 | 29,340.76 | 33,609.86 |
| 2. | Receipts from the Government of India | | | | | |
| | Share of net proceeds of divisible Union taxes and duties | 4,058.81 | 4,431.47 | 4,702.97 | 8,008.90 | 9,599.73 |
| | Grants-in-aid | 2,775.57 | 3,401.38 | 5,869.95 | 4,173.72 | 4,775.83 |
| | Total | 6,834.38 | 7,832.85 | 10,572.92 | 12,182.62 | 14,375.56 |
| 3. | Total revenue receipts of the State Government (1 and 2) | 32,051.15 | 35,103.54 | 39,022.85 | 41,523.38 | 47,985.42 |
| 4. | Percentage of 1 to 3 | 79 | 78 | 73 | 71 | 70 |

It is observed that during the year 2016-17, the State Government raised (₹ 33,609.86 crore) 70 per cent of the total revenue receipts. Balance 30 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 79 per cent of total receipts in 2012-13 to 70 per cent during 2016-17.

1.1.2 Details of the tax revenue raised vis-à-vis the budget estimates during the period from 2012-13 to 2016-17 are depicted below.

¹ Finance Accounts of the State Government

Table 1.1.2: Details of Tax Revenue raised

| (₹ in crore) | | | | | | | | | | | | |
|--------------|----------------------------------|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|---|
| Sl. No | Head of revenue | 2012-13 | | 2013-14 | | 2014-15 | | 2015-16 | | 2016-17 | | Percentage increase (+) or decrease (-) of actual in 2016-17 over 2015-16 |
| | | Budget Estimates ² | Actual | Budget Estimates | Actual | Budget Estimates | Actual | Budget Estimates | Actual | Budget Estimates | Actual | |
| 1 | VAT/ Sales tax/Central sales tax | 14,213.00 | 13,217.93 | 17,760.00 | 14,846.70 | 17,760.00 | 15,455.17 | 17,850.96 | 15,856.64 | 18,150.00 | 17,586.71 | (+)10.91 |
| 2 | State excise | 3,800.00 | 3,331.96 | 4,180.00 | 3,764.72 | 4,600.00 | 4,246.11 | 5,100.00 | 4,796.45 | 5,610.00 | 4,406.00 | (-)8.14 |
| 3 | Stamp duty and registration fees | 3,375.00 | 2,920.49 | 3,450.00 | 2,499.50 | 2,760.00 | 2,474.15 | 2,700.00 | 2,448.98 | 2,700.00 | 2,043.61 | (-)16.55 |
| 4 | Taxes and duties on Electricity | 1,540.00 | 2,035.30 | 1,694.00 | 1,710.46 | 1,860.00 | 1,875.23 | 2,050.41 | 1,967.42 | 2,270.00 | 1,993.01 | (+)1.30 |
| 5 | Taxes on Vehicles | 864.00 | 994.72 | 1,350.00 | 1,145.69 | 1,350.00 | 1,393.32 | 1,500.00 | 1,474.83 | 1,650.00 | 1,548.12 | (+)4.97 |
| 6 | Others ³ | 50.00 | 87.16 | 90.00 | 112.12 | 150.00 | 126.22 | 150.57 | 146.17 | 167.35 | 169.21 | (+)15.76 |
| Total | | 23,842.00 | 22,587.56 | 28,524.00 | 24,079.19 | 28,480.00 | 25,570.20 | 29,351.94 | 26,690.49 | 30,547.35 | 27,746.66 | (+)3.96 |

It is observed that VAT/Sales Tax/CST and State Excise are major contributors of revenue and contribute about 79.26 per cent of tax revenue collection. There is fall in State Excise from ₹ 4,796.45 crore to ₹ 4,406.00 crore during 2016-17 compared to 2015-16. There is decrease in revenue from stamp duty and registration fee, revenue from duties on electricity is stagnant over the years. The reasons for variations provided by the respective departments are as under:

State Excise: The Department of Excise and Taxation Commissioner, Punjab attributed the shortfall of 8.14 per cent in revenue receipt to allotment of vends at lesser rates than the reserve price, less receipt of application money and non-receipt of full license fee from some of the contractors.

Stamp Duty and Registration: The Department of Revenue, Punjab attributed the shortfall of 16.55 per cent in receipt to lesser registration of sale deeds.

² Budget Estimates (BEs) are as per Annual Financial Statements of the Government of Punjab (GOP).

³ Revenue Receipts of the three Departments i.e. Land Revenue (₹67.81 crore, which is 22.82 per cent higher than previous year), Other taxes and duties on commodities and services (₹100.78 crore, which is 19.54 per cent higher than previous year) and Taxes on goods and passengers (₹0.62 crore which is 90.69 per cent lower than previous year) are less than five per cent of Total Tax Revenue Receipts. Hence, Revenue Receipts of these Departments have been merged in 'Others'.

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 2012-13 to 2016-17 are depicted below.

Table 1.1.3: Details of Non-Tax revenue raised

| (₹ in crore) | | | | | | | | | | | | |
|--------------|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---|
| Sl No | Head of Revenue | 2012-13 | | 2013-14 | | 2014-15 | | 2015-16 | | 2016-17 | | Percentage increase (+) or decrease (-) of Actual in 2016-17 over 2015-16 |
| | | BE | Actual | BE | Actual | BE | Actual | BE | Actual | BE | Actual | |
| 1 | Miscellaneous general services | 516.66 | 1,420.73 | 592.80 | 1,640.32 | 950.00 | 1,473.47 | 2,105.60 | 999.84 | 1,653.20 | 3,028.08 | (+)202.86 |
| 2 | Interest receipts | 182.17 | 170.47 | 183.02 | 174.68 | 180.13 | 193.88 | 179.92 | 225.28 | 339.07 | 1,293.80 | (+)474.31 |
| 3 | Other administrative services | 90.00 | 100.70 | 96.24 | 102.58 | 139.61 | 114.12 | 70.09 | 253.05 | 125.11 | 133.46 | (-)47.25 |
| 4 | Police | 98.00 | 80.76 | 90.00 | 55.26 | 90.00 | 77.23 | 90.00 | 48.45 | 110.00 | 98.52 | (+)103.34 |
| 5 | Medical and Public Health | 79.81 | 79.12 | 79.81 | 151.97 | 265.00 | 116.50 | 171.94 | 184.25 | 284.85 | 135.47 | (-)26.47 |
| 6 | Major and Medium Irrigation | 2.80 | 50.98 | 104.80 | 65.94 | 48.99 | 72.81 | 6.98 | 142.66 | 8.30 | 93.61 | (-)34.48 |
| 7 | Non-ferrous Mining and Metallurgical Industries | 73.00 | 24.02 | 200.00 | 43.83 | 100.00 | 86.44 | 100.00 | 56.64 | 110.00 | 42.08 | (-)25.71 |
| 8 | Public Works | 29.00 | 12.36 | 13.00 | 46.73 | 14.30 | 16.79 | 17.50 | 18.94 | 22.43 | 67.96 | (+)258.81 |
| 9 | Forestry and wildlife | 36.00 | 5.78 | 6.38 | 20.69 | 25.00 | 19.45 | 35.90 | 31.81 | 39.20 | 20.92 | (-)34.23 |
| 10 | Co-operation | 7.00 | 3.29 | 4.40 | 3.44 | 4.12 | 14.16 | 0.45 | 3.24 | 15.68 | 3.37 | (+)4.01 |
| 11 | Dairy Development | 0.12 | 0.12 | 0.13 | 0.06 | 0.12 | 0.11 | 0.12 | 0.10 | 0.12 | 0.03 | (-)70.00 |
| 12 | Education, Sports, Art and Culture | 66.91 | 39.26 | 63.89 | 96.45 | 100.00 | 159.36 | 180.76 | 88.68 | 193.60 | 95.89 | (+)8.13 |
| 13 | Others ⁴ | 1,012.19 | 641.62 | 1,301.39 | 789.55 | 865.73 | 535.41 | 844.25 | 597.33 | 909.34 | 850.01 | (+)37.88 |
| Total | | 2,193.66 | 2,629.21 | 2,735.86 | 3,191.50 | 2,783.00 | 2,879.73 | 3,803.51 | 2,650.27 | 3,810.90 | 5,863.20 | (+) 121.23 |

It is observed that there is more than three times increase in revenue through Misc. General Services in 2016-17 compared to 2015-16. Interest receipts grew more than five times during 2016-17 as compared to 2015-16. In addition to this, major increase was in receipts from Public Works (258.81 per cent) and Police (103.34 per cent) as compared to 2015-16.

The respective Departments reported the following reasons for variations in actual receipts during the year 2016-17:

⁴The receipts which do not come under the Heads of revenue mentioned at Sr. No. 1 to 12 of the table.

- (i) **Miscellaneous General Services:** The Department of Finance (Directorate of lotteries) reported that increase of actual receipt over previous year was due to increase in rates of bumper lottery schemes. Other departments did not furnish any reply.
- (ii) **Interest Receipts:** The increase of 281.44 *per cent* over budget estimate was due to credit of interest amounting to ₹ 1,072.78 crore on Govt. of Punjab Loan against UDAY Bonds for the year 2016-17.
- (iii) **Non-ferrous Mining and Metallurgical Industries:** The Director, Mining reported that the decrease in actual receipts was due to expiry of 68 mining contracts in October 2016. Besides, 16 mining contracts had already expired in January 2016.
- (iv) **Dairy Development:** The Director, Dairy Development reported that the decrease in actual receipts was due to abolition of registration of cattle feed which was main source of revenue of the department. The reason for abolition of registration of cattle feed was amendment of the 'Essential Commodity Act' by the Government of India which rendered the 'Punjab Compounded Cattle Feed, Concentrates and Mineral Mixture Order, 1988' under which State Government was empowered to register cattle feed, inoperative.
- (v) **Police:** The Director General of Police, Punjab, reported (August 2017) that increase in actual receipts was due to recovery of outstanding claims of previous year in respect of deployment charges of Government Railway Police.

The remaining departments⁵ despite being requested (June to July 2017) did not furnish the reasons for variations in receipts from that of the previous year (2016-17).

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2017 in respect of principal heads of revenue were ₹ 6,068.15 crore of which ₹ 867.45 crore was outstanding for more than five years, as depicted below.

⁵ Co-operation, Forestry and Wild life, Major and Medium Irrigation, Medical and Public Health, Public Works and Other Administrative Services

Table 1.2: Arrears of revenue

| (₹ in crore) | | | | |
|--------------|--------------------------------|--|---|--|
| Sl. No. | Head of revenue | Amount outstanding as on 31 March 2017 | Amount outstanding for more than five years as on 31 March 2017 | Reply of the Department |
| 1. | Taxes/VAT on sales, Trade etc. | 5,405.54 | 720.49 | Amount of ₹ 367.11 crore was outstanding on account of cases pending before various appellant courts/authorities. For remaining amount of ₹ 5038.43 crore, no reply was furnished by the department. |
| 2. | Taxes on Vehicles | 137.47 | 106.73 | Recovery of ₹ 69.12 crore was stayed by the Government/department and remaining amount was at different stages of recovery. |
| 3. | Forests and Wildlife | 36.40 | 12.61 | Amount was outstanding against forest contractors. Efforts were being made to recover the amount. |
| 4. | State excise | 272.94 | 17.81 | Recovery proceedings against defaulters in most of the cases had already been initiated under Land Revenue Act. |
| 5. | Land revenue | 215.80 | 9.81 | Amount of ₹ 0.03 crore was non-recoverable and for remaining amount of ₹ 215.77 crore, recovery proceedings were in process. |
| | Total | 6,068.15 | 867.45 | |

It is observed that out of total outstanding arrears of ₹ 5,405.54 crore in Taxes/VAT on sales, trade etc., arrears of ₹ 1,193.84 crore pertained to seven⁶ AETCs, out of which arrears of ₹ 348.33 crore was outstanding for more than five years.

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 sales tax are depicted below.

Table 1.3: Arrears in Assessment

| Head of revenue | Opening balance | New cases due for assessment during 2016-17 | Total assessments due | Cases disposed of during 2016-17 | 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. | 76,401 | 29,347 | 1,05,748 | 20,597 | 85,151 | 19.47 |

Note: Difference in opening balance is due to change in assessment figures by AETCs Fatehgarh Sahib and Shahid Bhagat Singh Nagar for the previous year as these AETCs had provided assessments figures in excess by 3,541 and 627.

⁶ Amritsar-I, Amritsar-II, Bathinda, Jalandhar-I, Jalandhar-II, Roop Nagar (Ropar) and Sangrur

Out of total 26 AETCs in the State, there were arrears in assessment in 22 AETCs. However, during validation of data in seven⁷ AETCs, it was noticed in five⁸ AETCs that 29,559 cases were pending for assessment as against 1,148 cases already intimated and included in the above data. 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 2016 | Cases detected during 2016-17 | 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 2017 |
|---------|--------------------------------|-----------------------------------|-------------------------------|--------------|---|-------------------------------|---|
| | | | | | No. of cases | Amount of demand (₹ in crore) | |
| 1. | Taxes/VAT on sales, Trade etc. | 484 | 1,385 | 1,869 | 1,415 | 50.32 | 454 |
| 2. | Taxes on Vehicles | 16 | - | 16 | - | - | 16 |
| | Total | 500 | 1,385 | 1,885 | 1,415 | 50.32 | 470 |

Note: The office of Excise and Taxation Commissioner, Punjab, Patiala intimated (July 2017) that AETC, Gurdaspur inadvertently intimated 17 cases of evasion of Excise duty/fee in 2015-16.

It is observed that no case was detected/finalised in respect of taxes on vehicles during the year 2016-17.

1.5 Refund Cases

The number of refund cases pending at the beginning of the year 2016-17, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2016-17 as reported by the Department are depicted below.

⁷ Amritsar-I, Amritsar-II, Bathinda, Jalandhar-1, Jalandhar-II, Roop Nagar (Ropar) and Sangrur

⁸ Amritsar-II, Bathinda, Jalandhar-1, Roop Nagar (Ropar) and Sangrur

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 | 3,872 | 448.60* | 144 | 0.91 |
| 2. | Claims received during the year | 9,701 | 1,192.29 | 7 | 1.81 |
| 3. | Refunds made during the year | 6,974 | 670.29 | 9 | 0.37 |
| 4. | Refunds rejected during the year | 1,114 | 265.47 | 0 | 0 |
| 5. | Balance outstanding at the end of year | 5,485 | 705.13 | 142 | 2.35 |

* Excluding ₹ 4.60 crore which was inadvertently included in the closing balance of 2015-16 of AETC, Gurdaspur.

It is observed that number of outstanding cases in Sales Tax/VAT has increased by 42 per cent and amount by 57 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 excise were pending in seven out of 26 excise districts.

1.6 Response of the Government/Departments towards audit

The Principal Accountant General (PAG) Punjab conducts periodical inspection of the Government Departments to test check the transactions. 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.

Inspection Reports issued up to December 2016 disclosed that 15,478 paragraphs involving ₹ 6,001.19 crore relating to 6,170 IRs remained outstanding at the end of June 2017. This, along with the corresponding figures for the preceding two years are depicted below.

Table 1.6: Details of pending Inspection Reports

| | June 2015 | June 2016 | June 2017 |
|--|-----------|-----------|-----------|
| Number of IRs pending for settlement | 5,650 | 5,908 | 6,170 |
| Number of outstanding audit observations | 13,194 | 14,380 | 15,478 |
| Amount of revenue involved (₹ in crore) | 3,609.73 | 5,825.95 | 6,001.19 |

1.6.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2017 and the amount involved are mentioned in **Table 1.6.1** below.

Table 1.6.1: Department-wise details of pending IRs

| SI. 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. | 1,987 | 4,406 | 1,164.38 |
| | | Entertainment and Luxury Tax | 347 | 576 | 62.14 |
| | | State Excise | 338 | 342 | 470.26 |
| 2. | Revenue | Land Revenue | 735 | 1,457 | 2,315.67 |
| | | Stamp Duty and Registration Fee | 1,707 | 5,331 | 601.08 |
| 3. | Transport | Taxes on motor vehicles | 726 | 2,857 | 687.31 |
| 4. | Finance | State Lotteries | 22 | 58 | 153.29 |
| 5. | Forest and Wildlife Preservation | Forestry and wild life | 308 | 451 | 547.06 |
| Total | | | 6,170 | 15,478 | 6,001.19 |

During 2016-17, audit did not receive even the first reply in respect of 233 IRs out of 288 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 2016-17 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 | 6 | 5,331 | 29 | 0.43 |
| 0040-Taxes/VAT on sales, Trade etc. | 3 | 4,406 | 15 | 2.23 |
| 0406-Forestery & Wild Life | 3 | 451 | 15 | 11.74 |
| 0041- Taxes on vehicles | 5 | 2,857 | 06 | 0.24 |
| 0029-Land Revenue | 1 | 1,457 | 15 | 6.02 |
| Total | 18 | 14,502 | 80 | 20.66 |

It is observed that the settlement of outstanding paragraphs was very low in respect of Sales Tax/VAT, Stamp Duty and Registration Fee, Taxes on Vehicles and Land Revenue. No audit committee meeting was convened in respect of State Excise, Luxury and Entertainment Tax 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 2016-17 as many as 1,233 cases/items of auditable records pertaining to seven 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 | Number of cases/items not provided | |
|--|------------------------------------|--------------|
| | 2015-16 | 2016-17 |
| Sales Tax/VAT | 147 | 328 |
| Taxes on Vehicles | 15 | 335 |
| Stamps and Registration Fees | 290 | 127 |
| Land Revenue | 11 | 344 |
| State Excise | 7 | 24 |
| Forests and Wild life | 1 | 40 |
| Other Taxes and Duties on Commodities and Services | 20 | 35 |
| Total | 491 | 1,233 |

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.

Twenty-two draft paragraphs and one Performance Audit were sent to the Principal Secretaries/Secretaries of the respective Departments between May to July 2017. The Principal Secretary/Secretary of the concerned Departments did not reply to these twenty two draft paragraphs and one Performance Audit despite issue of reminders 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 163 paragraphs (including Performance Audits) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Punjab for the years ended 31 March 2011 to 2016 were placed before the State Legislative Assembly between 28 March 2012 and 29 March 2017. ATNs in respect of 71 paragraphs from six⁹ departments had not been received. However, remaining 92 ATNs were received with average delay which ranged between 15 days and 5 months.

The PAC discussed 139 selected paragraphs pertaining to the Audit Reports for the years from 2008-09 to 2012-13 between 2011 and 2016, and its recommendations on 46 paragraphs¹⁰ were incorporated in five PAC Reports (2008-09, 2009-10, 2010-11, 2011-12 and 2012-13). However, no ATN on the

⁹ Sales Tax/VAT, Land Revenue, State Excise, Taxes on Vehicles, Stamp Duty and Other tax/non-tax receipts.

¹⁰ Department of Excise and Taxation (16) + Department of Transport (20) + Department of Electricity (10).

recommendations of the PAC on 25 paragraphs for the years 2008-09 to 2012-13 has been received from three Departments¹¹.

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 Taxes on Motor Vehicles was evaluated and included in this Audit Report.

The succeeding paragraphs 1.7.1 to 1.7.3 discuss performance of the Department of Transport to deal with cases detected in the course of local audit during the last 10 years up to 2016-17 and also the cases included in the Audit Reports for the years 2006-07 to 2015-16.

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 2017 in respect of Transport Department are depicted below.

Table 1.7.1: Position of Inspection Reports in Transport Department

| Year | (₹ in crore) | | | | | | | | | | | |
|---------|-----------------|-------------|-------------|--------------------------|-------------|-------------|---------------------------|-------------|-------------|---------------------------------|-------------|-------------|
| | Opening balance | | | Addition during the year | | | Clearance during the year | | | Closing balance during the year | | |
| | IRs | Para-graphs | Money value | IRs | Para-graphs | Money value | IRs | Para-graphs | Money value | IRs | Para-graphs | Money value |
| 2007-08 | 663 | 2,140 | 494.42 | 46 | 133 | 72.98 | 24 | 167 | 96.34 | 685 | 2,106 | 471.06 |
| 2008-09 | 685 | 2,106 | 471.06 | 52 | 143 | 49.22 | 23 | 54 | 8.49 | 714 | 2,195 | 511.79 |
| 2009-10 | 714 | 2,195 | 511.79 | 58 | 204 | 12.95 | 5 | 35 | 0.82 | 767 | 2,364 | 523.92 |
| 2010-11 | 767 | 2,364 | 523.92 | 61 | 307 | 22.00 | 17 | 172 | 13.17 | 811 | 2,499 | 532.75 |
| 2011-12 | 811 | 2,499 | 532.75 | 32 | 219 | 6.78 | 251 | 655 | 13.38 | 592 | 2,063 | 526.15 |
| 2012-13 | 592 | 2,063 | 526.15 | 30 | 164 | 21.45 | 3 | 92 | 2.98 | 619 | 2,135 | 544.62 |
| 2013-14 | 619 | 2,135 | 544.62 | 27 | 206 | 78.13 | 0 | 36 | 1.23 | 646 | 2,305 | 621.52 |
| 2014-15 | 646 | 2,305 | 621.52 | 26 | 197 | 38.97 | 0 | 24 | 0.94 | 672 | 2,478 | 659.55 |
| 2015-16 | 672 | 2,478 | 659.55 | 30 | 257 | 41.68 | 0 | 32 | 1.50 | 702 | 2,703 | 699.73 |
| 2016-17 | 702 | 2,703 | 699.73 | 31 | 254 | 19.80 | 0 | 30 | 28.66 | 733 | 2,927 | 690.87 |

It is observed that there is increase in the number of outstanding IRs from 663 in 2007-08 to 733 in 2016-17 and corresponding money value pointed out in IRs has increased from ₹ 494.42 crore to ₹ 690.87 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 0041- Taxes on Motor Vehicles are depicted below.

¹¹ Department of Excise and Taxation (eight) + Department of Transport (seven) + 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 2016 | Amount recovered during the year 2016-17 | Cumulative position of recovery of accepted cases as of 31/03/2017 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 2006-07 | 01 | 133.49 | 01 | 133.49 | ---- | ---- | PAC decided not to pursue Paras up to the year 2007-08 |
| 2007-08 | 04 | 7.14 | 04 | 7.14 | ---- | ---- | -do- |
| 2008-09 | 06 | 6.53 | 06 | 6.53 | 2.73 | ---- | 2.73 |
| 2009-10 | 07 | 2.62 | 07 | 2.62 | 1.14 | ---- | 1.14 |
| 2010-11 | 06 | 0.83 | 06 | 0.83 | 0.39 | ---- | 0.39 |
| 2011-12 | 01 | 3.12 | 01 | 3.12 | 1.28 | ---- | 1.28 |
| 2012-13 | 03 | 1.11 | 03 | 1.11 | ---- | ---- | Under Discussion of PAC |
| 2013-14 | 01 | 85.13 | 01 | 85.13 | ---- | ---- | -do- |
| 2014-15 | 04 | 7.55 | 04 | 7.55 | ---- | ---- | No reply furnished by the department |
| 2015-16 | 05 | 0.96 | 05 | 0.96 | ---- | ---- | -do- |
| Total | 38 | 248.48 | 38 | 248.48 | 5.54 | | 5.54 |

It is observed that the progress of recovery even in accepted cases was very slow during the last eight years. 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 Motor Vehicle Tax" on the department of Transport, Punjab featured in the report of 2013-14 with four recommendations. The said review is currently under discussion in the PAC.

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 2016-17, there were 492 auditable units, out of which 288 units (58.54 *per cent*) were planned and audited (100 *per cent*).

Besides, the compliance audit mentioned above, one performance audit i.e. Levy and collection of Excise duty was also conducted to examine the efficacy of the Departments 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 2016-17, out of 1,852 units planned for audit, Internal Audit organization audited 185 units (9.98 *per cent*) as depicted below.

Table 1.9: Internal Audit

| Revenue Head | No. of units Planned | No. of units audited |
|--------------------------|----------------------|----------------------|
| 0030 – Stamp Duty | 332 | 91 |
| 0039 – Excise | 203 | 02 |
| 0040 – VAT/Sales Tax | 551 | 84 |
| 0041 – Motor Vehicle Tax | 569 | 08 |
| 0045 – Entertainment Tax | 197 | 0 |
| Total | 1,852 | 185 |

The Department replied that the targets planned for audit could not be achieved for the year 2016-17 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.

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 288 units administering Sales Tax/Value Added Tax, State Excise, Taxes on Motor Vehicles, Forest Receipts and other Departmental offices conducted during the year 2016-17 showed under assessment/short levy/loss of revenue aggregating ₹ 518.15 crore in 17,624 cases. The Departments recovered ₹ 9.70 crore in 5,107 cases during 2016-17, out of which ₹ 0.07 crore in 14 cases were pointed out during 2016-17 and rest in earlier years.

1.11 Coverage of this Report

This Report contains one performance audit on “**Levy and Collection of Excise Duty**” and 22 paragraphs involving financial effect of ₹ 336.04 crore. The Departments have accepted audit observations in four cases involving ₹ 0.87 crore which had been recovered. The replies in the remaining cases have not been received (August 2017). These are discussed in the succeeding Chapters II to VI.