

EXECUTIVE SUMMARY

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from compliance audit of government departments, autonomous bodies and public sector undertakings of the Government of Maharashtra. Compliance Audit refers to examination of the expenditure and revenue of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the authorities are being complied with.

The primary purpose of this Report is to bring important results of audit to the notice of the State Legislature. The findings of audit are expected to enable the executive to take corrective actions and also to frame policies and directives that will lead to improved operational efficiency and financial management of the organisation, thus contributing to better governance.

This Report includes audit findings in two chapters. **Chapter I** includes “Introduction, Audited entity profile, Planning and conduct of audit and responsiveness of Government to Audit” and **Chapter II** includes Audit observations related to State Government Departments.

A synopsis of Key findings contained in this report is presented below:

Chapter-I: Introduction

There are 14 departments, 9 autonomous bodies and 60 public sector undertakings of the Government of Maharashtra headed by Additional Chief Secretary/Principal Secretaries/Secretaries which are audited by the Accountant General (Audit-II), Maharashtra, Nagpur.

Explanatory Memorandum on 39 paragraphs and reviews included in the Audit Report were outstanding. Action Taken Notes on 264 recommendations of Public Accounts Committee and Committee on Public Undertakings were awaited from 14 departments.

Chapter-II: Audit of Transactions: State Government Departments

Functioning of Maharashtra State Excise Department

A Subject Specific Compliance Audit (SSCA) conducted on Functioning of Maharashtra State Excise Department revealed short levy of license renewal fees of ₹ 0.15 crore and interest of ₹ 0.22 crore due to incorrect computation of license fees, incorrect adjustment of license renewal fees and incorrect application of production slab. Audit also noticed that there was a short levy of supervision charges of ₹ 1.20 crore including interest, due to non-application of revised rate/irregular issue of orders.

Audit further noticed that excise duty on obsolete stock of beer was waived by the Commissioner without obtaining permission of the Government. There was short raising of demand of duty of ₹ 73.18 crore on mild beer due to delay in granting approval for sending duplicate sample for chemical analysis.

As per Bombay Prohibition (Privileges Fees) Rules, 1954, levy of privilege fee is prescribed for the admission or withdrawal of partners in case of liquor or Brewery. However, there is no provision of levy of privilege fee in case of change of major shareholding of a public limited company. Audit has

illustrated that due to absence of such provision to levy privilege fees under Bombay Prohibition (Privileges Fees) Rules, 1954, privilege fees of ₹ 26.92 crore was foregone in two cases.

There is no provision in the excise law to declare the details of manufacturing cost (i.e. components like raw material, labour and overheads). Had there been a provision to check the manufacturing cost, government would have got additional revenue to that extent. Audit noticed that the manufacturing cost in respect of 11 products/brands of these five units, for supply to CSD, was much lower than the manufacturing cost of identical brands for Civil supplies manufactured in the same unit resulting in foregoing the excise duty of ₹ 38.34 crore due to undervaluation. In case of licensees (FL-1) importing IMFL from out of India, cost of acquisition (equivalent manufacturing cost as per CAS-4) of such imported liquor was found to be more than the declared manufacturing cost during the period from August 2018 to March 2022 resulting in excise duty foregone of ₹ 11.48 crore. Similarly, audit noticed that, in case of 12 licensees (FL-1) importing IMFL from other States (out of Maharashtra) in three selected districts, cost of acquisition (equivalent manufacturing cost as per CAS-4) was found to be more than its declared manufacturing cost during the period from May 2017 to March 2022. This resulted in foregoing of excise duty of ₹ 2.89 crore due to undervaluation. Audit also observed short fall in conduct of internal audit, settlement of their paras and high rate of acquittal in offence cases due to lack of monitoring.

Recommendations

- 1. Department may ensure compliance with the provisions of the Act and rules for recovery of appropriate fees and supervision charges.*
- 2. Department may ensure consistent and timely action on issuing orders for waiver of excise duty on obsolete stock of beer and testing of samples and adherence to the prescribed procedure to avoid loss of revenue.*
- 3. Department may review the provisions in the Rules for levy of privilege fees in case of a private/public limited company effecting major change (51 per cent or more) in its shareholdings.*
- 4. Department may review the Maharashtra Potable Liquor (Fixation of Maximum Retail Prices) Rules, 1996 to provide for declaration of the details of manufacturing cost as per CAS-4 for ensuring levy of appropriate excise duty.*
- 5. Department may ensure prompt recovery of arrears of revenue applying relevant provisions in the Act.*
- 6. Department may ensure that internal audit is conducted regularly.*
- 7. Department may ensure timely submission of chemical analyser's report and production of accused in the court.*

Department's Oversight on GST Payments and Returns Filing for the Year 2017-18

Audit of Department's Oversight on GST Payments and Returns Filing for the Year 2017-18 revealed that in pursuance with the provisions of Section 29(1) and 29(2) of the MGST Act, 2017 regarding cancellation of registration on *suo*

moto and on application, there were deficiencies in oversight functions of Charges such as cancellation of registration and non filing of GSTR 10.

Audit analyzed GST returns data pertaining to 2017-18 as made available by GSTN. Rule-based deviations and logical inconsistencies between GST returns filed by taxpayers were identified on a set of 13 parameters, which can be broadly categorized into two domains - ITC and Tax payments.

A review of the functions of 10 Charges disclosed that there were deficiencies in oversight functions of Charges such as cancellation of registration and non filing of GSTR 10 resulting in non-determination of final tax liability.

Further, out of the 405 high value data inconsistencies identified by Audit, the Department responded in all 405 cases. Of these, 94 cases constituting 23.21 *per cent*, turned out to be compliance deficiencies with mismatch of ITC/tax liability/turnover of ₹ 1,155.89 crore. Relatively higher rates of deviations were noticed in risk parameters such as mismatch in availing of ITC, undischarged tax liability, Reconciliation between ITC declared in Annual Return with expenses in Financial Statement, Mismatch in ITC availed between Annual Return and Financial Statement etc.

Detailed audit of GST returns also suggested significant non-compliance. At the outset, essential records in 37 cases out of 84 cases such as AFS, and granular records such as supplementary financial ledgers, invoices, agreement copies etc. were not produced, which constituted a significant scope limitation. These cases represent potential risk exposure towards identified mismatches in ITC availment and tax payments. Further, out of the 84 cases, Audit observed 36 compliance deficiencies consisting of mismatches of ₹ 61.26 crore.

The unreconciled amount in cases where the turnover declared in GSTR 9 is less than the AFS indicates non-reporting, under-reporting, short-reporting, omission, error in reporting of supplies leading to evasion or short payment of tax. It could also be a case of non-reporting of both taxable and exempted supplies. Audit noticed that in six cases, there was mismatch of ₹ 230.74 crore between turnover as per GSTR 9 and the turnover as per AFS.

From a systemic perspective, the Department needs to strengthen the institutional mechanism in the Charges to establish and maintain effective oversight on return filing, taxpayer compliance, tax payments, cancellation of registrations and recovery of dues from defaulters.

Recommendations

- 1. Department may issue instructions to departmental officers for proper follow up of cancellation of registrations and monitor the action taken for protection of revenue.*
- 2. Department needs to develop a robust system to conduct a regular data analytics exercise on GST return data to find out rule based devolution and logical inconsistencies.*
- 3. The Department may take up the matter with the GST Council to insert adequate validation control in the GST Portal to curb data entry errors, enhance taxpayers compliance and facilitate better scrutiny.*

- 4.** *The Department may initiate remedial action for all the compliance deviations brought out in this report before they get time barred.*

Individual Audit Observations

- Audit of offices under Stamp Duty and Registration Department revealed Short levy of Stamp Duty of ₹ 1.74 crore in 5 cases due to undervaluation of market value of properties.
- Audit of offices under Public Works Department revealed that undue benefit to Concessionaire was given due to breach of road maintenance obligations.
- Audit of offices under Maharashtra State Road Development Corporation observed that irregular revenue waiver of ₹ 71.07 crore in toll collection contract for Mumbai Pune Highway was given.