Material for Press Brief of CAG's Compliance Audit Report -Civil, Government of Gujarat for the period ended March 2023

Compliance Audit Report -Civil, Report No. 5 of 2025

Comptroller and Auditor General of India's Report of Compliance Audit-Civil, Government of Gujarat (Report No. 5 of the year 2025) for the period ended March 2023 has been placed before the Gujarat State Legislature on ______.

The Report contains three chapters.

Introduction

This Audit Report contains audit findings arising from two Subject Specific Compliance Audits and 13 individual Audit Paragraphs.

Subject Specific Compliance Audit

The highlights of Subject Specific Compliance Audits related to Finance Department of the State Government included in the Report are mentioned below.

Finance Department

E-Way Bill system under the Gujarat Goods and Services Tax

Electronic-Way Bill (EWB) is conceived as a shift from Government-monitored tax administration model to a self-reporting model by the taxpayer. It is a document required for movement of goods and is designed to capture details of goods before being moved.

Audit reviewed the E-Way Bill transactions with the objective of assessing the effectiveness of the EWB mechanism in safeguarding the Government's revenue interests and evaluating the efficiency and effectiveness of the Department's preventive and enforcement actions in implementing EWB provisions.

Audit examination revealed compliance deviation by 13 taxpayers, out of selected 30 taxpayers, with money value of ₹ 23.57 crore. Audit findings included generation of EWBs by cancelled taxpayers, by non-filers of GST Returns, by the taxpayers filing Nil returns and by composition taxpayers who had crossed prescribed threshold limit. The inter-State EWBs were generated by composition taxpayers. In three cases there were data entry errors as the value of outward supply was abnormally high. The EWB portal allowed generation of EWBs with invalid PIN code and improper distance between two PIN codes.

Out of sampled 63 EWBs generated during 2018-19 to 2020-21, five EWBs were generated by cancelled taxpayers, whose registrations were *suo motu* cancelled with retrospective effect. All these taxpayers had generated

1,901 EWBs for assessable value of ₹ 98.87 crore involving tax of ₹ 15.80 crore after the effective date of cancellation of registration. However, the Department did not assess the tax liability of these taxpayers under Section 63 of the GGST Act.

Audit test checked 17 EWBs, generated by eight taxpayers, falling under six Units during 2018-19 to 2020-21 and observed that two taxpayers had generated 175 outward supply EWBs of ₹ 17.65 crore involving tax of ₹ 1.49 crore, though they had filed nil GSTR-3B. This resulted in suppression of taxable supplies and non-payment of tax.

Audit also noticed gaps in the preventive and enforcement activity done by Preventive Units of the Department such as release of vehicle without levying proper tax, penalty and fine through cash ledger, short levy of tax, penalty and fine on intercepted vehicles.

Audit examined 373 Booked cases pertaining to seven Preventive Units and JCST (Enforcement), Ahmedabad and noticed that in 82 cases, the Department had not adhered to the prescribed procedure (Inspection Report in GST-MOV-04 was not served to the person in-charge of the conveyance, Final Inspection Report in GST-EWB-03 (Part-B) was pending, *etc.*).

Information regarding action taken under Section 129 and 130 was neither available with the jurisdictional authority, nor shared by the Enforcement Divisions. As a result, the jurisdictional authority remained unaware of the enforcement action against the taxpayer.

NIC shares Analytical Reports on EWB transactions with the GST Departments under Centre and State formations. Audit examined the extent to which these reports were utilised by the Preventive Formations for planning EWB verifications and found that Preventive Units and the Proper Officers of Mobile Squad teams had limited access to the MIS reports.

Composition Levy Scheme under the Gujarat Goods and Services Tax

The Composition Levy scheme (CLS) under the Gujarat Goods and Services Tax (GGST) Act, 2017 provides an alternative method of levy of tax for small taxpayers to provide relief to them by simplifying the processes of filing of returns, hassle free maintenance of records and limited tax liability.

The audit was conducted to examine compliance by the registered persons while opting in or out of the CLS and the scrutiny and monitoring procedures of the Department.

The audit findings *inter alia* comprise irregular availment of benefit under CLS despite breach of threshold limit of turnover, non/ short payment of late fee for delayed filing of returns, registered persons not furnishing mandatory self-assessed declaration forms about their existing stock and ITC reversal, and data entry errors. Audit noticed deficiencies in the procedures for cancellation of registrations *viz.* cancellation of registration prior to date of application, cancellation without assuring filing of annual return and non-initiation of *suo motu* cancellation of registration by proper officer. Further, there was lack of adequate system to ensure compliance by persons registered under composition scheme.

Compliance Audit Paragraphs

Revenue Department

Stamp Duty of ₹ 34.07 crore in 142 allotment cases was either not levied or short levied on market value of the Government land allotted to different entities.

Conversion Tax of ₹ 12.52 crore in 147 cases was either not levied or short levied on account of change in use of land from Agricultural to Non-Agricultural (NA) purpose, or from one NA purpose to another.

Interest of ₹ 5.74 crore in 21 cases was either short levied or not levied on differential Occupancy price or delayed payment of lease rent.

The non-compliance of the provisions regarding use/ sale of agricultural land for industrial purpose within the stipulated period or sale or demerger/ amalgamation of company resulted in short/ non levy of Penalty of ₹ 17.40 crore in 34 cases.

Premium of ₹ 28.79 crore in 210 cases leviable under Section 43 of the Gujarat Tenancy and Agricultural Lands Act 1948 read with different Government Regulations and guidelines issued from time to time was short levied in cases of conversion of agricultural land under 'new and restricted tenure' to 'old tenure' for multipurpose.

Premium of ₹ 19.35 crore in 161 cases was not/ short levied involving conversion of agricultural land under 'new and restricted tenure' to 'old tenure' for different non-agricultural purposes.

Service Charge of ₹ 1.98 crore in 49 cases was not or short levied from the applicants in allotment of Government land.

The Occupancy Price of ₹ 48.72 crore in three cases was short levied due to non-compliance of prescribed valuation procedure to determine the market value of Government land allotted to different applicants.

Roads and Buildings Department

The R&B Division did not ensure availability of land for the construction of Railway Over Bridges before issuing the work order. The subsequent delays in land acquisition resulted in cost escalation of ₹ 15.22 crore in two cases.

Despite incorporating provisions for recovery of credit for dismantled material in the contract agreement, R&B Divisions did not recover an amount of ₹ 1.07 crore from the payments made to the Contractors in five cases. In 14 other works across six Divisions, credit for dismantled material amounting to ₹ 1.89 crore was recovered by the concerned Divisions after the lapse was pointed out by Audit.

Home Department

The Gujarat State Police Housing Corporation Limited neither ascertained the title of the land nor obtained the required permission before commencing execution of work. Consequently, the works had to be stopped midway in three cases, resulting in wasteful expenditure of ₹ 7.81 crore in two cases and cost escalation of ₹ 5.27 crore in one case.

Science and Technology Department

The Gujarat Council of Science City (GCSC) awarded Construction and Maintenance Contract (CMC) of 'Aquatics Gallery' to a Contractor, which included a maintenance period of 60 months from July 2021. Under the contract, the Contractor was responsible for 100 *per cent* replacement of the deceased aquatic species within one month at own cost. Audit observed that since the opening of the Aquatics Gallery, certain exhibit tanks had lesser aquatic species than the numbers prescribed for the individual tanks in the CMC; with deficit ranging from 33.82 *per cent* (July 2021) to 61.76 *per cent* (July 2022). However, the GCSC did not levy applicable penalty of ₹ 7.11 crore on the Contractor for non-compliance with the contractual requirement to maintain the specified number of aquatic species.

Energy and Petrochemicals Department

The Joint Venture operating Hazira oilfield did not pay the GoG's share of royalty and interest as per the terms of Production Sharing Contract, resulting in short recovery of royalty of ₹ 6.72 crore and interest of ₹ 36.52 crore for delay in payment of the royalty.