

## Overview

This Report comprises five chapters containing results of seven Compliance Audits pertaining to five departments under General, Social, Economic and Revenue Sectors, and two audit paragraphs related to Public Sector Undertakings of Government of Chhattisgarh.

The audit has been conducted in conformity with the Auditing Standards of the Comptroller and Auditor General of India. Audit samples have been drawn based on Simple Random Sampling without Replacement and Probability Proportionate Size without Replacement methods. The specific audit methodology adopted has been mentioned in the Compliance Audits. The audit conclusions have been drawn and recommendations have been made taking into consideration the views of the State Government.

### Chapter I

This chapter presents the planning and extent of audit and a brief analysis on the expenditure of departments along with responses of Government to the Audit Inspection Reports/Audit Reports pertain to General, Social and Economic Sector.

### Chapter II

This chapter deals with the findings of four Compliance Audits (CA) on (i) Management of distribution of additional foodgrains through Public Distribution System during pandemic; (ii) Implementation of Direct Benefit Transfer under Indira Gandhi National Old Age Pension Scheme (IGNOAPS); (iii) Deduction of royalty charges of minor minerals consumed in works; and (iv) Execution of Cement Concrete works as per standard specification (Indian Standards-456:2000). Significant results of audit that featured in this chapter are summarized below:

#### 2.1 Management of distribution of additional foodgrains through Public Distribution System during pandemic

GoI launched the *Pradhan Mantri Garib Kalyan Anna Yojana* (PMGKAY) and the *Atma Nirbhar Bharat Scheme* (ANBS) with the objective of providing assistance of free foodgrains to mitigate the hardships faced by the people due to spread of COVID-19 and imposition of lockdown. The Compliance Audit (CA) of management of distribution of additional foodgrains through PDS during pandemic was conducted to assess the distribution of foodgrains to the targeted beneficiaries in accordance with these schemes.

The State Government was providing additional rice to NFSA/CGFSA beneficiaries in Chhattisgarh prior to the launch of PMGKAY. Accordingly, NFSA-PHH card holder having only one person was being provided 10 kg rice, two persons 20 kg, three to five persons 35 kg and more than five persons seven kg per person per month. However, after the launch of PMGKAY, maximum quantity of free rice admissible to beneficiaries was revised by the State Government due to which one to three members of NFSA-PHH ration card holders were not benefitted with additional rice and PHH card

holders having more than three members received additional quantity of rice at the rate of three kg per person instead of five kg per persons, as envisaged under the PMGKAY. Thus, a total of 31.05 lakh NFSA-PHH beneficiaries (one to three members) in the State were provided the same quantity of rice that they were receiving prior to implementation of the PMGKAY. Similarly, 136.27 lakh beneficiaries (PHH cards having more than three members) were provided additional quantity of 3 kg rice per month. Thus, due to revision in the State scheme, 167.32 lakh NFSA-PHH beneficiaries in the State were not benefitted with the additional support as intended under the PMGKAY.

Further, there was non-distribution of 17,803 quintal *chana* to 2.54 lakh households/beneficiaries during the audited period. The State Government could not distribute free rice to 30,218 migrant/stranded persons and free *chana* to 20,395 migrant families identified under the ANBS. Monthly inspection was not carried out in 80 *per cent* Fair Price Shops (FPSs) by the Department and inspection registers were also not maintained. Social audit was not found to have been conducted in 98 *per cent* FPSs.

*(Paragraph 2.1)*

## **2.2 Implementation of Direct Benefit Transfer under Indira Gandhi National Old Age Pension Scheme (IGNOAPS)**

The Compliance Audit of Indira Gandhi National Old Age Pension Scheme (IGNOAPS) was conducted to ascertain whether the basic objectives of implementation of Direct Benefit Transfer (DBT) to minimize intermediary levels and delay in payments to intended beneficiaries and prevent duplication of beneficiaries was achieved and management of DBT was adequate and effective. Audit observed that after implementation of DBT in the State, 95 *per cent* of pension payments were made through DBT. Aadhaar number of beneficiaries had been obtained in 93 *per cent* cases, however, the verification of Aadhaar was pending in four *per cent* cases. Digitization of data required for DBT transfer was not completed in respect of 5,335 (2.13 *per cent*) beneficiaries. There were 6,006 beneficiaries of age 80 years and above who were not getting the pension at enhanced rates. Audit, further, observed delay in discontinuation of pension after death of a beneficiary, delay in sanction and disbursement of pension to beneficiaries and instances of duplicate beneficiaries. Application forms were not being entered into National Social Assistance Programme-Pension Processing System (NSAP-PPS) immediately after receipt, rather the details of only eligible applicants were entered without uploading the supporting documents such as photographs, age certificate, residence certificate etc., which resulted in non-monitoring of sanctioning process through online portal.

*(Paragraph 2.2)*

## **2.3 Deduction of royalty charges of minor minerals consumed in works**

The Compliance Audit of Public Works Department (PWD) and Water Resources Department (WRD) was conducted to assess whether deduction of royalty from contractor's bills was made as per provisions of Act, rules and directions/order of the State Government. Audit observed that the two departments did not revise the existing royalty clause in the contracts executed

for construction works in accordance with the amended rules and government orders. In the two departments, final payments were made without obtaining Royalty Clearance Certificates (RCCs) from the contractors and market value of ₹ 307.09 crore of minor minerals used in works was also not deducted from the contractors' bills under 203 agreements. In 20 Divisions under 66 agreements, market value of minor minerals was not realized due to delay in issue of market rate by the Collector while in 47 Divisions under 137 agreements market value was not realized despite the issue of market rates by the Collectors.

In 44 PWD divisions, under 142 agreements, amount of ₹ 65.39 crore recovered from contractor's bills for royalty charges was retained in the deposit head (8443 - Civil Deposit-108-Public Works Deposit) of Works Department and not deposited in the final head of account (0853-Non-ferrous mining and metallurgical industries-102-Mineral concession fees, rents and royalties) of Mineral Resources Department within one month period after the payment of final bill.

*(Paragraph 2.3)*

#### **2.4 Execution of Cement Concrete works as per standard specification (Indian Standards-456:2000)**

The Compliance Audit (CA) was conducted with the objective to examine whether the cement concrete works (Plain Cement Concrete: PCC & Reinforced Cement Concrete: RCC) were executed as per the prescribed norms of Indian Standard (IS) Code 456:2000 and whether adequate manpower and apparatus/machinery was available with department for conducting quality tests for cement concrete.

The Water Resources Department did not comply with the IS code of practice 456:2000 in execution of cement concrete work. There was shortage of manpower and machines in the quality control units of the Department. Audit observed that the prescribed number of cube testing to ensure the quality of cement concrete work were not being conducted and the average of three specimens were not taken for testing of each sample. Out of the 7,401 number of samples tested by the Department in test checked works, 6,852 (93 per cent) samples failed to meet the acceptance criteria indicating that the target strength of works executed was not achieved. Department provided and executed lower specification or grade of PCC work (lower than M-15) and RCC work (lower than M-25) which are not in consonance with the IS code. Design Mix for higher grade of concrete (M-25 and above) was not adopted in five test checked agreements. Thus, due to non-adherence of IS code 456:2000 the quality control units failed to assure the quality of cement concrete works executed by the Department.

*(Paragraph 2.4)*

### **Chapter III**

This chapter presents an overview of revenue receipts of the State Government, analyses of trend of receipts over the five year period and details of arrears of tax revenue besides the planning and extent of audit along with responses of

Government to the Audit Inspection Reports/Audit Reports pertain to Revenue Sector.

## **Chapter IV**

This chapter comprises Compliance Audits on (i) Transitional Credit of Goods and Services Tax (GST); (ii) GST Refunds; and (iii) Commercial Tax Department.

### **4.1 Compliance Audit on Transitional Credit of Goods and Services Tax (GST)**

The Subject Specific Compliance Audit (SSCA) on Transitional Credit of GST was conducted to assess the adequacy and effectiveness of the mechanism envisaged by the Department for verification of transitional credit claims and to examine the validity and admissibility of transitional credit carried over by the assessee into the GST regime.

Audit observed several deficiencies such as irregular availment of transitional credit claim without filing VAT returns; excess carry forward of VAT transitional credit; excess transitional credits claimed without payment of differential tax; irregular availment of transitional credit on inputs held in stock; non-payment of interest on reversal of excess transitional credit claimed and irregular availment of transitional credit of stock without invoice by filing Tran-2.

Audit observed that the Department did not cross verify all the transitional credit cases with VAT details, although it was a onetime important exercise to rectify the irregularities. Further, though the Department had identified transitional cases for verification, no concrete action was taken to recover the revenue, where irregularities were detected.

*(Paragraph 4.1)*

### **4.2 Compliance Audit on GST Refunds**

Subject Specific Compliance Audit of refund cases under Goods and Services Tax regime was aimed to assess the adequacy of Act, Rules, notifications, circulars etc.; the compliance to extant provisions by the tax authorities; the efficacy of the systems in place to ensure compliance by taxpayers and existence of effective internal control mechanism to check the performance of the departmental officials in disposing the refund applications.

There were delays of up to 651 days in sanction of refund orders. The Department made excess refund of ₹ 0.82 crore due to inclusion of Input Tax Credit (ITC) on input services in net ITC in case of Inverted Duty Structure. The Department provided provisional refund in cases other than zero rated supply of goods and services amounting to ₹ 0.26 crore. Irregular refund of compensation cess of ₹ 1.25 crore was granted without fulfilment of the condition prescribed for the refund. Further, in case of Inverted Duty Structure, the Department provided excess refund of ITC amounting to ₹ 1.21 crore due to non-compliance of the prescribed formula for this purpose.

*(Paragraph 4.2)*

### 4.3 Compliance Audit of Commercial Tax Department

The Compliance Audit of Commercial Tax Department was conducted to ascertain and evaluate whether the assessment under Value Added Tax (VAT), Central Sales Tax (CST) and Entry Tax (ET) was made as per the laid down procedure; applicable rates for tax exemptions/concessions granted by the assessing authority were supported by valid declaration forms, and the assessing authority exercised due diligence in preliminary scrutiny of the tax return filed.

Audit observed instances of application of incorrect rate of VAT and Entry tax due to misclassification of goods which resulted in short levy of VAT of ₹ 6.50 crore and Entry Tax of ₹ 2.65 crore. The Assessing Authorities allowed concessional rate of tax/ exemption of tax under Central Sales Tax (CST) on interstate sale, branch sale and transit sale without submission of statutory forms by the assessee which resulted in short realisation of tax of ₹ 5.22 crore.

*(Paragraph 4.3)*

## Chapter V

This chapter comprises two Audit paragraphs pertaining to Public Sector Undertakings.

### 5.1 Forgoing of interest income

Chhattisgarh Medical Services Corporation Limited (Company) holds different bank accounts in various banks, and avails itself auto sweep facility which offers to automatically convert the funds above a certain threshold limit into fixed deposit. In five axis bank accounts of the company, threshold limit for auto sweep facility was ₹ 15 crore while in other banks' accounts, threshold limit ranged from ₹ 2 lakh to ₹ 10 lakh only. Consequently, high threshold limit for auto sweep facility resulted in loss of ₹ 3.82 crore to the Government exchequer on account of interest forgone on the bank deposits and also resulted in extension of undue benefit to the bank.

*(Paragraph 5.1)*

### 5.2 Lack of due diligence in passing of bills

Chhattisgarh State Power Distribution Company Limited (Company) issued (December 2016) work order of ₹ 202.97 crore to contractor for supply of material and erection of lines and substations under Deen Dayal Upadhyay Gram Jyoti Yojna. Audit found that the GST registration of the contractor was revoked (July 2017) by the GST Department and later he was given (October 2020) new registration number with date of liability effective from August 2019. However, the contractor continued to raise invoice with old GST number during this period of two years and the company paid ₹ 10.36 crore towards GST to the contractor on its invoices despite non-submission of proof of payment of taxes by the contractor. This resulted in unwarranted payment of ₹ 10.36 crore to the contractor not registered under CGST Act.

*(Paragraph 5.2)*