

Overview

This Report comprises three chapters containing eight paragraphs and three Subject Specific Compliance Audits. Chapter I contains the audit findings pertaining to Social, General and Economic Sectors (Non-Public Sector Undertakings) and one Subject Specific Compliance Audit of Solid Waste Management in Urban Local Bodies in Goa. Chapter II contains Compliance audit findings pertaining to Revenue Sector and one Subject Specific Compliance Audit on Department's oversight on GST Payments and return filing-Phase II. Chapter III contains audit findings pertaining to State Public Sector Undertakings, Government Commercial and Trading Activities and one Subject Specific Compliance Audit on Loan Management of EDC Limited.

The total expenditure of the State increased by 31.66 *per cent* from ₹ 14,842.08 crore in 2020-21 to ₹ 19,541.24 crore in 2022-23. The revenue expenditure of the State increased by 23.09 *per cent* from ₹ 12,092.65 crore in 2020-21 to ₹ 14,884.48 crore in 2022-23.

The share of revenue expenditure to total expenditure was 80 *per cent* during 2021-22, while it decreased to 76 *per cent* during 2022-23 with a corresponding increase in the share of capital expenditure to 24 *per cent* of the expenditure as compared to 20 *per cent* during 2021-22.

COMPLIANCE AUDIT

Urban Development Department

Subject Specific Compliance Audit of Solid Waste Management in Urban Local Bodies in Goa

Solid Waste Management (SWM) is one of the biggest challenges faced in urban India. Inadequate management of waste can have significant adverse impact on public health and the environment.

The Subject Specific compliance audit (SSCA) of Solid Waste Management in Urban Local Bodies (ULBs) in Goa was undertaken with a view to assess whether planning for SWM in the ULBs was in conformity with the prevailing legal framework, and the municipal tasks associated with SWM were in accordance with extant Rules and Regulations. Audit also assessed the compliance to the recommendations made during the Performance Audit of Solid Waste Management conducted during the period 2017-18 which featured in the Audit Report for the year ended March 2018.

Audit of SWM in test-checked ULBs *i.e.*, Corporation of the City of Panaji (CCP), the only Municipal Corporation in the State and four selected Municipal Councils (out of 13) was carried out covering the period 2017-18 to 2021-22.

Government of Goa had notified SWM policy in October 2018 and revised it in March 2024. Audit observed that as the ULBs did not prepare any plan for SWM activities in their jurisdiction, the efficient management of solid waste was impacted.

Audit observed that the ULBs could not enhance their own revenues through efficient collection of user charges, resulting in huge arrears. Therefore, ULBs could not finance expenditure on SWM activities from their own resources. Moreover, there were no sanctioned posts for dedicated staff for carrying out SWM activities in the ULBs in the State.

The estimation of waste generation by the ULBs was not as per the prescribed methodology, and the waste collected was considered as the waste generated, which affected the planning for collection and treatment of waste. The SWM treatment facilities were insufficient as well as underutilized. Consequently, on an average, only 78 *per cent* of collected waste across 14 ULBs from 2017-18 to 2021-22 was treated, and the remaining waste was dumped at dumpsites without treatment. The insufficient treatment of waste also resulted in creation of new dumpsites.

The GSPCB also could not implement the e-waste Management Rules in the State and lacked comprehensive inventories for e-waste.

The total capacity of treatment facilities in ULBs was 216.70 Tonnes per day (TPD) out of which 124.20 TPD was for wet waste and 92.50 TPD for dry waste. Shortage of capacity in treatment facilities was observed in three out of four test-checked MCs, with Margao MC being the worst affected with a 5 TPD plant for processing 35 TPD waste collected.

Thus, the goal of a successful solid waste management through collection of all the generated waste at source, its efficient transportation and safe processing in accordance with the principles of reduce, reuse and recycle remains to be achieved.

Recommendations:

- *Urban Local Bodies may prepare their Solid Waste Management plans, encompassing both short-term and long-term objectives, on priority, in accordance with the policy.*
- *Urban Local Bodies may make concerted efforts to improve the collection of user charges for management of solid waste in their jurisdiction.*
- *Efforts may be made to minimize gaps in waste generation, collection and treatment with complete segregation at source and mandated transportation of waste by Urban Local Bodies.*
- *Goa State Pollution Control Board may take steps to update the data of all health care facilities in the state through Directorate of Health Services and ensure that all are registered with the Common Bio-Medical Waste*

Treatment Facility to ensure proper collection and treatment of bio-medical waste.

- *Goa Waste Management Corporation may expedite the finalization of e-Waste Management Plan and complete the work of e-waste treatment facilities.*

(Paragraph 1.5)

Department of State Tax

Subject Specific Compliance Audit on Department's oversight on GST Payments and Return Filing-Phase II

The Subject Specific Compliance Audit (SSCA) on Department's oversight on GST payments and Return filing - Phase II was taken up considering the significance of the control mechanism and oversight mechanism of the State Taxes Department under GST regime.

This SSCA was predominantly conducted based on data analysis, which highlighted risk areas and red flags. The objective was to seek assurance whether rules and procedures were designed to secure an effective check of tax compliance and whether scrutiny procedures, internal audit and other compliance functions of the wards were adequate. The scrutiny of returns by the Department and verification of taxpayers' record covered the period from April 2018 to March 2021 while the audit of the functions of selected wards covered the period from April 2020 to March 2021. The SSCA covered only the State administered taxpayers.

Audit observed systemic deficiencies which was not complying with the provisions of the Act/Rules like inaction on non-filers of GSTR-3Bs, delay in initiation of scrutiny of returns and non-initiation of follow-up action after cancellation of registration etc.

Compliance deficiencies were classified under two categories: (i) Centralised Audit; and (ii) Detailed Audit. During test check of returns data for the period 2018-19 to 2020-21, audit observed deviations (under Centralized audit) from the provisions of the Act in 109 cases (constituting 40.37 *per cent* of the total 270 cases where reply was received) involving mismatch/deviation of ₹ 157.99 crore. Relatively higher rates of deviations were noticed in risk parameters such as 'Tax not remitted due to GSTR-3B not filed', 'Non/short payment of interest on delayed payment of tax' and 'Mismatch in tax payments as per Table 9R of GSTR-9C', etc. In 65 cases (constituting 24.07 *per cent*), where the replies were acceptable to Audit; data entry errors by the taxpayers comprised three cases, the Department had proactively taken action in eight cases and 54 cases had other valid explanations. In 11 cases (constituting 4.07 *per cent*), the Department's reply was not acceptable to the Audit and rebutted accordingly. In 44 cases

(constituting 16.30 *per cent*), where the Department did not accept the deviations pointed out by Audit, their contention was not borne out by evidence and was thus not amenable to verification by audit. In the remaining 41 cases audit observation was under examination by the Department. Audit also noticed turnover related mismatches in 16 cases.

Further, during the test-check of records of 15 taxpayers (under Detailed Audit) pertaining to the period 2018-19 to 2020-21, audit observed deficiencies of non-compliance with the provisions of the Act/Rules. These instances under detailed audit involved deviation/mismatch of ₹ 313.78 crore due to instances of Non-filing of returns, Mismatch in availing Input Tax Credit (ITC) and Discharge of Tax liability.

Non-filing of returns resulting in short/non-payment of interest on account of delayed filing of returns/delayed payment of additional tax liability, short payment of tax liability (₹ 3.78 lakh), non-payment of interest (₹ 0.29 crore) on reversal of excess ITC utilized in one case was noticed. Mismatch in availing ITC between GSTR-2A and GSTR-3B returns by 12 taxpayers (₹ 195.61 crore), mismatch in availing ITC on import of goods by four taxpayers (₹ 57.97 crore), mismatch in availing ITC received from Input Service Distributor (ISD) by eight taxpayers (₹ 50.26 crore), *etc.*, was also noticed. Discharge of tax liability included mismatch in tax liability of ₹ 1.39 crore between returns by six taxpayers.

Recommendations:

- *The Department may ensure timely and proper action and assessment of non-filers for safeguarding government revenue.*
- *The Department may ensure the initiation and completion of scrutiny of returns for the year 2020-21 in a time bound manner.*
- *The Department may monitor the status of cancellation of registrations and take timely action in consonance with the statutory provisions to check undischarged tax liabilities.*

(Paragraph 2.2)

Department of Captain of Ports

Award of contracts for desilting works of River Sal on nomination basis, contravening Government rules and regulations, resulted in undue benefit of ₹ 3.14 crore to the contractors.

(Paragraph 2.3)

Department of Excise

Assessing Authority short-levied excise duty of ₹ 59.10 lakh and health surcharge of ₹ 1.18 lakh due to consideration of lower Maximum Retail Price slab for liquor manufacturing unit.

(Paragraph 2.4)

Short levy of license fee of ₹ 33.59 lakh from hoteliers due to incorrect identification of category of hotels.

(Paragraph 2.5)

Finance Department

Subject Specific Compliance Audit on Loan Management of EDC Limited (2018-23)

EDC Ltd., (EDC) is a Non-Banking Financial Company (NBFC), set up by the Government of Goa with the main objective of providing financial assistance to Micro, Small and Medium Entrepreneurs (MSME). The activities of loan management of EDC for the period 2018-19 to 2022-23 was audited to assess whether the sanction and disbursement of loans were in accordance with the prescribed guidelines, the process of recovery of dues were in accordance with the mandate to minimize waivers and whether EDC effectively discharged its role and fulfilled its mandate pertaining to loan management.

Scrutiny of loan sanctions and disbursements revealed deficiencies in loan appraisals and loan security, resulting in lower interest rates being charged on loans. Further, the interest rates were not reviewed periodically by the Board of Directors as was required by the Standard Operating Procedure, and selective borrowers were offered interest rate reductions.

Scrutiny of One Time Settlement (OTS) cases revealed non-compliance with the conditions of OTS scheme resulting in higher principal waivers extended to selective defaulters.

The recovery from the defaulters of written-off loans was adversely impacted due to lack of follow-up action required to be taken by EDC despite favourable court verdicts and in some defaults, due to non-filing of court cases thereby delaying their resolution.

The data of defaulters were not accurately reported to Credit Information Companies (CICs like CIBIL) which also weakened the recovery process.

Audit observed the absence of long term corporate business planning with a vision to drive the business direction in EDC resulting in a continuous decline in the loan portfolio. The annual profits of ₹ 250 crore (during the audit period) were retained by EDC without any realistic plan for its deployment in furtherance of the core mandate of lending to MSMEs.

Recommendations:

- EDC may implement measures to strengthen the appraisal process, including the adoption of more robust credit rating metrics. Additionally, it may ensure that loans are backed by effective security, with clear titles and free from encumbrances.*

- *EDC may ensure strict adherence to the OTS scheme conditions and optimise the recoveries on defaulted loans without selectively relaxing them for defaulters.*
- *EDC may formulate an action plan to resolve the defaulted loan accounts conclusively through tracing of defaulters' assets and pursue decree executions.*
- *EDC may formulate a strategic business plan including a Vision-Mission document to steer the direction of business as per the mandate.*

(Paragraph 3.2)

Department of Industries

Acquisition of land disregarding the request of the indenting department to de-notify the land acquisition in view of it not being financially feasible resulted in idle expenditure of an amount of ₹ 70.45 crore.

(Paragraph 3.3)

The Goa Industrial Development Corporation irregularly retained ₹ 6.58 crore of funds released for implementation of Assistance to State for Development of Export Infrastructure and Allied Activities and parked the funds in Fixed Deposits; the Utilization Certificates submitted by the Corporation for ₹ 6.12 crore were misleading.

(Paragraph 3.4)

Electricity Department

Failure to charge Goods and Services Tax by the Electricity Department on the meter rent charged to consumers during the period 01/07/2017 to 31/03/2023 and non-availing of ITC on purchase of electricity meters resulted in non-collection/non-payment of GST (₹ 10.55 crore) and non-availing of ITC (₹10.63 crore).

(Paragraph 3.5)

Finance Department

Appointment of an ineligible consultant, deficient project planning, changes in project scope and cost after the contract award and failure to provide hindrance-free site to the contractor by GSIDC resulted in inordinate delay in completion of the work and additional expenditure of ₹ 44.39 lakh.

(Paragraph 3.6)