

Executive Summary

This Report comprises two chapters containing one Information Technology Audit, two Subject Specific Compliance Audits and 13 paragraphs. Chapter I contains audit findings pertaining to Social, General and Economic Sectors. Chapter II contains one 'Information Technology Audit on Vahan 4.0 and Sarathi 4.0' and compliance audit findings pertaining to Revenue Sector, including two Subject Specific Compliance Audits on processing of refund claims and transitional credits under GST.

Information Technology Audit

Revenue Sector

Information Technology (IT) Audit on implementation of Vahan 4.0 and Sarathi 4.0 in Goa

The National Informatics Centre (NIC) developed centralized web-based applications called Vahan 4.0 and Sarathi 4.0, for the automation of vehicle and license related transport services in the country. These were operationalized by the Directorate of Transport (DoT), Government of Goa during 2017 and 2018. Information Technology Audit of these applications was taken up to evaluate the effectiveness of their implementation.

Department neither had an action plan nor a formal mechanism for monitoring the progress of implementation of Vahan 4.0 and Sarathi 4.0. As at the end of April 2021, 14 modules of Vahan 4.0 and 05 modules of Sarathi 4.0 were implemented and only 09 out of 31 online services were provided end-to-end, while the remaining 22 services were partially implemented. Department may prepare an action plan for the time bound implementation of the remaining modules, including all the end-to-end online services envisaged.

Audit noticed certain instances of incorrect/non-mapping of business rules resulting in irregularities in the levy of fee on fresh issue of Smart Registration Card in certain cases, grant of DL to underaged persons, penalties for registration beyond validity period, misclassification of certain vehicle categories, inconsistent application of rules for issue of fitness certificate *etc.* This indicated gaps in the application controls, which impacted the correct application of rules, data integrity and MIS reporting.

Due to certain inadequacies in input controls, data validation in key fields relating to vehicle classification, homologation module, pollution control validity, change in class of vehicles, receipt matching with treasury challans *etc.* was lacking. This caused some inaccuracies/incompleteness in data and erroneous application of rules.

Further, the absence of adequate output controls resulted in incorrect tax collection years in the database, incorrect passenger tax defaulters' data, inconsistencies in the MIS reports and mismatch between Analytics portal and

Parivahan dashboard. The Department may put in place adequate output controls, ensure correct MIS reporting and address the data mismatch issues between the Analytical portal and Parivahan website to facilitate dissemination of correct information to the stake holders.

Segregation of roles pertaining to data entry, verification and approval was not enforced, which made the system vulnerable to inaccuracies and manipulation. Further, weak logical access controls such as use of default passwords, absence of periodical password change process and One Time Password (OTP) related issues were noticed.

(Paragraph 2.2)

Compliance Audit

Revenue Sector

Introduction of the Goods and Service Tax (GST) was a significant indirect tax reform in the country, which replaced multiple taxes levied and collected by the Centre and states. It is levied simultaneously by the Centre and states on a common tax base. Central GST (CGST) and State GST (SGST) are levied on *intra-State* supplies and Integrated GST (IGST) is levied on *inter-State* supplies. We conducted two Subject Specific Compliance Audits on GST.

Subject Specific Compliance Audit on processing of refund claims under Goods and Service Tax

In view of the importance of refund mechanism in tax administration, the Government decided to streamline/standardise refund procedures and make the claim and sanction process completely online.

This Subject Specific Compliance Audit (SSCA) was carried out for the period from July 2017 to July 2020 to assess whether (i) the tax authorities complied with the extant refund provisions, (ii) the systems to ensure compliance by taxpayers were in place and (iii) an adequate internal control mechanism existed to check the performance of departmental officials in disposing of refund applications.

We noticed some delays and non-compliance with prescribed timelines by the Department in the issue of acknowledgement, deficiency memos, sanction and payment of provisional and final refunds to taxpayers. The Government may take necessary steps to adhere to the prescribed timelines, while putting in place a system for ensuring automatic payment of interest in case of delay in sanction of refund.

We also observed some instances of irregular/excess grant of provisional and final refund in case of inverted duty structure and excess grant of refund to taxpayers due to non-deduction of assessed dues (pending arrears) under the extant law. Accepting our recommendation to put in place a suitable

mechanism for verification of previous dues, the Government informed that instructions have been issued to verify the dues under the previous Act as well as under the GST Act before sanction of refunds. Further, though the Department was required to carry out post-audit of all the sampled cases of refunds, the same was not being done. The Department replied that the taxpayers had been identified for audit under Section 65 of the CGST Act. However, since audit under Section 65 is the general audit of taxpayers, the Government may take necessary action to ensure post-audit as prescribed under the rules.

(Paragraph 2.3)

Subject Specific Compliance Audit on transitional credits under Goods and Service Tax

To ensure the seamless flow of input tax from the existing laws to GST regime, provision for 'Transitional arrangements for input tax' was included in the GST Act for the entitlement and manner of claiming input tax in respect of taxes or duties paid under existing laws.

This Subject Specific Compliance Audit (SSCA) was carried out for the period from July 2017 to March 2020 to assess whether (i) there was an adequate and effective mechanism for selection and verification of transitional credit claims and (ii) the transitional credits carried over by taxpayers into GST regime were valid and admissible.

We observed systemic issues like absence of effective verification mechanism for credit transitioned to GST, credit of excess amount to Electronic Credit Ledger¹ over and above the amount claimed in TRAN-1² and allowing credit of stock to ledger without filing of TRAN-2³ returns. The Government may ensure that technical issues in the system which allowed such excess/incorrect credits, are resolved. The Department informed that the mechanism of Input Tax Credit (ITC) was on the front-end portal for the entire country and that the matter has been taken up with NIC for necessary rectification.

We also observed certain compliance issues like transitioning of credit without filing of legacy returns before TRAN-1 returns, non/short levy of interest in sampled cases, short raising of demand where transitional credit was disallowed, non-recovery/delayed recovery of ineligible transitional credit, ineligible allowance of transitional credit on TDS *etc.* The Department informed that remedial action to recover the ineligible credit has been initiated.

(Paragraph 2.4)

¹ A ledger that reflects the amount of Input Tax Credit available to the taxpayer

² Transitional Credit related return Form-1

³ Transitional Credit related return Form-2

Social, General and Economic Sectors

Home Department

Failure of Goa Police Department to pay annual spectrum charges to Government of India on time resulted in avoidable payment of late fee of ₹ 2.39 crore.

(Paragraph 1.7)

Department of Civil Supplies and Consumer Affairs

Loss of ₹ 1.91 crore due to procurement of large quantity of tur dal without assessment of consumer demand and lifting capacity of Fair Price Shops.

(Paragraph 1.8)

Department of Town and Country Planning

Failure of the Department to monitor the utilisation of grants released to the grantee institution and parking of grants in current account by the grantee resulted in loss of interest of ₹ 1.03 crore.

(Paragraph 1.9)

Revenue Sector

Commercial Tax Department

- Assessing Authority underassessed M/s Venkata Rao Infra Projects Private Limited (TIN 30421202710) for Value Added Tax (VAT) by allowing 58 *per cent* deduction on gross turnover instead of the eligible 50 *per cent*, resulting in understatement of taxable turnover and subsequent excess refund of ₹ 3.75 crore.

(Paragraph 2.5)

- Assessing Authority allowed excess ITC of ₹ 28.98 lakh for the Entry tax paid, which was inadmissible and also allowed irregular carry forward of ITC amounting to ₹ 1.88 crore, as this amount had been utilized for payment of Central Sales Tax (CST) dues, resulting in short levy of tax.

(Paragraph 2.6)

- Non-consideration of aggregate sales turnover as per the dealer's financial statements resulted in short levy of VAT amounting to ₹ 1.82 crore.

(Paragraph 2.7)

- Dealer was wrongly assessed on the basis of composition of tax instead of considering him as a regular dealer, which resulted in short levy of tax amounting to ₹ 91.56 lakh.

(Paragraph 2.8)

- Entry tax of ₹ 47.58 lakh was not levied on *inter-State* purchase of raw materials for manufacture of liquor by three distilleries.

(Paragraph 2.9)

- Non-application of revised rates of Entry tax on procurement of two commodities during assessment resulted in short levy of ₹ 22.04 lakh.

(Paragraph 2.10)

- Wrong assessment of three dealers resulted in non-levy/short levy of interest amounting to ₹ 19.95 lakh on delayed/short payment of VAT.

(Paragraph 2.11)

- Exemption of Luxury tax of ₹ 89.19 lakh was granted to nine hoteliers in three Luxury Tax Offices in violation of prescribed conditions.

(Paragraph 2.12)

Excise Department

The Excise Stations of Sanguem, Quepem, Pernem and Canacona short-levied license fee from hoteliers for sale of liquor.

(Paragraph 2.13)

Directorate of Mines and Geology

Shree Durga Mining Company did not lift iron ore within the stipulated period as per the contract award. Instead of enforcing the terms of the e-Auction award, the Directorate of Mines and Geology granted unwarranted extension and irregularly refunded ₹ 5.74 crore for shortage of 22,838.75 MT ore.

(Paragraph 2.14)