

Chapter-I

General

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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 Departments contributing better governance.

The Report has been organised in four chapters as under:

- **Chapter-I** contains a profile of the State with 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 2022-23, 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 findings of the Subject Specific Compliance Audit on 'Department's Oversight on GST Payments and Return Filing (Stage-II)'.
- **Chapter-III** contains findings of the Performance Audit on 'E-Waybill System under Goods and Services Tax'.
- **Chapter-IV** contains individual findings related to Compliance Audit of Tax 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 2022-23 and the corresponding figures for the preceding four years are depicted in **Table 1.1** and graphical presentation is shown in **Chart 1.1**.

Table 1.1: Trend of revenue receipts

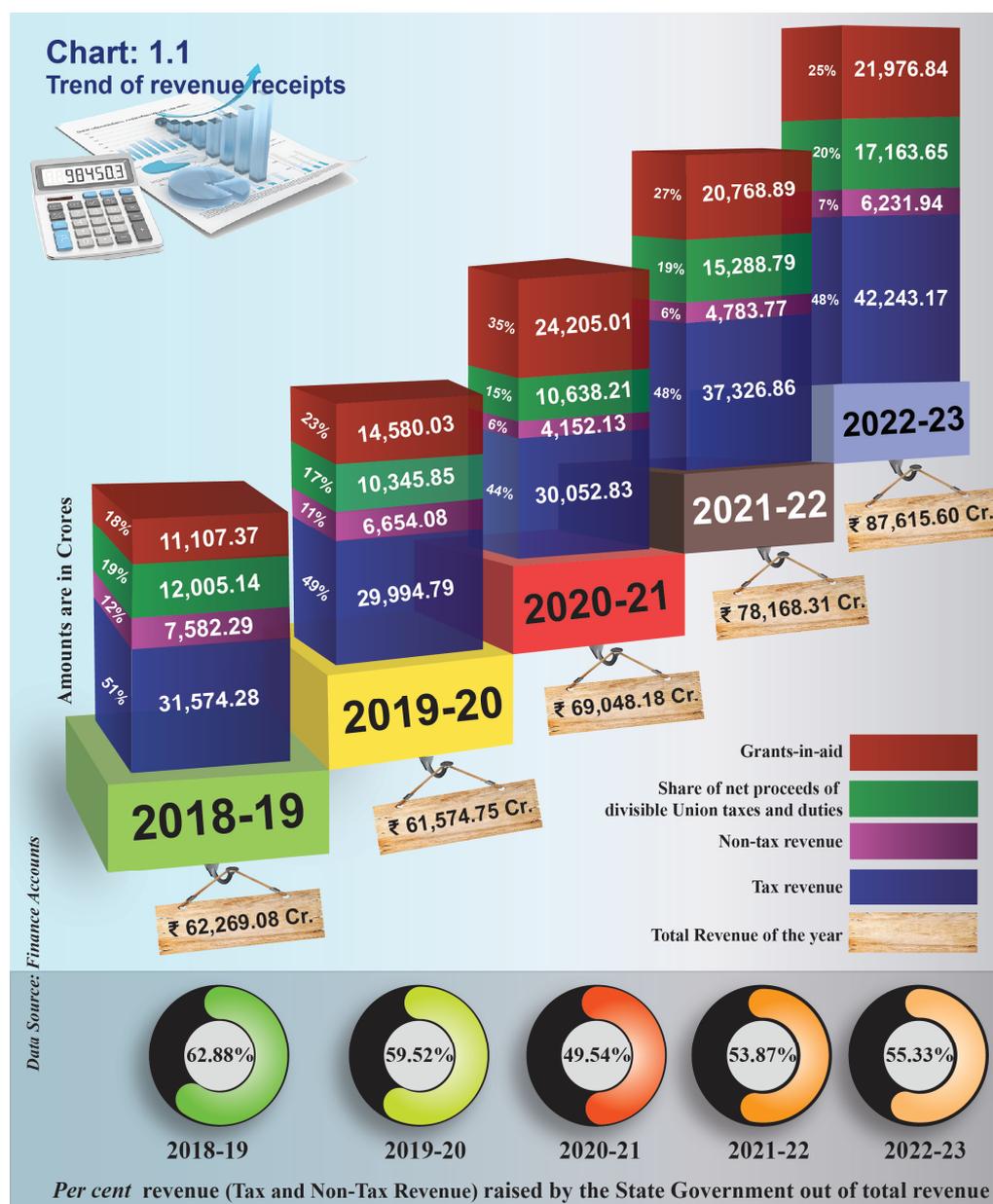
(₹ in crore)

Sr. No.	Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
1.	Revenue raised by the State Government					
	Tax revenue	31,574.28	29,994.79	30,052.83	37,326.86	42,243.17
	Non-tax revenue	7,582.29	6,654.08	4,152.13	4,783.77	6,231.94
	Total	39,156.57	36,648.87	34,204.96	42,110.63	48,475.11

(₹ in crore)

Sr. No.	Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
2.	Receipts from the Government of India					
	Share of net proceeds of divisible Union taxes and duties	12,005.14	10,345.85	10,638.21	15,288.79	17,163.65
	Grants-in-aid	11,107.37	14,580.03	24,205.01	20,768.89	21,976.84
	Total	23,112.51	24,925.88	34,843.22	36,057.68	39,140.49
3.	Total revenue receipts of the State Government (1 and 2)	62,269.08	61,574.75	69,048.18	78,168.31	87,615.60
Percentage of 1 to 3		62.88	59.52	49.54	53.87	55.33

Source: Finance Accounts



The five-year trend of revenue receipts shows that the share of State's own revenue to total receipts decreased from 62.88 *per cent* in 2018-19 to 55.33 *per cent* in 2022-23. While share of net proceeds of divisible Union taxes and duties slightly increased from 19.28 *per cent* in 2018-19 to 19.59 *per cent* in 2022-23, the Grants-in-Aid increased from 17.84 *per cent* (₹ 11,107.37 crore) in 2018-19 to 25.08 *per cent* (₹ 21,976.84 crore) in 2022-23.

During the year 2022-23, the State Government raised 55.33 *per cent* (₹ 48,475.11 crore) of the total revenue receipts (₹ 87,615.60 crore) from its own sources. Remaining 44.67 *per cent* (₹ 39,140.49 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 increased during the last two financial years. At the same time, the State's own tax revenue increased by 13.17 *per cent* and non-tax revenue increased by 30.27 *per cent* in comparison to the preceding year, showing an increase in the State's own receipts to total receipts.

1.2.2 Details and trend of the tax revenue raised during the period from 2018-19 to 2022-23 are depicted in **Table 1.2** and graphical presentation is shown in **Chart 1.2**.

Table 1.2: Details of Tax Revenue from 2018-19 to 2022-23

(₹ in crore)

Sr. No.	Head of revenue	2018-19 (Per cent of Total)	2019-20 (Per cent of Total)	2020-21 (Per cent of Total)	2021-22 (Per cent of Total)	2022-23 (Per cent of Total)	Percentage increase (+) or decrease (-) of actual in 2022-23 over 2021-22
1.	State Goods and Services Tax (SGST)	13,273.15 (42.04)	12,751.20 (42.51)	11,818.93 (39.33)	15,541.59 (41.64)	18,127.84 (42.91)	(+) 16.64
	Taxes on Sales, Trade etc.	6,571.92 (20.81)	5,222.58 (17.41)	5,372.02 (17.87)	6,869.31 (18.40)	5,636.87 (13.34)	(-) 17.94
2.	State Excise	5,072.40 (16.06)	4,865.01 (16.22)	6,164.32 (20.51)	6,157.28 (16.50)	8,437.18 (19.97)	(+) 37.03
3.	Stamps and Registration Fees	2,297.54 (7.28)	2,258.07 (7.53)	2,470.33 (8.22)	3,308.35 (8.86)	4,226.54 (10.01)	(+) 27.75
4.	Taxes and duties on Electricity	2,329.55 (7.38)	2,696.56 (8.99)	2,541.84 (8.46)	2,851.63 (7.64)	2,887.64 (6.84)	(+) 1.26
5.	Taxes on Vehicles	1,861.39 (5.90)	1,994.32 (6.65)	1,472.13 (4.90)	2,358.96 (6.32)	2,673.56 (6.33)	(+) 13.34
6.	Others ¹	168.33 (0.53)	207.05 (0.69)	213.26 (0.71)	239.74 (0.64)	253.54 (0.60)	(+) 5.76
Total		31,574.28	29,994.79	30,052.83	37,326.86	42,243.17	(+) 13.17

Source: Finance Accounts

¹ 'Others' includes revenue receipts of four heads of accounts, the receipts under which are less than one *per cent* of total Tax Revenue Receipts. Hence, Revenue receipts of these heads have been merged under 'Others'.

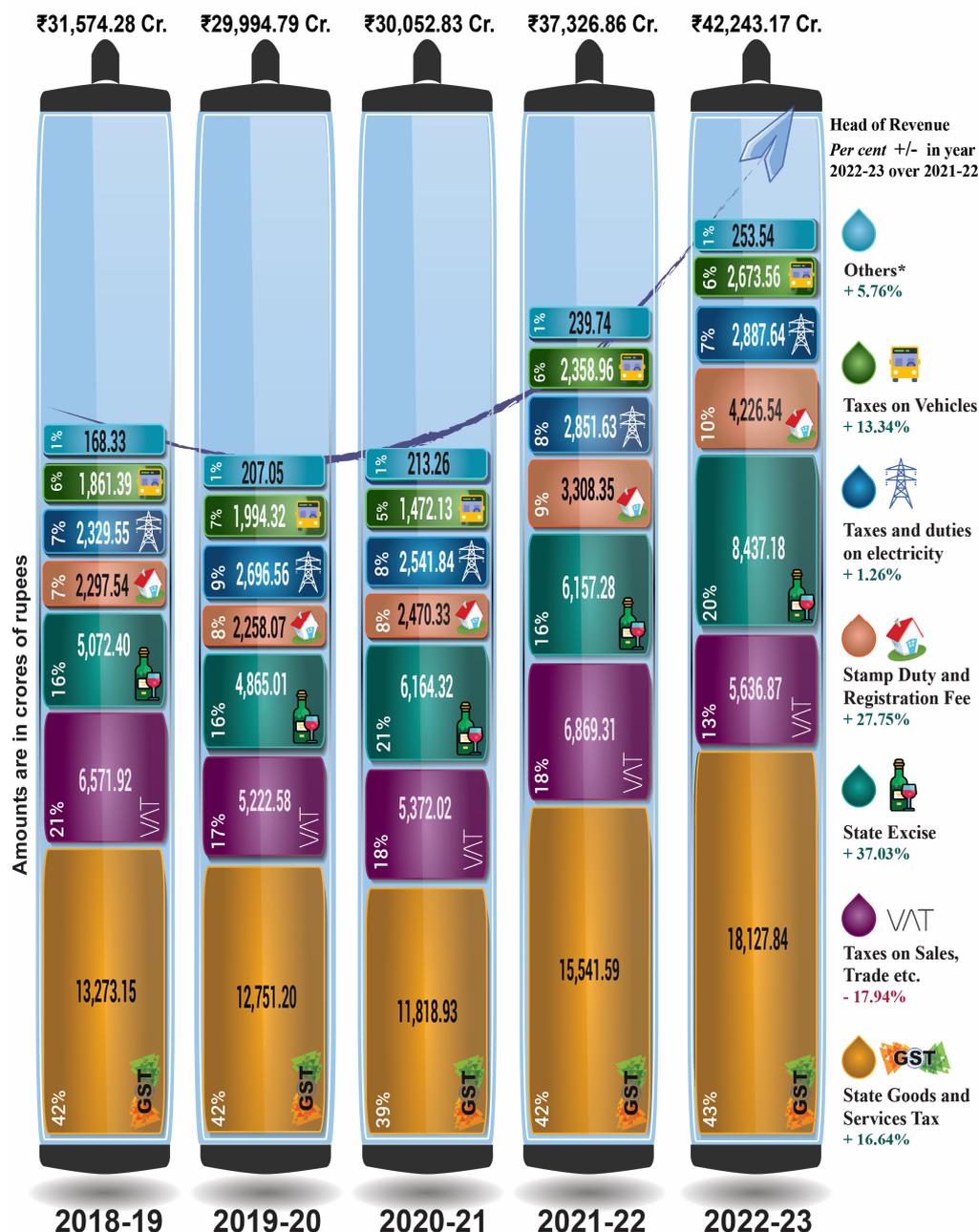
1. Other Taxes on Income and Expenditure: Receipts of ₹ 158.22 crore during 2022-23 are 1.49 *per cent* higher than previous year's receipt of ₹ 155.89 crore.

2. Land Revenue: Receipts of ₹ 92.94 crore during 2022-23 are 11.25 *per cent* higher than previous year's receipt of ₹ 83.54 crore.

3. Taxes on Goods and Passengers: Receipts of ₹ 0.0003 crore during 2022-23 are 88.46 *per cent* lesser than previous year's receipt of ₹ 0.0026 crore.

4. Other Taxes and Duties on Commodities and Services: Receipts of ₹ 2.38 crore during 2022-23 are 667.74 *per cent* higher than previous year's receipt of ₹ 0.31 crore.

Chart 1.2: Trend of Tax Revenue



Source : Finance Accounts

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

It is seen that 'Taxes on Sales, Trade etc.', 'State Goods and Services Tax' and 'State Excise' are major contributors of tax revenue. During 2022-23, these heads of revenue contributed 76.23 per cent of total tax revenue collection. The revenue under 'State Goods and Services Tax' registered an increase of 16.64 per cent, whereas 'Taxes on Sales, Trades, etc.' registered decrease of 17.94 per cent in comparison to the previous year. The revenue from 'State Excise', 'Stamps and Registration Fees', 'Taxes and duties on Electricity' and 'Taxes on Vehicles' increased by 37.03 per cent, 27.75 per cent, 1.26 per cent and 13.34 per cent, respectively.

The reasons for the increase or decrease in tax revenue receipts as provided by the respective Departments and as per accounts analysis are given below.

State Goods and Services Tax: The Department attributed (October 2023) the reasons for increase in revenue to enforcement activities of the Department and weeding out the bogus entities. Further, there were higher tax collections under the sectors such as automobile, consumer durables, fast moving consumer goods, information technology and e-commerce.

Taxes on Sales, Trade etc.: The Department attributed (October 2023) the reasons for decrease (17.94 *per cent*) in revenue to lower tax rates on diesel, petrol and liquor.

State Excise: The Department did not furnish reasons for increase (37.03 *per cent*) in revenue. However, as seen from the accounts, the overall increase of ₹ 2,279.90 crore under State Excise was mainly due to increase in receipts under minor head 'Other Receipts', under which the receipts increased by ₹ 1,937.18 crore in comparison to the previous year.

Stamps and Registration Fees: The Department attributed (September 2023) the reasons for increase (27.75 *per cent*) in revenue to higher number of registrations and increase in Collector's rates.

Taxes and Duties on Electricity: The Department attributed (October 2023) reasons for increase (1.26 *per cent*) in revenue to receipt of arrear of electricity duty for the previous year 2021-22.

Taxes on Vehicles: The Department attributed (September 2023) reasons for increase (13.34 *per cent*) in revenue receipts to increase in registration of vehicles and compounding fee.

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'. The reasons for increase or decrease were furnished by the Departments in following two Major Heads:

- **Land Revenue:** The Department attributed (September 2023) the increase (11.25 *per cent*) in revenue to increase in registration of properties.
- **Other Taxes and Duties on Commodities and Services:** The Department did not furnish reasons for increase (667.74 *per cent*) in revenue. However, as seen from the accounts, the overall increase of ₹ 2.07 crore under this head was mainly due to increase under minor head 'Entertainment Tax', under which the receipts increased by ₹ 2.08 crore in comparison to the previous year.

1.2.3 The details and trend of the non-tax revenue raised during the period 2018-19 to 2022-23 are depicted in **Table 1.3** and graphical presentation is shown in **Chart 1.3**.

Table 1.3: Details of Non-Tax Revenue from 2018-19 to 2022-23

(₹ in crore)

Sr. No.	Head of Revenue	2018-19 (Per cent of Total)	2019-20 (Per cent of Total)	2020-21 (Per cent of Total)	2021-22 (Per cent of Total)	2022-23 (Per cent of Total)	Percentage increase (+) decrease (-) of actual in 2022-23 over 2021-22
1.	Miscellaneous General Services ²	4,851.51 (63.98)	2,743.87 (41.24)	2,208.41 (53.19)	2,375.91 (49.67)	2,827.63 (45.37)	(+) 19.01
2.	Interest receipts	1,455.26 (19.19)	2,105.51 (31.64)	144.38 (3.48)	181.08 (3.78)	242.76 (3.90)	(+) 34.06
3.	Other Administrative Services ³	150.63 (1.99)	145.23 (2.18)	233.92 (5.63)	69.70 (1.46)	116.65 (1.87)	(+) 67.36
4.	Police	73.38 (0.97)	60.93 (0.92)	89.76 (2.16)	142.34 (2.98)	130.54 (2.09)	(-) 8.29
5.	Medical and Public Health	263.42 (3.47)	250.57 (3.76)	287.61 (6.93)	406.81 (8.50)	396.33 (6.36)	(-) 2.58
6.	Irrigation ⁴	24.22 (0.32)	94.32 (1.42)	94.35 (2.27)	134.73 (2.82)	135.94 (2.18)	(+) 0.90
7.	Non-ferrous Mining and Metallurgical Industries	36.13 (0.48)	90.88 (1.36)	120.56 (2.90)	136.53 (2.85)	248.80 (3.99)	(+) 82.23
8.	Public Works	28.81 (0.38)	21.71 (0.33)	14.26 (0.34)	11.34 (0.24)	18.87 (0.30)	(+) 66.40
9.	Forestry and Wildlife	15.66 (0.21)	19.53 (0.29)	30.88 (0.75)	19.13 (0.40)	186.66 (3.00)	(+) 875.74
10.	Co-operation	3.31 (0.04)	7.09 (0.11)	7.47 (0.18)	6.57 (0.14)	9.88 (0.16)	(+) 50.38
11.	Education, Sports, Art and Culture	56.75 (0.75)	196.22 (2.95)	137.70 (3.32)	155.19 (3.24)	326.94 (5.25)	(+) 110.67
12.	Others ⁵	623.21 (8.22)	918.22 (13.80)	782.83 (18.85)	1,144.44 (23.92)	1,590.94 (25.53)	(+) 39.01
Total		7,582.29	6,654.08	4,152.13	4,783.77	6,231.94	(+) 30.27

Source: Finance Accounts

² This head includes receipts from 'Unclaimed Deposits', 'State Lotteries', 'Guarantee Fee' and 'Other Receipts'.

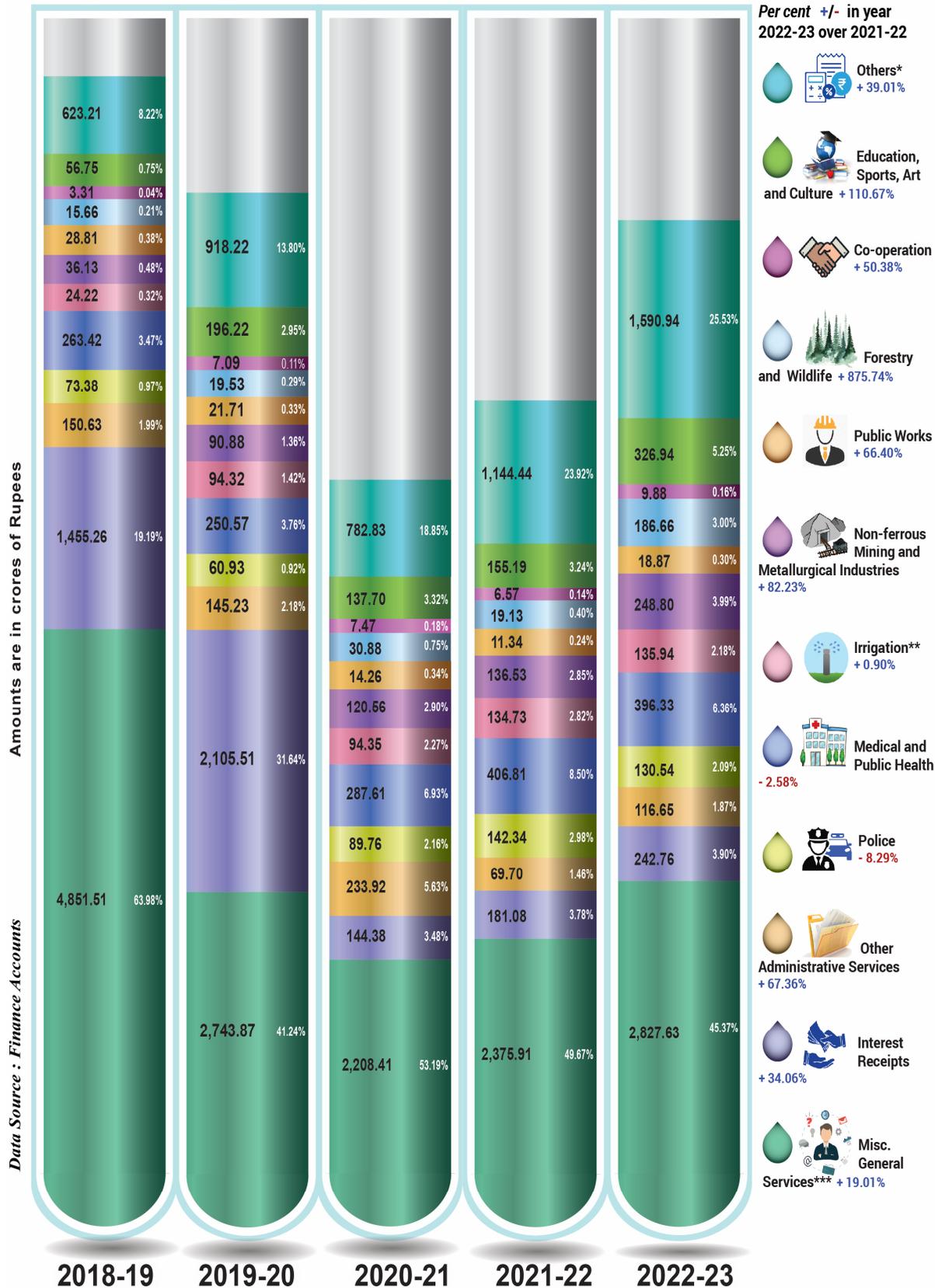
³ This head includes receipts from 'Administration of Justice', 'Elections' and 'Other Services' (Home Guards, Marriage Fees, Fees for Government Audit, Receipts from Guest Houses, etc.).

⁴ This head includes Major Irrigation, Medium Irrigation and Minor Irrigation. The receipts during 2022-23 under Major Irrigation, Medium Irrigation and Minor Irrigation were ₹ 120.87 crore, ₹ 13.21 crore and ₹ 1.86 crore respectively.

⁵ This includes 31 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 2022-23 under Heads of Revenue included in 'Others' is available at Appendix 1.1 to this Report.

Chart 1.3: Trend of Non-Tax Revenue

₹7,582.29 Cr. ₹6,654.08 Cr. ₹4,152.13 Cr. ₹4,783.77 Cr. ₹6,231.94 Cr.



* 'Others' includes 31 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'

Overall non-tax revenue in 2022-23 increased by 30.27 *per cent* in comparison to the previous year. Significant increase was seen under 'Forestry and Wildlife' (875.74 *per cent*), 'Education, Sports, Art and Culture' (110.67 *per cent*), 'Non-ferrous Mining and Metallurgical Industries' (82.23 *per cent*), 'Other Administrative Services (67.36 *per cent*), 'Public Works' (66.40 *per cent*), 'Co-operation' (50.38 *per cent*) and 'Interest Receipts' (34.06 *per cent*) as compared to previous year.

The reasons for increase or decrease in non-tax revenue receipts as provided by the respective Departments and as per accounts analysis are given below.

Miscellaneous General Services: The Department did not furnish reasons for the increase (19.01 *per cent*) in receipts. However, as seen from the accounts, the overall increase of ₹ 451.72 crore under this head was mainly due to increase in receipts under minor heads 'State Lotteries' and 'Other Receipts', under which receipts increased by ₹ 500.44 crore in comparison to the previous year.

Interest Receipts: The Department did not furnish reasons for the increase (34.06 *per cent*) in interest receipts. However, as seen from the accounts, the overall increase of ₹ 61.68 crore under this head was mainly due to increase in receipts under minor head 'Other Receipts', under which receipts increased by ₹ 94.61 crore in comparison to the previous year.

Other Administrative Service: The Department did not furnish reasons for the increase (67.36 *per cent*) in receipts. However, as seen from the accounts, overall increase of ₹ 46.95 crore under this head was mainly due to increase under minor heads 'Fines and Forfeitures', and 'Other Receipts', under which receipts increased by ₹ 46.18 crore⁶ in comparison to the previous year.

Police: The Department attributed (September 2023) decrease (8.29 *per cent*) in receipts to lesser receipts of recruitment fee in comparison to the previous year.

Medical and Public Health: The Director Health and Family Welfare attributed (October 2023) decrease (2.58 *per cent*) in revenue receipts to lesser receipts under Employee State Insurance Scheme and Ayurveda in comparison to the previous year.

Irrigation: The Department attributed (September 2023) increase (0.90 *per cent*) in receipts to recovery of outstanding amounts from different agencies, increased supply of canal water to different sectors including industrial purpose, sale of old and obsolete material, compensation receipts of Gujrat gas pipeline and receipts due to revision of rates charged for supply of water for commercial use.

Non-ferrous Mining and Metallurgical Industries: The Department attributed (October 2023) increase (82.23 *per cent*) in receipts to increase in

⁶ Fines and Forfeitures: ₹ 10.77 crore and Other Receipts under Other Services: ₹ 35.41 crore.

rates of royalty, imposition of royalty on material received from the adjoining States and forfeiture of security amounts of mining blocks.

Public Works: The Department attributed (October 2023) increase (66.40 *per cent*) in receipts to rent, hire charges of machinery and equipment, leave salary contributions and miscellaneous receipts and stated that being basically an expenditure Department having no regular source of income, the receipts may keep on increasing or decreasing.

Forestry and Wildlife: The Department attributed (September 2023) increase (875.74 *per cent*) in receipts to higher receipts from social and farm forestry. Further analysis of accounts showed that in addition to higher receipts from social and farm forestry, there were receipts from the State Compensatory Afforestation Fund on account of recoupment of expenditure incurred during 2019-20 and 2020-21 leading to overall increase of ₹ 167.53 crore under this head in comparison to the previous year.

Co-operation: The Department did not furnish reasons for the overall increase (50.38 *per cent*) of receipts under this head, however, increase under minor head 'Audit Fee' was attributed (August 2023) to recovery of old dues pertaining to previous year. Further analysis of accounts showed that other receipts had also increased in comparison to the previous year.

Education, Sports, Art and Culture: The Department did not furnish reasons for the increase (110.67 *per cent*) in receipts. However, as seen from the accounts, overall increase of ₹ 171.75 crore under this head was mainly due to higher receipts under minor heads 'Secondary Education,' and 'University and Higher Education', under which higher receipts of ₹ 177.02 crore⁷ were received in comparison to the previous year.

Others: 'Others' category covers 31 heads (**Appendix 1.1**) of non-tax revenue, other than those included in Table 1.3 at Sr. No. 1 to 11. Under this category, there was an overall increase of 39.01 *per cent* in comparison to the previous year. While increase between ₹ 0.034 crore and ₹ 338.93 crore was seen under 17 heads in terms of money value, the decrease between ₹ 0.0001 crore and ₹ 188.07 crore was seen under 13 heads in terms of money value. Under one head, the receipt neither increased nor decreased in comparison to the previous year.

The reasons for increase or decrease under three heads as informed by respective Departments are mentioned below.

- **Crop Husbandry:** The Department attributed (October 2023) increase⁸ (2,390.34 *per cent*) in receipts to recoveries of payments from

⁷ Secondary Education: ₹ 160.70 crore, University and Higher Education: ₹ 16.32 crore

⁸ ₹ 170.67 crore in terms of rupees

officers/officials of the Department and deposit of unutilised funds in the treasury relating to various schemes.

- **Dairy Development:** The Department stated (September 2023) that it does not receive Government receipts other than miscellaneous receipts like disposal of scrap material. Further, as seen from the accounts, the overall increase (566.67 per cent) under this head was mainly due to higher receipts under other receipts, under which higher receipts of ₹ 0.039 crore were received in comparison to the previous year.
- **Road Transport:** The Department attributed (September 2023) decrease (30.50 per cent) in receipts to reduced number of bus fleet as compared to previous year because new buses were not added to the fleet since 1995. All the buses in fleet had reached end of life and were being run on local routes instead of profitable inter-State routes. Further, lesser receipts from various Departments against concessional or free bus travel facilities and non-receipt of claims from Social Security and Women and Child Development Department in lieu of free bus travel facilities to women contributed to decrease in receipts.

Other Departments did not intimate the reasons for change in receipts of 2022-23 from that of the previous year under 28 heads⁹ 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 (DPC) Act, 1971. The CAG conducts audit of expenditure of State Government Departments under Section 13¹⁰ 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 14¹¹ of the 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

⁹ [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] 0802-Petroleum [21] 0810-Non Conventional Sources of Energy [22] 0851-Village and Small Industries [23] 0852-Industries [24] 1054- Roads and Bridges [25] 1275-Other Communication Services [26] 1452-Tourism [27] 1456-Civil Supplies [28] 1475-Other General Economic Services

¹⁰ Audit of (i) all expenditure from the Consolidated Fund of 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.

¹¹ 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.

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 Comptroller and Auditor General of India.

1.4 Planning and conduct of audit

In Compliance Audit, the audit process commences with a risk assessment of the Departments and 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.

During the year 2022-23, there were 402 auditable units¹² related to tax revenue, of which 133 units¹³ (33.08 *per cent*) were planned on the basis of risk analysis and were audited. Test check of audited units brought out issues of under assessment, short or non-levy of taxes and duties involving revenue aggregating to ₹ 266.61 crore in 70,566 cases. The Departments recovered ₹ 19.03 crore in 800 cases during 2022-23, out of which 797 cases involving ₹ 19.01 crore were pointed out in the audits conducted prior to 2022-23.

1.5 Response of Government to Audit

The Principal Accountant General (Audit), Punjab, conducts periodic audit 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 (IR) 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 Inspection Reports within four weeks from the date of receipt of the Inspection Reports. Serious financial irregularities are reported to the heads of the Department and the Government.

In the tax revenue Departments, 133 Inspection Reports¹⁴ were issued to the heads of the offices against the 133 units audited during 2022-23, out of those, Audit did not receive reply for 127 Inspection Reports¹⁵ within the stipulated time of four weeks. Further, the Inspection Reports issued for the years up to

¹² Land Revenue: 87 units, Stamp Duty: 181 units, State Excise: 66 units, Value Added Tax/GST: 52 units and Motor Vehicle Tax: 16 units

¹³ Land Revenue: 1 unit, Stamp Duty: 64 units, State Excise: 37 units, Value Added Tax/GST: 15 units and Motor Vehicle Tax: 16 units

¹⁴ Land Revenue: 1 unit, Stamp Duty: 64 units, State Excise: 37 units, Value Added Tax/GST: 15 units and Motor Vehicle Tax: 16 units

¹⁵ Land Revenue: 1 unit, Stamp Duty: 61 units, State Excise: 34 units, Value Added Tax/GST: 15 units and Motor Vehicle Tax: 16 units

March 2023 revealed that 10,867 observations¹⁶ involving ₹ 4,298.17 crore¹⁷ relating to 2,426 Inspection Reports¹⁸ remained outstanding at the end of June 2023.

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 2018	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Inspection Reports	1,688	217	167	114	107	133	2,426
Observations	6,496	941	906	669	811	1,044	10,867
Money value (₹ in crore)	3,102.39	253.99	292.63	188.79	193.76	266.61	4,298.17

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 observations 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 Inspection Reports within the prescribed time-frame. 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 2022-23, two audit committee meetings were held with the Department of Revenue, Rehabilitation and Disaster Management, and the Department of Transport. As a result, 13 observations involving money value of ₹ 0.11 crore pertaining to the Department of Revenue, Rehabilitation and Disaster Management were settled.

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

¹⁶ **Observations:** Entertainment and Luxury Tax (215), Land Revenue (997), Transport (1,994), State Excise (460), Stamp Duty (5,247) and VAT (1,954).

¹⁷ **Money Value:** Entertainment and Luxury Tax (₹ 16.54 crore), Land Revenue (₹ 1,957.57 crore), Transport (₹ 397.39 crore), State Excise (₹ 483.30 crore), Stamp Duty (₹ 633.66 crore) and VAT (₹ 809.71 crore).

¹⁸ **Inspection Reports:** Entertainment and Luxury Tax (95), Land Revenue (275), Motor Vehicle Tax (223), State Excise (310), Stamp Duty (1,171) and VAT (352).

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

Regulations on Audit and Accounts, 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 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 Action Taken Notes (ATNs) on audit observations of the Reports were being inordinately delayed. A total of 108 observations (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 observations, the ATNs in respect of 45 paragraphs were received with delay between three and 70 months, whereas ATNs against 63 paragraphs were not received up to the end of March 2024. The details of ATNs received with delays and those not received are depicted in **Table 1.5** and **Table 1.6**, respectively.

Table 1.5: Delay in receipt of ATNs as on 31 March 2024

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	13	29.03.2017	2018 to 2023	09 to 70 months
2.	2016-17	23	19	22.03.2018	2018 to 2023	03 to 57 months
3.	2017-18	18	7	27.02.2020	2021 to 2023	09 to 35 months
4.	2018-19	19	1	29.06.2022	2023	03 to 11 months
5.	2019-20	13	5	29.06.2022	2023	03 to 11 months
Total			45			

Source: Office records

Table 1.6: Non-receipt of ATNs as on 31 March 2024

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, 2.13, 3.3, 6.5	7	29.03.2017
		Four Departments ¹⁹	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	
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 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
6.	2020-21	Department of Excise and Taxation	3.1, 4.1, 7.9, 7.10, 7.11, 7.12, 7.13, 7.14, 7.15	9	07.03.2023
		Department of Revenue, Rehabilitation and Disaster Management	7.16, 7.17	2	
		Department of Transport	7.18, 7.19	2	
Total				63	

Source: Office records

By 31 March 2024, the PAC discussed 31 selected paragraphs pertaining to the CAG's Audit Reports for the years from 2015-16 to 2017-18. PAC had given

¹⁹ (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

34 recommendations²⁰ in respect of CAG's Audit Reports for the years from 2012-13 to 2016-17 and these recommendations were incorporated in three PAC Reports²¹. However, ATNs against 21 recommendations were not received from the Department of Revenue, Rehabilitation and Disaster Management up to 31 March 2024.

²⁰ Department of Revenue, Rehabilitation and Disaster Management (21) + Department of Transport (13)

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