

CHAPTER V

COMPLIANCE AUDIT OF PUBLIC SECTOR UNDERTAKINGS

Chhattisgarh Medical Services Corporation Limited

5.1 Forgoing of interest income

Passing of undue favour to Private Bank by allowing abnormally higher threshold limit for auto sweep facility, resulted in forgoing of interest income of ₹ 3.82 crore

Chhattisgarh Medical Services Corporation Limited (Company) owned 36 different bank accounts (as on 31 March 2019) in various banks¹ for parking of its funds received under various government schemes. The Company avails auto sweep facility for its bank accounts, which offers to automatically convert the funds exceeding a particular minimum balance (i.e. minimum threshold limit) in their current bank accounts, into fixed deposits (FDs) at an interest rate prevailing on FDs.

Audit observed (February 2020) that out of 36 bank accounts, the Company opened five bank accounts in Axis bank during February 2017 to December 2017. The first bank account of Axis bank was opened (February 2017) on the basis of offer received (August 2016) from Axis bank and the remaining four bank accounts were opened during September 2017 to December 2017 without obtaining any fresh offer. The threshold limit of other banks during the period 2017-18 to 2019-20 ranged between ₹ 2.00 lakh to ₹ 10.00 lakh only, whereas for Axis Bank the threshold limit was ₹ 15.00 crore for availing auto sweep facility.

Due to exceptionally high threshold limit only one account of Axis bank earned interest amounting to ₹ 8.84 lakh and remaining four bank accounts did not earn any interest on auto sweep facility. Thus, due to improper financial management, the Company lost opportunity to earn interest² amounting to ₹ 3.82 crore³ (refer **Appendix 5.1**) on its surplus funds kept in these five Axis bank accounts. The Company in spite of being aware of these facts (September 2018) did not take any action on the bank such as negotiation with bank or closure of bank accounts, rather requested the bank (February 2019) to reduce the threshold limit to ₹ 5.00 lakh or ₹ 10.00 lakh, which was not entertained, by the bank.

The Government stated (September 2022) that the Company took corrective measures and closed all seven bank accounts operated in the Axis bank including two non-operative bank accounts.

¹ Union Bank of India, Axis Bank of India, IndusInd Bank, Central Bank of India, HDFC Bank and Dena Bank

² Worked out on the basis of prevailing interest rates

³ Considering the threshold limit of ₹ 10.00 lakh

The reply is not acceptable as the Company failed to protect its financial interest by ignoring the exceptionally high threshold limit fixed by the Axis bank as against other banks, which resulted in loss to the Government exchequer by forgoing of interest income of ₹ 3.82 crore. Further, after being pointed out by the audit (February 2020), the Company closed all bank accounts operated in Axis bank in March 2020.

Chhattisgarh State Power Distribution Company Limited

5.2 Lack of due diligence in passing of bills

Financial impropriety and lack of due diligence resulted in GST payment of ₹ 10.36 crore to the contractor not registered under CGST Act

Chhattisgarh State Power Distribution Company Limited (Company) issued (December 2016) work order of ₹ 202.97 crore⁴ to M/s Fedders Lloyd Corporation Limited, New Delhi (Contractor) for supply of material and erection of lines and substations under Deen Dayal Upadhyay Gramin Jyoti Yojana for Bilaspur region.

Post award of the work order, Central Goods and Services Tax (CGST) Act and CGST Rules, 2017 came into effect from 1 July 2017 and 22 June 2017 respectively. In order to comply with provisions of CGST Act & CGST Rules, the Company issued (September 2017) a provisional work order with terms & conditions (T&C), same as the ones mentioned in the original order for balance supply of materials/ equipment and erection of work for an amount of ₹ 204.34 crore inclusive of GST. Accordingly, the contractor began raising invoices with GST registration number which was effective from 01 July 2017. However, the contractor's GST registration number was revoked on 03 July 2017 by the GST Department on suo-moto basis and new GST registration number was obtained by the contractor on 05 October 2020, with date of liability effective from 14 August 2019.

Audit observed (October 2020) that as per the T&C of work order, the contractor was required to submit the documentary proof regarding payment of taxes along with running account bills; else the amount equivalent to the taxes was to be withheld by the Company while passing the bills. However, the contractor continued to raise GST invoices, collected GST unauthorisedly for more than two years without submitting documentary proof of remittance of taxes to the Company and the Company too failed to ensure compliance to the T&C and paid ₹ 10.36 crore (**Appendix 5.2**) towards GST on running account bills submitted during 04 July 2017 and 13 August 2019 by the contractor while not being registered under CGST Act.

The Government stated (June 2022) that though the T&C of the work order provided for submission of documentary proof regarding payment of taxes along with bills which were not complied, the amount of GST was released in good faith believing in genuineness of the tax invoices as the contractor initially submitted a valid GST registration number and checking of validity of registration with every bill is not feasible. The Act does not cast any such

⁴ ₹ 149.97 crore for supply of material/equipment plus ₹ 53.00 crore for erection portion

duty/ responsibility on part of the purchaser and responsibility of tax payment lies with the person who issues invoice. Further, the information on cancellation of GST registration of contractor was received from Assistant Commissioner (State Tax) in August 2020 along with advice to withhold payment of pending bills. Pending payment to the contractor was released under new GST number only after getting clearance from Assistant Commissioner (State Tax). The GST of old period could not be recovered because Corporate Insolvency Resolution Process (CIRP) under Insolvency and Bankruptcy Code (IBC) against the contractor was commenced on 14 August 2019 and after this date no old tax recovery was possible from the contractor as per the provisions of the Act.

The reply is factually incorrect since valid copy of GST registration was not furnished by the contractor rather only GST number was intimated in the invoice and the Company neither sought a copy of GST registration nor carried out due diligence in processing of first GST bill while making payment as mandated by the T&C of the work order. The Company did not obtain any documentary evidence of payment of taxes to the concerned department from the contractor while making payment of ₹ 10.36 crore as GST resulting in complete loss to the exchequer. Further, the GST paid for the older period was also irrecoverable.

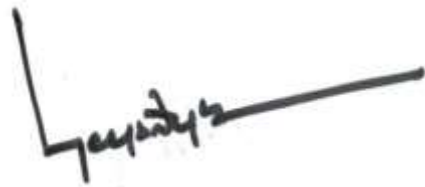


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Chhattisgarh**

**Raipur
The: 19 June 2023**

Countersigned



(GIRISH CHANDRA MURMU)

Comptroller and Auditor General of India

**New Delhi
The: 21 June 2023**