

## OVERVIEW

### About this Report

This Report of the Comptroller and Auditor General of India (CAG) relates to matters arising from Compliance Audit of selected Departments of Government of Rajasthan (GoR). Compliance Audit refers to whether the rules and procedures are designed to secure an effective check on the assessment, collection and proper allocation of revenue and examination of the transactions relating to expenditure incurred by the audited entities and to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by competent authorities are being complied with.

The primary purpose of the Report is to bring important results of Audit to the notice of the State Legislature. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of Audit are expected to enable the Executive to take corrective actions and also to frame policies and directives that will lead to improved financial management of the audited entities, thus, contributing to better governance.

This report has two parts:

**Part-A** includes audit observations noticed during Audit of revenue earning Departments i.e. Commercial Taxes, Land Revenue, Stamps & Registration and State Excise.

**Part-B** includes audit observations related to expenditure incurred by various State Government Departments.

### PART-A

#### Revenue Sector

The Part-A contains 19 paragraphs involving ₹ 249.40 crore. Some of the significant audit findings are mentioned below:-

#### I. General

- The total revenue receipts of the Government of Rajasthan during 2020-21 were ₹ 1,34,308 crore as against ₹ 1,40,114 crore for the year 2019-20. The revenue raised by the Government amounted to ₹ 73,936 crore comprising tax revenue of ₹ 60,283 crore and non-tax revenue of ₹ 13,653 crore. The receipts from the Government of India were ₹ 60,372 crore (State's share of divisible Union taxes of ₹ 35,576 crore and grants-in-aid of ₹ 24,796 crore).

(Paragraph 1.1)

- Analysis of Inspection Reports (IRs) issued upto March 2021 disclosed that 5,308 paragraphs involving ₹ 1,656.71 crore relating to 1,799 IRs remained outstanding at the end of September 2021 in four departments viz. Commercial Taxes, Land Revenue, Registration & Stamps and State Excise Department.

**(Paragraph 1.8)**

## **II. Taxes on Sales, Trade, Supplies etc.**

The office conducted audit of 45 units of Commercial Taxes Department. The major irregularities noticed are:

- Assessing authority incorrectly assessed the taxable turnover at ₹ 90.00 crore instead of ₹ 131.02 crore resulting in short levy of tax amounting to ₹0.41 crore.

**(Paragraph 2.4)**

- Irregular allowance of ITC of ₹ 0.44 crore on the goods sold at subsidized price.

**(Paragraph 2.5)**

- Assessing Authorities did not utilize the information available on the web-based application *RajVISTA* to impose entry tax which resulted in short/non-levy of entry tax of ₹ 1.81 crore and interest of ₹ 1.02 crore.

**(Paragraph 2.6)**

A Subject Specified Compliance Audit on “Processing of Refund claims under GST” was conducted. The major irregularities noticed are as under:

- There was delay in sanction of refunds ranging from 1 to 522 days in 247 cases. The Department did not pay interest amounting to ₹ 16.82 lakh which was due to the claimants in all these cases.

**(Paragraph 2.7.6.2)**

- There was delay in sanction of provisional refund on account of zero-rated supply in 57 cases ranging from 1 to 324 days.

**(Paragraph 2.7.6.3)**

- Irregular allowance of refund of ₹ 7.09 crore was allowed in 24 cases under inverted duty structure.

**(Paragraph 2.7.6.4)**

- Irregular allowance of refund of ₹ 0.36 crore was allowed in 16 cases under zero rated supply of goods or services.

**(Paragraph 2.7.6.5)**

- Sanction of provisional refund in cases other than zero rated supplies led to irregular grant of provisional refund amounting to ₹ 2.62 crore.

**(Paragraph 2.7.6.6)**

- The state GST portal lacks a system validation check to calculate the correct refundable amount of IGST, CGST and SGST in the prescribed



order due to which refund of CGST and SGST sanctioned in 208 cases was more than the eligible amount.

**(Paragraph 2.7.7.1)**

- Mechanism to identify the export of goods where export proceeds were not realized was not available. In the absence of availability of such information, the Department did not identify cases where proof of exports proceeds realisation was not available.

**(Paragraph 2.7.7.3)**

- Thirty four taxpayers had claimed refunds of ITC on account of inverted duty structure two years after the due date for furnishing of returns for the period to which the refund claims pertained.

**(Paragraph 2.7.7.4)**

- ITC availed by two taxpayers, on input services and capital goods were also considered to calculate the Net ITC, resulting in irregular allowance of refund amounting to ₹2.34 crore.

**(Paragraph 2.8.1)**

- Jurisdictional officer failed to detect duty drawback of Central Tax and allowed refunds as claimed by taxpayers which resulted in irregular allowance of refunds amounting to ₹1.46 crore.

**(Paragraph 2.8.2)**

A Subject Specified Compliance Audit on “Transitional Credit under GST” was conducted. The major irregularities noticed are as under:

- Transitional credit of SGST carried forward by 674 taxpayers was more than the ITC available to be carried forward as per assessment/rectification orders resulting in excess carry forward of ITC amounting to ₹164.68 crore which was required to be recovered alongwith interest.

**(Paragraph 2.9.6.1)**

- A taxpayer claimed transitional credit of ₹ 32.75 lakh as a closing balance of legacy period which included ₹ 26.65 lakh ITC on purchase of goods which were sold as exempted goods and were irregularly carried forward from 2016-17. This resulted in excess claim of ITC of ₹ 26.65 lakh in TRAN-1.

**(Paragraph 2.9.6.2)**

- Irregular transitional credit of ₹ 5.42 crore was claimed by 16 taxpayers, which was subsequently deposited by them or reversed by the taxpayers/department. However, neither the taxpayers paid the interest nor was it demanded by the Department which resulted in non-payment of interest amounting to ₹ 0.90 crore.

**(Paragraph 2.9.6.3)**

- Out of the selected 1325 cases, the Department had verified 459 cases. Audit noticed irregularities in respect of 86 cases out of these 459 cases, which were not detected by the Department.

**(Paragraph 2.9.6.4)**



- The details of outstanding declaration forms (C, H & F) in table 5(c) of TRAN-1 such as turnover relating to outstanding declaration forms along with difference tax payable and amount of reversible ITC relatable to the pending forms was not available in case of 644 taxpayers. The department did not seek necessary details of the declaration forms from the taxpayers and the GST portal also allowed transitional credit claims with these fields left blank.

**(Paragraph 2.9.6.5)**

- Thirteen taxpayers claimed transitional credit of SGST in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the appointed day. However, the relevant supporting information and records *i.e.* details of closing stock and supporting invoices were not available with the department.

**(Paragraph 2.9.6.6)**

- A taxpayer claimed transitional credit as SGST in respect of unavailed SGST credit on Capital Goods amounting to ₹52.40 lakh. Further, two taxpayers claimed SGST credit amounting to ₹ 29.44 lakh on inputs received on or after the appointed day but the tax in respect of which had been paid by the supplier under the existing law. However, the prescribed information *e.g.* details of capital goods and closing stock alongwith supporting invoices were not available as verification of these transitional credit cases was not carried out by the department.

**(Paragraph 2.9.6.7)**

- Jurisdictional Officers of 71 circles could provide only limited information attributing the reason to lack of relevant MIS on the GST *BOWEB* portal. The remaining 23 circles provided the required information on the basis of compilation of information at the level of circles. However, in the absence of any supporting documents, the veracity of the information provided by these circles could not be ascertained.

**(Paragraph 2.9.6.9)**

- Failure to verify the ITC available under pre- GST regime resulted in taxpayer availing excess Transitional Credit of ₹ 2.48 crore.

**(Paragraph 2.10)**

### **III. Land Revenue**

The office conducted audit of 57 units of Land Revenue Department. The major irregularities noticed are:

- Failure to incorporate the provisions of the Rajasthan Imposition of Ceiling on Agriculture Holding Act, 1973 in exemption notification resulted in non-recovery of conversion charges of ₹ 0.90 crore for change of land use from agriculture to industrial purposes in Tehsil, Phulera of Jaipur District.

**(Paragraph 3.4.1)**

- Use of agricultural land for institutional, industrial, residential colony and commercial purposes without conversion in seven tehsils of Tonk and

Jaipur Districts resulted in non-recovery of conversion charges of ₹ 14.21 crore.

**(Paragraph 3.4.2)**

- Calculation of conversion rate on the basis of incorrect area of land for changing agricultural land use to industrial purpose in Tehsil, Chomu of Jaipur District resulted in short-recovery of conversion charges of ₹ 0.14 crore

**(Paragraph 3.4.3)**

- Conversion of agriculture land by applying incorrect rate in four tehsils of Dausa, Jaipur and Tonk Districts resulted in short-recovery of conversion charges of ₹ 0.18 crore.

**(Paragraph 3.4.4)**

#### **IV. Stamp Duty and Registration Fee**

The office conducted audit of 29 units of Registration and Stamps Department. The major irregularities noticed are:

- Undervaluation of Immovable properties by Registering Authorities resulted in short levy of Stamp duty, Surcharge and Registration Fee totalling ₹ 1.52 crore.

**(Paragraph 4.4)**

- Incorrect valuation of lease deeds led to short levy of stamp duty, surcharge and registration fee totalling ₹ 1.20 crore.

**(Paragraph 4.5)**

- Incorrect valuation of institutional land by the registering authority led to short levy of stamp duty, surcharge and registration fee totalling ₹ 0.18 crore.

**(Paragraph 4.6)**

- Failure of the registering authority to correctly classify the instrument of conveyance led to short levy of Stamp duty and Surcharge totalling ₹ 0.27 crore.

**(Paragraph 4.7)**

- Failure of Registering Authorities to utilize information available with RERA led to short levy of Stamp Duty and Surcharge totalling ₹ 0.31 crore.

**(Paragraph 4.8)**

#### **V. State Excise**

The office conducted audit of 41 units of State Excise Department. The major irregularities noticed are:

- District Excise Officers failed to collect the prescribed Monthly Guarantee Amount from country liquor licensees which led to loss of revenue of ₹ 9.14 crore.

**(Paragraph 5.5)**



- District Excise Officers failed to recover the prescribed additional amount on short lifted quantity of IMFL and Beer which led to loss of revenue of ₹ 9.75 crore.

**(Paragraph 5.6)**

- District Excise Officers failed to recover the difference amount of Excise Duty on short lifted quantity from country liquor licensees which led to loss of revenue of ₹ 5.54 crore.

**(Paragraph 5.7)**

- Failure to notify the increase in the rate of permit fees on transportation of Country Liquor in line with the policy provision led to loss of revenue of ₹ 16.07 crore.

**(Paragraph 5.8)**

## **PART-B**

### **Expenditure Sector**

#### **VI. General**

- There are 66 Departments, 234 Autonomous Bodies (ABs) and 14 Public Sector Undertakings (PSUs) of the Government of Rajasthan, headed by Additional Chief Secretary/Principal Secretaries/Secretaries, which are audited by the Accountant General<sup>1</sup> (Audit-I), Rajasthan, Jaipur.

**(Paragraph 6.1)**

- During 2020-21, audit of 699 out of the 24,258 units of General and Social Sector Departments, have been carried out. Further, 16,537 mandays (for financial audit and compliance audit) were used.

**(Paragraph 6.3)**

- A total of 75 paragraphs that featured in the Reports of the Comptroller and Auditor General of India on Expenditure Sector for the years ended 31 March 2016, 2017, 2018, 2019 and 2020 were placed before the State Legislative Assembly. Out of this, ATNs on 16 paragraphs were received within prescribed time and ATNs on 51 paragraphs were received late with an average delay of 3 to 4 months from the concerned Departments. ATNs on eight paragraphs were due to be received.

**(Paragraph 6.6)**

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<sup>1</sup> Erstwhile Office of the 'Principal Accountant General (General and Social Sector Audit)' has been renamed as Office of the 'Accountant General (Audit-I)' with effect from 18.05.2020.

## **VII. Compliance Audit of Expenditure Sector**

The significant audit observations are:

- Lack of proper planning and imprudent decision by Rajasthan State Seeds Corporation Limited to sell/auction the seeds as grain instead of storing and re-certifying them for distribution in the next season, resulted in a loss of ₹ 10.15 crore.

**(Paragraph 7.1)**

- The Rajasthan State Warehousing Corporation, instead of utilizing the storage capacity available under an existing beneficial contract, entered into a contract with less beneficial revenue sharing arrangement initiated through a suo-moto single source procurement system, which resulted in undue benefit of ₹ 1.57 crore to a private firm.

**(Paragraph 7.2)**

- Cooperative Department's failure in procuring the targeted quantities of oilseed and pulses under Minimum Support Price scheme deprived the farmers from getting guaranteed price for their produce.

**(Paragraph 7.3)**

- Fisheries Department's decision of not providing opportunity to the only bidder left, after the failure of the highest bidder to comply with the prescribed rules, in violation of the General Financial and Accounts Rules led to loss of opportunity to earn an additional ₹ 3.97 crore.

**(Paragraph 7.4)**

- Food, Civil Supplies and Consumer Affairs department's delayed/non distribution of subsidised sugar to the eligible beneficiaries and procurement of sugar in excess of the requirement resulted in piling up of huge stock and ultimately rendered the subsidised sugar worth ₹ 2.73 crore being unfit for human consumption.

**(Paragraph 7.6)**

- The laxity of Rajasthan Building and Other Construction Workers' Welfare Board in finalising the location and taking possession of the land allotted by Jaipur Development Authority for construction of workers houses resulted in blockage of ₹ 13.74 crore for more than six years and deprived the building construction workers of the benefits of group housing scheme.

**(Paragraph 7.7)**

- Non-commencement of Trauma Care Centres of Medical and Health Department for more than seven years after construction of the buildings not only resulted in unproductive expenditure of ₹ 5.45 crore but also deprived the accident victims from immediate life-saving treatment.

**(Paragraph 7.9)**



- The Medical Education Department initiated paramedical courses without obtaining recognition from Rehabilitation Council of India (RCI) which led to discontinuance of courses, adversely impacting the career prospects of enrolled students and resulting in infructuous expenditure of ₹ 1.40 crore incurred on infrastructure and equipment as well as blockage of unutilized funds amounting to ₹ 1.15 crore even after lapse of five years.

**(Paragraph 7.11)**

- Non-adherence to terms and conditions of sanction and inordinate delay by Minority Affairs Department and WAQF Board in construction of Girls' Hostel resulted in unfruitful expenditure of ₹ 2.10 crore and deprived intended facilities to beneficiaries.

**(Paragraph 7.12)**

- The Minority Affairs Department and WAQF Board failed to adhere to the Micro Finance Scheme Guidelines while disbursing loan of Self Help Groups which resulted in non-recovery of loans and penalty of ₹ 3.28 crore and defeated the very purpose of microfinancing.

**(Paragraph 7.13)**

- Slackness of Department of Personnel in providing encroachment free land and transfer of advances to the executive agency in contravention of Rule 8 of GF&AR not only resulted in blockage of ₹ 7.50 crore for more than three years but the very purpose of the budget announcement was also not achieved.

**(Paragraph 7.14)**