

A teal-colored envelope icon with a triangular flap at the top and a rounded rectangular body. The word "OVERVIEW" is centered on the body of the envelope in a bold, black, serif font.

## **OVERVIEW**



## OVERVIEW

### PART A: REVENUE SECTOR

This part contains nine paragraphs including one Subject Specific Compliance Audit (SSCA) on “Department’s oversight on GST payments and Return Filing”. Some of the major findings in this part are summarised below:

#### 1. General

The total receipts of the Government of Bihar for the year 2021-22 amounted to ₹ 1,58,797.33 crore, of which revenue raised by the State Government from its own sources, was ₹ 38,838.88 crore (24.46 *per cent*). The share of receipts from the Government of India amounting to ₹ 1,19,958.45 crore (75.54 *per cent* of the total receipts) comprised State’s share of divisible Union taxes of ₹ 91,352.62 crore (57.53 *per cent* of the total receipts) and grants-in-aid of ₹ 28,605.83 crore (18.01 *per cent* of the total receipts).

*(Paragraph 1.1)*

Arrears of revenue as on 31 March 2022 on taxes on sales, trade etc., taxes on goods and passengers, taxes and duties on electricity, taxes on vehicles, other taxes and duties on commodities and services, land revenue, state excise, stamps duty and registration fees and non-ferrous mining and metallurgical industries amounted to ₹ 4,022.59 crore, of which ₹ 1,300.42 crore was outstanding for more than five years.

*(Paragraph 1.2)*

The Public Accounts Committee (PAC) discussed 43 selected paragraphs pertaining to the Audit Reports for the years 2010-11 to 2019-20 and issued recommendations on 36 paragraphs relating to Commercial Taxes Department, Prohibition, Excise and Registration Department, Revenue and Land Reforms Department, Mines and Geology Department and Transport Department incorporated in the aforesaid Reports. However, no Action Taken Notes have been received from these departments on PAC recommendations (April 2023).

*(Paragraph 1.3)*

Audit observations included in 2,980 Inspection Reports (IRs) (25,166 audit observations) involving potential revenue of as much as ₹ 55,840.32 crore were outstanding at the end of March 2022 whereas the total revenue collection of the State is ₹ 38,838.88 crore. Even the first replies, required to be received from the heads of offices within four weeks of receipt of the IRs, were not received (June 2022) in respect of 1,271 IRs (10,838 audit observations) involving potential revenue of as much as ₹ 20,097.69 crore, issued from 2007-08 onwards.

*(Paragraph 1.4)*

Audit observed underassessment/ short levy/loss of revenue aggregating to ₹ 25,001.46 crore in 1,059 cases. The departments concerned accepted (between April 2021 and March 2022) underassessment and other deficiencies

of ₹ 28.80 crore in 336 cases, which were pointed out during previous years. The departments reported (between April 2021 and March 2022) recovery of ₹ 3.16 crore in 74 cases.

*(Paragraph 1.5)*

## **2. Commercial Taxes**

In 12 circles, 26 taxpayers, had availed input tax credit of ₹ 761.76 crore through Goods and Services Tax Returns (GSTR-3B), whereas, input tax credit of ₹ 720.03 crore only was available in their GSTR-2A for the year 2017-18.

*(Paragraph 2.3.7.3 (A)(I))*

In 11 circles, 22 taxpayers had availed excess ITC under reverse charge mechanism of ₹ 7.28 crore for the year 2017-18.

*(Paragraph 2.3.7.3 (A)(II))*

Seven taxpayers of five circles had availed input tax credit of ₹ 1.03 crore under reverse charge mechanism for the year 2017-18 without discharging/payment of reverse charge mechanism tax liability.

*(Paragraph 2.3.7.3 (A)(III))*

Five taxpayers of four circles had declared unreconciled input tax credit of ₹ 6 crore in Table-12F of GSTR-9C, being input tax credit claimed in annual return (GSTR-9) in excess of eligible input tax credit as per audited annual financial statements.

*(Paragraph 2.3.7.3 (A)(IV))*

Unreconciled turnover of ₹ 1,647.19 crore in 26 cases of 13 circles was declared in Table-5R of GSTR-9C for the year 2017-18.

*(Paragraph 2.3.7.3 (A)(V))*

Unreconciled taxable turnover for ₹ 294.73 crore was declared in Table-7G of GSTR-9C, in 26 cases of 15 circles.

*(Paragraph 2.3.7.3 (A)(VI))*

Unreconciled payment of tax for ₹ 8.90 crore in Table-9R of GSTR-9C in 19 cases of 13 Circles.

*(Paragraph 2.3.7.3 (A)(VII))*

In nine Circles, 14 taxpayers, had availed excess Input Service Distributor credit for ₹ 2.43 crore for the year 2017-18.

*(Paragraph 2.3.7.3 (A)(VIII))*

Mismatch of tax liability of ₹ 101.77 crore, in 14 cases of 11 circles, for the year 2017-18.

*(Paragraph 2.3.7.3 (A)(X))*

In 11 circles, 12 taxpayers had filed GSTR-1 and declared tax liability of ₹ 0.91 crore for the year 2017-18, without filing GSTR-3B return.

*(Paragraph 2.3.7.3 (A)(XI))*

In 22 cases (including nine scrutinised cases) of 16 circles, taxpayers had filed their returns with delays of 1 to 1,060 days but the interest payments of ₹ 2.62 crore were not discharged.

*(Paragraph 2.3.7.4 (A)(I)(a))*

Mismatch of ITC of ₹ 60.58 crore on input supplies received from various registered 44 taxpayers of 23 Circles.

*(Paragraph 2.3.7.4 (A)(II)(a))*

There was an unreconciled ITC of ₹ 11.04 crore in four cases of three circles in Table-12F of GSTR-9C for the year 2017-18.

*(Paragraph 2.3.7.4 (A)(II)(b))*

There was a difference of ₹ 0.54 crore in eight cases (unscrutinised) of eight circles, in availing of ITC as reflected in Table-6J of GSTR-9 return.

*(Paragraph 2.3.7.4 (A)(II)(c))*

Three taxpayers of Patna North and Patna Special circles had availed ITC of ₹ 2.01 crore for the period 2017-18 but had paid tax of ₹ 0.04 crore only under reverse charge.

*(Paragraph 2.3.7.4 (A)(II)(d))*

Short payment of tax of ₹ 7.22 crore by 19 taxpayers (including three scrutinised/assessed cases) of 16 circles.

*(Paragraph 2.3.7.4 (A)(III)(b))*

Two taxpayers of Sasaram and Shahabad Circles had made taxable supplies of 'transfer of business assets and scrap sales' for ₹ 2.58 crore for the period 2017-18.

*(Paragraph 2.3.7.4 (A)(III)(c))*

Due to non-deduction of TDS from the bills of suppliers under Mahatma Gandhi National Rural Employment Guarantee Act, the short admittance of tax liability could not be detected which led to a loss of revenue of ₹ 1.77 crore.

*(Paragraph 2.4.1)*

### **3. Taxes on Vehicles**

Concerned District Transport Officers did not ensure renewal of fitness certificate of 20,189 vehicles during January 2017 and March 2022. This resulted in non-realisation of ₹ 1.27 crore (testing fee: ₹ 86.94 lakh and fitness certificate renewal fee: ₹ 40.38 lakh).

*(Paragraph 3.3)*

Penalty for belated payment of One Time Tax was neither calculated/levied by VAHAN software nor by the concerned DTOs in respect of 581 defaulting vehicles which resulted in non-levy/realisation of penalty ₹ 1.05 crore.

*(Paragraph 3.4)*

Despite availability of information of non-payment of motor vehicles taxes by defaulter vehicle owners, the concerned DTOs did not monitor or review tax table of VAHAN to generate tax defaulter list. As a result demand notices were not issued by the DTOs to the tax defaulters and consequently tax and penalty for ₹ 22.16 crore remained unrealised.

*(Paragraph 3.5)*

#### **4. Revenue and Land Reforms**

Due to non-disbursement of one-time payment of ₹ 5,00,000, 41 affected families were deprived of a Rehabilitation and Resettlement entitlement and leviable interest for ₹ 2.59 crore.

*(Paragraph 4.3)*

Application of incorrect calculation method resulted in short levy of Solatium and leviable interest of ₹ 6.40 crore leading to their short payment to landowners.

*(Paragraph 4.4)*

Short payment of additional compensation and leviable interest of ₹ 16.73 crore to the landowners due to incorrect calculation.

*(Paragraph 4.5)*

#### **5. Stamps Duty and Registration Fees**

Five Registering Authorities failed to detect undervaluation of land in eight instruments executed during October 2020 to June 2022 which resulted in short realisation of Stamp Duty and Registration Fee of ₹ 1.25 crore.

*(Paragraph 5.3)*

### **PART B: STATE PUBLIC SECTOR UNDERTAKINGS**

This Part contains six paragraphs, including one Subject Specific Compliance Audit (SSCA) on "Physical existence and safeguarding of assets in Non-Working PSUs under the Departments of Industries; Environment, Forest & Climate Change; Information Technology and Water Resources, Government of Bihar". Some of the major findings in this part are summarised below:

#### **6. Functioning of State Public Sector Undertakings**

There were 77 State Government Public Sector Undertakings (PSUs) under the audit jurisdiction of the Comptroller and Auditor General of India as on 31 March 2022. These included 70 Government Companies, four Government Controlled Other Companies and three Statutory Corporations. This Chapter deals with 15 Government Companies and one Statutory Corporation. 61 PSUs

(including four Government Controlled Other Companies and two Statutory Corporations) whose accounts were in arrears for three years or more or were defunct/under liquidation or first accounts were not received are not covered in this Chapter.

***(Paragraph 6.1 and 6.2.3)***

As on 31 March 2022, the total investment (equity and long term loans) in PSUs covered in this chapter was ₹ 52,689.67 crore. The investment consisted of 76.41 per cent (₹ 40,260.17 crore) towards equity and 23.59 per cent (₹ 12,429.50 crore) in long-term loans. The State Government had an equity holding of ₹ 39,686.75 crore in share capital.

Compared to the previous year, holding of the State Government in equity of State PSUs registered a net increase of ₹ 32.24 crore whereas loans outstanding remained the same during 2021-22.

***(Paragraphs 6.3 and 6.4)***

Out of 16 PSUs covered in the chapter, seven PSUs each earned profit during 2020-21 and 2021-22. The profit decreased to ₹ 291.30 crore in 2021-22 from ₹ 302.15 crore in 2020-21. The net worth of these seven PSUs was ₹ 10,989.84 crore.

Out of 16 PSUs covered in the chapter, five PSUs each incurred losses during 2020-21 and 2021-22. The accumulated losses and net worth of these loss incurring PSUs was ₹ 21,041.52 crore and ₹ 8,783.09 crore, respectively.

***(Paragraphs 6.5 and 6.6)***

Out of 77 PSUs (including three statutory corporations) under the audit jurisdiction of CAG, Financial Statements for the year 2021-22 were received from only one PSU on or before 31 July 2022 and have been reviewed by the CAG.

***(Paragraph 6.9.2)***

Subsequent to the audit of the financial statements by statutory auditors, the CAG conducted supplementary audit of the financial statements of the State Government Companies and Government Controlled Other Companies. During October 2021 to July 2022, CAG issued disclaimer on 18<sup>1</sup> accounts (13 Non-Power and five Power) and comments on 14 accounts (12 Non-Power and two Power) under Section 143(6)(b) of the Companies Act, 2013.

***(Paragraph 6.10.1)***

The financial impact of significant comments (issued during October 2021 to July 2022 on the four financial statements of three PSUs covered in the chapter) on profitability and assets/liabilities was ₹ 31.23 crore and ₹ 270.69 crore, respectively.

***(Paragraph 6.10.2)***

<sup>1</sup> The figure also includes accounts which were received and audited prior to October 2021 and report on accounts issued during October 2021 to July 2022.

## **7. Subject Specific Compliance Audit**

The assets and liabilities of non-working PSUs were not settled and basic records and books of accounts, were not being maintained due to lack of minimum/skeletal manpower and proper office establishment. Out of 22, 15 PSUs did not have manpower, due to which their basic records and books of accounts, were not being maintained and safeguarded for compliance of statutory obligations. The remaining seven PSUs also had the bare minimum staff.

*(Paragraph 7.6.1)*

The accounts of all 22 sampled non-working PSUs, were in arrears, with these arrears ranging from seven years to 45 years. In the absence of finalised accounts, Audit could not ensure whether the investments made (₹ 420.87 crore) in these PSUs had been accounted for properly and whether the funds provided by the State Government were utilised/being utilised for the intended purposes.

*(Paragraph 7.6.2)*

Out of 22 non-working PSUs, 17 had liabilities towards salaries/pensions and other related statutory obligations (EPF *etc.*), amounted to ₹ 399.08 crore. GoB had extended budgetary support of ₹ 127.77 crore to five PSUs, for discharging these liabilities, out of which ₹ 92.85 crore had been paid (up to August 2022) to the employees concerned, while payment of the balance amount, to the remaining employees, was in progress.

*(Paragraph 7.6.3)*

Bihar State Industrial Development Corporation Limited (BSIDCL) had 322.80 acres of land, valuing ₹ 1,278.95 crore, and plant and machinery, valuing ₹ 4.12 crore. However, the basic records of the land of its one subsidiary i.e. Bihar Paper Mills Limited and three production units, were not found available with the Company.

*(Paragraph 7.6.5)*

The assets and liabilities of BSIDCL amounting to ₹ 1,278.95 crore were to be divided between Bihar and Jharkhand. However, these assets and liabilities were yet to be divided between the two States and, as such, the process for winding-up of BSIDCL was pending (August 2022).

*(Paragraph 7.7.1)*

## **8. Compliance Audit Observations**

Compliance Audit observations included in this Report highlight deficiencies in the management of Public Sector Undertakings involving serious financial implications.



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**‘Implementation of Smart Cities Mission in Patna’ by Patna Smart City Limited** has been analysed. The observations are broadly of the following nature:

Out of 44 approved projects, 29 could not be started till October 2022, as they were found non-feasible, for reasons like the projects already being executed by other agencies, non-availability of land, non-requirement of rooftop farming, likelihood that the projects may attract huge crowds in already crowded areas *etc.* Hence, Smart City Proposal (SCP) had not been planned properly, ultimately leading to withdrawal/ addition of projects and subsequent delay.

**(Paragraph 8.1.7.1)**

The desired objective of construction of Jan Seva Kendras (JSKs) was not achieved due to poor planning on the part of Patna Smart City Limited (PSCL), despite incurring an expenditure of ₹ 7.10 crore on construction of 19 JSKs.

**(Paragraph 8.1.8.1)**

Release of mobilisation advance (MA), without finalisation of the scope of work, led to non-commencement of Integrated Command and Control Centre, resulting in blocking of MA of ₹ 11.19 crore, for 26 months, with consequent loss of interest, amounting to ₹ 1.55 crore, thereon.

**(Paragraph 8.1.8.2)**

As per the scope of the work, all the Grid Connected Rooftop Solar Power Plants were to be connected with the grid and to be equipped with net metering. However, the installed plants had not been connected to the grid and, therefore, net meters had also not been installed, resulted in partial fulfilment of the intended objective.

**(Paragraph 8.1.8.3)**

Against the available funds of ₹ 455.88 crore, PSCL had spent only ₹ 132.51 crore (29 *per cent*) till August 2022. The poor financial progress was attributable to frequent changes in SCPs; changes in the scope of works after award of works and during execution; award of works without availability of land; and failure of PSCL to obtain No Objection Certificates from the concerned Departments.

**(Paragraph 8.1.9)**

Executing the project related to Madhubani paintings, without administrative/ technical/ financial approval from Urban Development and Housing Department, Government of Bihar/ Ministry of Housing & Urban Affairs, Government of India, had resulted in irregular expenditure, as well as diversion of mission funds on works relating to Madhubani paintings, amounting to ₹ 12.36 crore.

**(Paragraph 8.1.9.2)**

Due to failure to forecast and limit the drawl of electricity as prescribed under CERC Regulations 2014, the Distribution Companies (South Bihar Power Distribution Company Limited and North Bihar Power Distribution Company Limited) incurred additional charge of ₹ 181.13 crore, for deviation.

***(Paragraph 8.2)***

Bihar State Power Transmission Company Limited suffered loss of grant of ₹ 97.54 crore, due to non-adherence to the Power System Development Fund guidelines.

***(Paragraph 8.3)***

Irregular finalisation of tender by Bihar State Electronics Development Corporation Limited resulted in avoidable expenditure of ₹ 1.81 crore.

***(Paragraph 8.4)***