

Chapter-I

General

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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 and also to frame policies and directives that will lead to improved financial management of the organisations contributing better governance.

The Report has been organised in three chapters as mentioned below:

- **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 2023-24, the authority of audit, audit jurisdiction, planning and conduct of audit, response of the Government to various audit products namely Inspection Reports and follow-up action on Audit Reports.
- **Chapter-II** contains observations on 'Functioning of Regional Transport Offices in Punjab'.
- **Chapter-III** contains individual observations related to compliance audit of the 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 2023-24 and the corresponding figures for the preceding four years are depicted in **Table 1.1** and graphical presentation is shown in **Chart 1.1**.

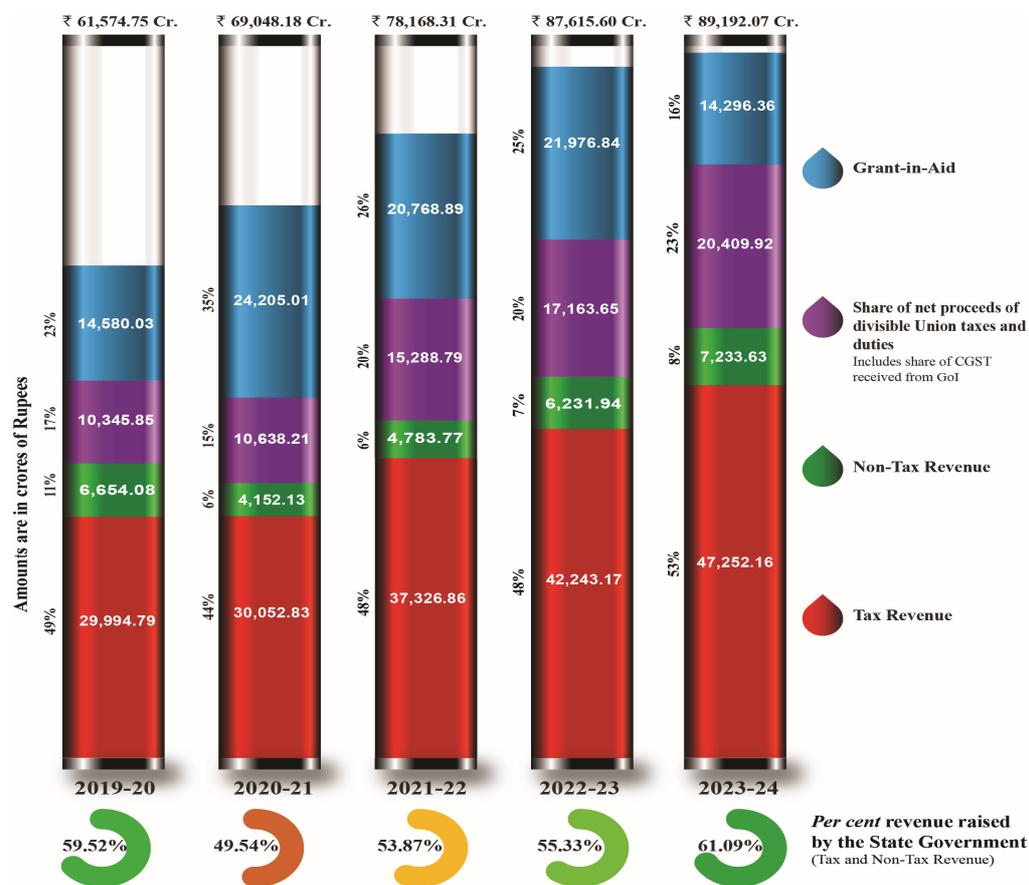
Table 1.1: Trend of revenue receipts

(₹ in crore)

Sr. No.	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
1.	Revenue raised by the State Government					
	Tax revenue	29,994.79	30,052.83	37,326.86	42,243.17	47,252.16
	Non-tax revenue	6,654.08	4,152.13	4,783.77	6,231.94	7,233.63
	Total	36,648.87	34,204.96	42,110.63	48,475.11	54,485.79
2.	Receipts from the Government of India					
	Share of net proceeds of divisible Union taxes and duties	10,345.85	10,638.21	15,288.79	17,163.65	20,409.92
	Grants-in-aid	14,580.03	24,205.01	20,768.89	21,976.84	14,296.36
	Total	24,925.88	34,843.22	36,057.68	39,140.49	34,706.28
3.	Total revenue receipts of the State Government (1 and 2)	61,574.75	69,048.18	78,168.31	87,615.60	89,192.07
Percentage of 1 to 3		59.52	49.54	53.87	55.33	61.09

Source: Finance Accounts

Chart 1.1: Trend of revenue receipts



Source : Finance Accounts

The five-year trend of revenue receipts shows that the share of State's own revenue to total receipts increased from 59.52 *per cent* in 2019-20 to 61.09 *per cent* in 2023-24. Share of net proceeds of divisible Union taxes and duties also increased from 16.80 *per cent* in 2019-20 to 22.88 *per cent* in 2023-24, while the Grants-in-aid decreased from 23.68 *per cent* in 2019-20 to 16.03 *per cent* in 2023-24.

During the year 2023-24, the State Government raised 61.09 *per cent* (₹ 54,485.79 crore) of the total revenue receipts (₹ 89,192.07 crore). Balance 38.91 *per cent* (₹ 34,706.28 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 three financial years. During the year 2023-24, Grant-in-aid decreased by 34.95 *per cent* in comparison to the preceding year. At the same time, the tax revenue increased by 11.86 *per cent* and non-tax revenue increased by 16.07 *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 2019-20 to 2023-24 are depicted in **Table 1.2** and graphical presentation is shown in **Chart 1.2**.

Table 1.2: Details of Tax Revenue

Sr. No.	Head of revenue	(₹ in crore)					Percentage increase (+) or decrease (-) of actual in 2023-24 over 2022-23
		2019-20 Revenue (Per cent of Total)	2020-21 Revenue (Per cent of Total)	2021-22 Revenue (Per cent of Total)	2022-23 Revenue (Per cent of Total)	2023-24 Revenue (Per cent of Total)	
1.	State Goods and Services Tax (SGST)	12,751.20 (42.51)	11,818.93 (39.33)	15,541.59 (41.64)	18,127.84 (42.91)	20,924.98 (44.28)	(+) 15.43
	Taxes on Sales, Trade etc.	5,222.58 (17.41)	5,372.02 (17.87)	6,869.31 (18.40)	5,636.87 (13.34)	6,500.54 (13.76)	(+) 15.32
2.	State Excise	4,865.01 (16.22)	6,164.32 (20.51)	6,157.28 (16.50)	8,437.18 (19.97)	9,232.81 (19.54)	(+) 9.43
3.	Stamps and Registration Fees	2,258.07 (7.53)	2,470.33 (8.22)	3,308.35 (8.86)	4,226.54 (10.01)	4,359.03 (9.22)	(+) 3.13
4.	Taxes and duties on Electricity	2,696.56 (8.99)	2,541.84 (8.46)	2,851.63 (7.64)	2,887.64 (6.84)	3,032.61 (6.42)	(+) 5.02
5.	Taxes on Vehicles	1,994.32 (6.65)	1,472.13 (4.90)	2,358.96 (6.32)	2,673.56 (6.33)	2,937.59 (6.22)	(+) 9.88
6.	Others ¹	207.05 (0.69)	213.26 (0.71)	239.74 (0.64)	253.54 (0.60)	264.60 (0.56)	(+) 4.36
Total		29,994.79	30,052.83	37,326.86	42,243.17	47,252.16	(+) 11.86

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'.

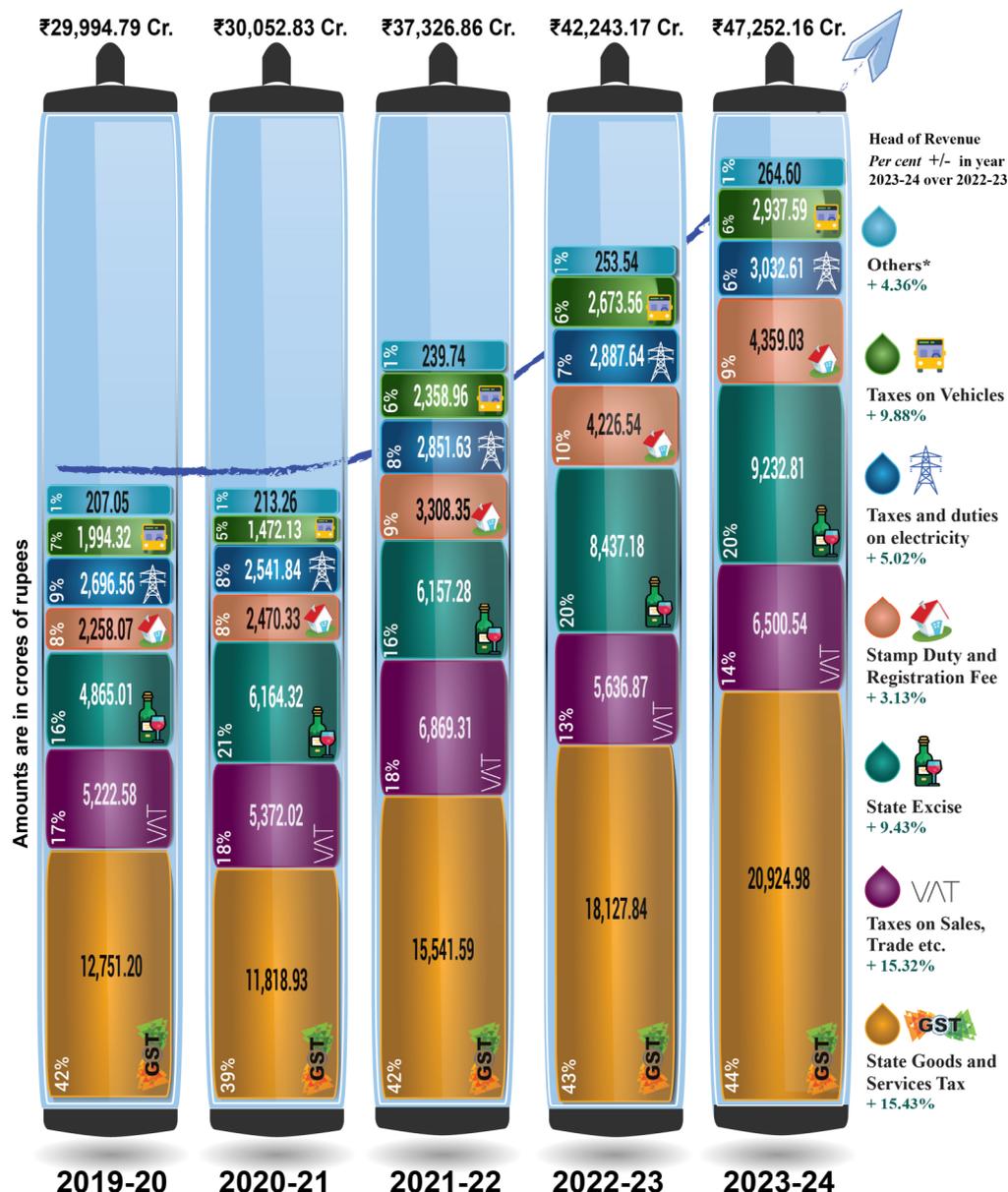
1. Other Taxes on Income and Expenditure: Receipts of ₹ 167.58 crore during 2023-24 are 5.92 *per cent* higher than previous year's receipt of ₹ 158.22 crore.

2. Land Revenue: Receipts of ₹ 96.92 crore during 2023-24 are 4.28 *per cent* higher than previous year's receipt of ₹ 92.94 crore.

3. Taxes on Goods and Passengers: Receipts of ₹ 0.08 crore during 2023-24 are 26,567 *per cent* higher than previous year's receipt of ₹ 0.0003 crore.

4. Other Taxes and Duties on Commodities and Services: Receipts of ₹ 0.02 crore during 2023-24 are 99.16 *per cent* lesser than previous year's receipt of ₹ 2.38 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 'State Goods and Services Tax', 'Taxes on Sales, Trade etc.' and 'State Excise' are major contributors of tax revenue. During 2023-24, these heads of revenue contributed about 77.58 per cent of total tax revenue collection. The revenue under these heads registered an increase of 15.43 per cent, 15.32 per cent and 9.43 per cent respectively in comparison to the previous year. The revenue from 'Stamps and Registration Fees', 'Taxes and duties on Electricity' and 'Taxes on Vehicles' increased by 3.13 per cent, 5.02 per cent and 9.88 per cent, respectively.

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

State Goods and Services Tax: As seen from the accounts, one of the reasons for increase (15.43 *per cent*) in revenue over previous years was due to increase in apportionment of Integrated Goods and Services Tax (tax component to State GST), under which receipts increased by ₹ 2,360.82 crore in comparison to the previous year. Further, the Department attributed (October 2024) the reasons for increase in revenue to widened tax base, higher inflation, enforcement activities of the Department leading to weeding out of bogus entities, tax collections on the basis of inputs from Tax Intelligence Units and motivational scheme named ‘*Bill Layo Inaam Paayo*’.

Taxes on Sales, Trade etc.: The Department did not furnish reasons for the increase (15.32 *per cent*) in revenue. However, as seen from the accounts, the increase in receipts under this head was mainly due to increase in receipts of Central Sales Tax by ₹ 496.64 crore in comparison to the previous year.

State Excise: The Department attributed (October 2024) reasons for increase (9.43 *per cent*) in revenue to levy of new additional licence fee, increase in liquor licence fee, permit fee and licence fee of distilleries, breweries, bottling plants. However, as seen from the accounts, the overall increase of ₹ 795.63 crore under State Excise was mainly due to increase in receipts under minor head ‘Country Spirits’ and ‘Other Receipts’ under which the receipts increased by ₹ 588.29 crore and ₹ 628.87 crore, respectively, in comparison to the previous year.

Stamps and Registration Fees: The Department attributed (October 2024) reasons for increase (3.13 *per cent*) in revenue to increase in collector rates and number of deeds.

Taxes and Duties on Electricity: The Department attributed (October 2024) reasons for increase (5.02 *per cent*) in revenue to receipt of arrear of electricity duty for the previous year 2022-23.

Taxes on Vehicles: The Department attributed (October 2024) reasons for increase (9.88 *per cent*) in revenue to increased number of registrations of vehicles in comparison to the previous year.

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’.

- **Land Revenue:** The Department did not furnish reasons for increase (4.28 *per cent*) in revenue. However, as seen from the accounts, the increase in receipts was due to higher receipts under the minor head ‘Other Receipts’, under which the receipts increased by ₹ 4.08 crore in comparison to the previous year.
- **Other Taxes and Duties on Commodities and Services:** The Department did not furnish reasons for decrease (99.16 *per cent*) in revenue. However, as seen from the accounts, the overall decrease of ₹ 2.36 crore

under this head was mainly due to decrease in receipts under minor head ‘Entertainment Tax’, under which receipts decreased by ₹ 2.30 crore in comparison to the previous year.

- **Other Taxes on Income and Expenditure:** The Department did not furnish reasons for increase (5.92 per cent) in revenue. However, as seen from the accounts, the increase was due to higher receipts of profession tax² in comparison to the previous year.
- **Taxes on Goods and Passengers:** The Department did not furnish reasons for increase in revenue. However, as seen from the accounts, the overall increase of ₹ 7.55 lakh under this head was due to higher receipts under ‘Tolls on Roads’ in comparison to the previous year.

1.2.3 The details and trend of the non-tax revenue raised during the period 2019-20 to 2023-24 are depicted in **Table 1.3** and graphical presentation is shown in **Chart 1.3**.

Table 1.3: Details of Non-Tax Revenue

(₹ in crore)

Sr. No.	Head of Revenue	2019-20 Revenue (Per cent of Total)	2020-21 Revenue (Per cent of Total)	2021-22 Revenue (Per cent of Total)	2022-23 Revenue (Per cent of Total)	2023-24 Revenue (Per cent of Total)	Percentage increase (+) decrease (-) of actual in 2023-24 over 2022-23
1.	Miscellaneous General Services ³	2,743.87 (41.24)	2,208.41 (53.19)	2,375.91 (49.67)	2,827.63 (45.37)	4,059.96 (56.13)	+ 43.58
2.	Interest receipts	2,105.51 (31.64)	144.38 (3.48)	181.08 (3.78)	242.76 (3.90)	277.53 (3.84)	+ 14.32
3.	Other Administrative Services ⁴	145.23 (2.18)	233.92 (5.63)	69.70 (1.46)	116.65 (1.87)	149.86 (2.07)	+ 28.47
4.	Police	60.93 (0.92)	89.76 (2.16)	142.34 (2.98)	130.54 (2.09)	105.94 (1.46)	- 18.84
5.	Medical and Public Health	250.57 (3.76)	287.61 (6.93)	406.81 (8.50)	396.33 (6.36)	450.04 (6.22)	+ 13.55
6.	Irrigation ⁵	94.32 (1.42)	94.35 (2.27)	134.73 (2.82)	135.94 (2.18)	265.10 (3.67)	+ 95.01
7.	Non-ferrous Mining and Metallurgical Industries	90.88 (1.36)	120.56 (2.90)	136.53 (2.85)	248.80 (3.99)	289.10 (4.00)	+ 16.20
8.	Public Works	21.71 (0.33)	14.26 (0.34)	11.34 (0.24)	18.87 (0.30)	10.29 (0.14)	- 45.47
9.	Forestry and Wildlife	19.53 (0.29)	30.88 (0.75)	19.13 (0.40)	186.66 (3.00)	268.32 (3.71)	+ 43.75
10.	Co-operation	7.09 (0.11)	7.47 (0.18)	6.57 (0.14)	9.88 (0.16)	8.02 (0.11)	- 18.83
11.	Education, Sports, Art and Culture	196.22 (2.95)	137.70 (3.32)	155.19 (3.24)	326.94 (5.25)	309.88 (4.28)	- 5.22
12.	Others ⁶	918.22 (13.80)	782.83 (18.85)	1,144.44 (23.92)	1,590.94 (25.53)	1,039.59 (14.37)	- 34.66
Total		6,654.08	4,152.13	4,783.77	6,231.94	7,233.63	+ 16.07

Source: Finance Accounts

² Every person who is an income tax payee and is engaged in any profession, trade or employment and whose taxable income is more than zero, is liable to pay tax under the Punjab State Development Tax Act, 2018.

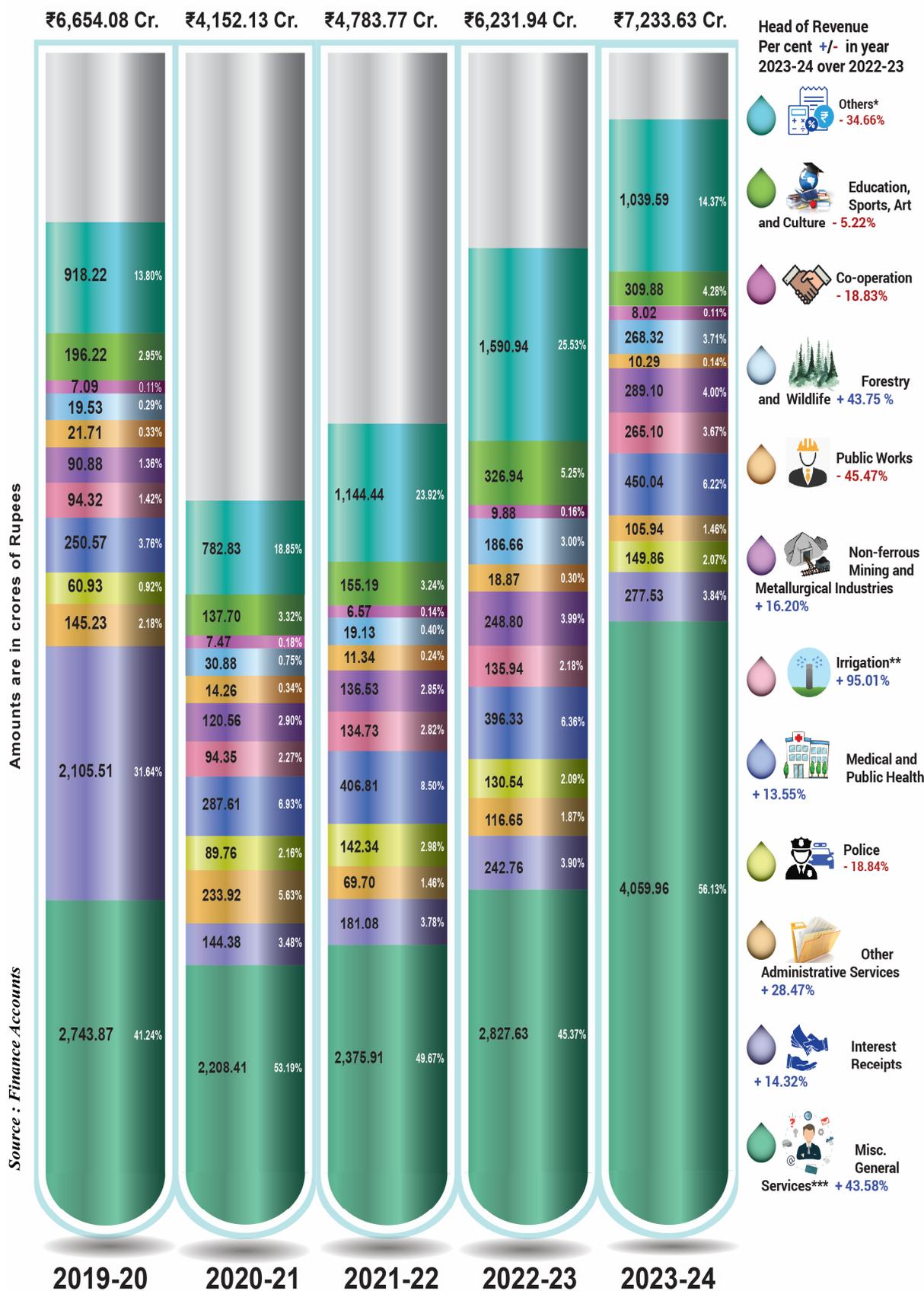
³ This head includes receipts from ‘Pre-Partition Receipts’, ‘Unclaimed Deposits’, ‘State Lotteries’, ‘Guarantee Fee’ and ‘Other Receipts’.

⁴ 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.).

⁵ This head includes Major Irrigation, Medium Irrigation and Minor Irrigation. The receipts during 2023-24 under Major Irrigation, Medium Irrigation and Minor Irrigation were ₹ 231.53 crore, ₹ 30.00 crore and ₹ 3.57 crore respectively.

⁶ This includes 30 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 2023-24 under Heads of revenue included in ‘Others’ are available at Appendix 1.1 to this Report.

Chart 1.3: Trend of Non-Tax Revenue



* 'Others' includes 30 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 'Pre-Partition Receipts', 'Unclaimed Deposit', 'State Lotteries', 'Guarantee Fee' and 'Other Receipts'

Overall non-tax revenue in 2023-24 increased by 16.07 *per cent* in comparison to the previous year. Significant increase was seen under ‘Irrigation’ (95.01 *per cent*), ‘Forestry and Wildlife’ (43.75 *per cent*), ‘Miscellaneous General Services’ (43.58 *per cent*) and ‘Other Administrative Services’ (28.47 *per cent*) as compared to previous year, while Public Works’ and ‘Police’ registered decrease by 45.47 *per cent* and 18.84 *per cent*, respectively.

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

Miscellaneous General Services: The Department did not furnish reasons for the increase (43.58 *per cent*) in receipts. However, as seen from the accounts, the overall increase of ₹ 1,232.33 crore under this head was mainly due to increase in receipts under minor head ‘Other Receipts’, under which receipts increased by ₹ 1,519.79 crore in comparison to the previous year. At the sub-head level, this increase was seen under ‘Recovery of Overpayments’ and ‘Miscellaneous Receipts’.

Interest Receipts: The Department did not furnish reasons for the increase (14.32 *per cent*) in interest receipts. However, as seen from the accounts, the overall increase of ₹ 34.77 crore under this head was mainly due to receipts under minor head ‘Interest or other earnings on CSS Funds from Grantee on unspent balances’, under which interest of ₹ 47.66 crore was received in the current year, while there were no receipt under this minor head in the previous year.

Other Administrative Services: The Department did not furnish reasons for the increase (28.47 *per cent*) in receipts. However, as seen from the accounts, overall increase of ₹ 33.21 crore under this head was mainly due to increase under minor heads ‘Fines and Forfeitures’ and ‘Other Receipts’, under which receipts increased by ₹ 30.12 crore⁷ in comparison to the previous year.

Police: The Department attributed (September 2024) decrease (18.84 *per cent*) in receipts to lesser receipts of arms license fees and miscellaneous receipts in comparison to the previous year. In addition to this, there was lesser receipt under minor head ‘Receipts of State-Headquarters Police’ as seen from the accounts.

Medical and Public Health: The Department attributed (November 2024) increase (13.55 *per cent*) in receipts to recoveries of arrears of 2020-21 from the ESI Corporation, New Delhi. In addition to this, increase was also seen in accounts under minor head ‘Other Receipts’ in urban health services, under which receipts increased by ₹ 12.47 crore in comparison to the previous year.

Irrigation: The Department attributed (September 2024) increase (95.01 *per cent*) in receipts to recovery of outstanding amounts from different

⁷ Fines and Forfeitures: ₹ 15.55 crore and Other Receipts under Other Services: ₹ 14.57 crore.

agencies, increased supply of canal water to different sectors including industrial purpose, and sale of obsolete material.

Non-ferrous Mining and Metallurgical Industries: The Department attributed (September 2024) increase (16.20 *per cent*) in receipts to increased operations of mining sites and vigilance activities leading to imposition of penalties on illegal mining.

Public Works: The Department did not furnish reasons for the decrease (45.47 *per cent*) in receipts. However, as seen from the accounts, the overall decrease of ₹ 8.58 crore under this head was mainly due to less receipts under minor heads⁸ ‘Other Receipts’ and ‘Recovery of Percentage Charges’, under which less receipts of ₹ 8.40 crore were received in comparison to the previous year.

Forestry and Wildlife: The Department attributed (September 2024) increase (43.75 *per cent*) in receipts to higher receipts from social and farm forestry but audit analysis of accounts showed that receipts from social and farm forestry were rather lesser in comparison to the previous year. As per accounts, the overall increase of ₹ 81.66 crore under this head was mainly due to higher receipts against recoupment of expenditure incurred for compensatory afforestation from the State Compensatory Afforestation Fund.

Co-operation: The Department did not furnish reasons for decrease (18.83 *per cent*) in receipts. However, as seen from the accounts, overall decrease of ₹ 1.86 crore under this head was mainly due to lesser receipts of ₹ 1.98 crore under minor head ‘Other Receipts’ in comparison to the previous year.

Education, Sports, Art and Culture: The Department did not furnish reasons for the decrease (5.22 *per cent*) in receipts. However, as seen from the accounts, the overall decrease of ₹ 17.06 crore under this head was mainly due to lesser receipts under minor heads ‘Secondary Education’ and ‘University and Higher Education’, under which there was less receipt of ₹ 32.03 crore⁹ in comparison to the previous year.

Others: ‘Others’ category covers 30 heads 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 decrease of 34.66 *per cent* in comparison to the previous year. While increase between ₹ 0.0004 crore and ₹ 90.66 crore was seen under 15 heads in terms of money value, the decrease between ₹ 0.03 crore and ₹ 338.68 crore was seen under the remaining 15 heads in terms of money value (Appendix 1.1).

⁸ Below sub-Major Head-80-General

⁹ Secondary Education: ₹ 11.07 crore, University and Higher Education: ₹ 20.96 crore

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 allocation of revenue and are being duly observed. Principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts (Amendments), 2020 and Auditing Standards issued by the Indian Audit and Accounts Department.

1.4 Planning and conduct of audit

In Compliance Audit, the audit process commences with a risk assessment of 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 2023-24, there were 423 auditable units¹² related to tax revenue, of which 159 units¹³ (37.59 *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 ₹ 149.30 crore in 1,49,763 cases. The Departments recovered ₹ 9.25 crore in 2,404 cases during 2023-24, which were pointed out in the audits conducted prior to 2023-24.

1.5 Lack of response of Government to Audit

The Principal Accountant General (Audit), Punjab, conducts periodic inspection of the Government Departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the Rules and procedures. These inspections are followed up through Inspection Reports incorporating irregularities detected during the inspection and not settled on the

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.

¹² Land Revenue: 108 units, Stamp Duty: 176 units, State Excise: 67 units, Value Added Tax/GST: 56 units and Motor Vehicle Tax: 16 units

¹³ Stamp Duty: 85 units, State Excise: 25 units, Value Added Tax/GST: 35 units and Motor Vehicle Tax: 14 units

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, 158 Inspection Reports¹⁴ were issued to Heads of Departments against the 159 units¹⁵ audited during 2023-24, out of those, Audit did not receive reply for 156 Inspection Reports¹⁶ within the stipulated time of four weeks. Further, the Inspection Reports issued for the years up to March 2024 revealed that 11,821 observations¹⁷ involving ₹ 4,436.04 crore¹⁸ relating to 2,562 Inspection Reports¹⁹ remained outstanding at the end of June 2024.

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 2019	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Inspection Reports	1,893	164	110	104	133	158	2,562
Observations	7,234	878	615	744	1,042	1,308	11,821
Money value (₹ in crore)	3,349.41	291.29	186.99	192.47	266.58	149.30	4,436.04

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 Inspection Reports and audit observations pending settlement indicate inadequate response to audit observations. The lack of action on these audit observations weakens accountability and raises the risk of loss of revenue. Increasing pendency of audit paragraphs merits urgent attention from 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, resulting in erosion of accountability. It is recommended that the Government should ensure prompt and proper response to audit observations.

¹⁴ Stamp Duty: 85 units, State Excise: 24 units, Value Added Tax/GST: 35 units and Motor Vehicle Tax: 14 units

¹⁵ The audit in one unit i.e. Additional Chief Secretary-Cum-Financial Commissioner, Excise and Taxation Department was restricted to obtaining of information and understanding of policies/decisions. Hence, no Inspection Report was issued for this unit.

¹⁶ Stamp Duty: 85 units, State Excise: 22 units, Value Added Tax/GST: 35 units, Motor Vehicle Tax: 14 units

¹⁷ **Observations:** Entertainment and Luxury Tax (215), Land Revenue (997), Transport (2,240), State Excise (488), Stamp Duty (5,604) and VAT/GST (2,277).

¹⁸ **Money Value:** Entertainment and Luxury Tax (₹ 16.54 crore), Land Revenue (₹ 1,957.57 crore), Transport (₹ 419.97 crore), State Excise (₹ 497.84 crore), Stamp Duty (₹ 657.38 crore) and VAT/GST (₹ 886.74 crore).

¹⁹ **Inspection Reports:** Entertainment and Luxury Tax (95), Land Revenue (275), Motor Vehicle Tax (237), State Excise (313), Stamp Duty (1,256) and VAT/GST (386).

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 2023-24, seven audit committee meetings were held with the Department of Revenue, Rehabilitation and Disaster Management and the Department of Excise and Taxation. As a result, 215 observations involving money value of ₹ 5.16 crore were settled²⁰.

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

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

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

²⁰ Out of 215 observations, the settlement of 50 observations involving money value of ₹ 0.68 crore was finalised in October and December 2024

proposed to be taken by them within three months of the presentation of the Audit Reports to the State Legislature.

In spite of these provisions, the explanatory notes on audit observations of the Reports were delayed inordinately. A total of 103 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 2017 to 2022 were placed before the State Legislative Assembly between 22 March 2018 and 4 September 2024.

Out of 103 paragraphs, the Action Taken Notes (ATNs) in respect of 49 paragraphs were received with delay between 3 and 72 months, whereas ATNs against 54 paragraphs were not received up to the end of January 2025. 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 Action Taken Notes as on 31 January 2025

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.	2016-17	23	20	22.03.2018	2018 to 2024	03 to 72 Months
2.	2017-18	18	13	27.02.2020	2021 to 2024	09 to 50 Months
3.	2018-19	19	7	29.06.2022	2023 to 2024	03 to 26 Months
4.	2019-20	13	5	29.06.2022	2023	03 to 11 Months
5.	2020-21	13	4	07.03.2023	2024	13 Months
Total			49			

Source: Office records

Table 1.6: Non-receipt of Action Taken Notes as on 31 January 2025

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.	2016-17	Department of Excise and Taxation	2.9, 2.15, 6.4	03	22.03.2018
2.	2017-18	Department of Excise and Taxation	2.6, 2.7, 2.9, 2.10, 2.12	05	27.02.2020
3.	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
4.	2019-20	Department of Excise and Taxation	2.3, 2.4, 2.5, 2.6, 2.7, 2.8, 2.9, 3.3	08	29.06.2022
5.	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	09	07.03.2023
6.	2021-22	Department of Excise and Taxation	2, 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8	09	04.09.2024
		Finance	3	01	
		Revenue Rehabilitation and Disaster Management (Stamp Duty)	4.9, 4.10, 4.11, 4.12	04	
		Transport	4.13, 4.14, 4.15	03	
Total				54	

Source: Office records

By 31 January 2025, PAC discussed 36 selected paragraphs pertaining to the CAG's Audit Reports for the years from 2016-17 to 2020-21. PAC had given 34 recommendations²¹ in respect of CAG's Audit Reports for the years from 2012-13 to 2016-17 and these recommendations were incorporated in three PAC Reports²². However, ATNs against 21 recommendations were not received from the Department of Revenue, Rehabilitation and Disaster Management up to 31 January 2025.

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

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