EXECUTIVE SUMMARY

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from compliance audit of government departments, autonomous bodies and public sector undertakings of the Government of Maharashtra. Compliance Audit refers to examination of the expenditure and revenue of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the authorities are being complied with.

The primary purpose of this Report is to bring important results of audit to the notice of the State Legislature. 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 operational efficiency and financial management of the organisation, thus contributing to better governance.

This Report includes audit findings in three chapters. **Chapter I** includes "Introduction, Audited entity profile, Planning and conduct of audit and responsiveness of Government to Audit", **Chapter II** includes Audit observations related to State Government Departments and **Chapter III** includes Audit observations related to Public Sector Undertakings.

A synopsis of Key findings contained in this report is presented below:

Chapter-I: Introduction

There are 14 departments, 9 autonomous bodies and 64 public sector undertakings of the Government of Maharashtra headed by Additional Chief Secretary/Principal Secretaries/Secretaries which are audited by the Accountant General (Audit)-II, Maharashtra, Nagpur.

Explanatory Memorandum on 112 paragraphs and reviews included in the Audit Report were outstanding. Action Taken Notes on 319 recommendations of Public Accounts Committee and Committee on Public Undertakings were pending from 14 departments.

Chapter –II: Audit of Transactions: State Government Departments

Buildings and Roads Deposit Works undertaken by Public Works Department

Audit of Buildings and Roads Deposit works undertaken by Public Works Department revealed that inadequate release of funds by the user department led to stalling of the works and creation of liability for the PWD. A huge amount of ₹ 22 crore of scarce government funds remained unutilized with the PW divisions even after completion of deposit works. The user departments could not utilize the constructed buildings/infrastructure for the intended purpose for want of electrification, water supply and non-handing over of the completed buildings by the PWD. Instances of inadequate survey and improper estimation resulting in avoidable extra items and excess quantities were observed. Deficiencies in adhering to specified quality control norms were noticed. Instances of diversion of funds, generation of multiple IDs for same work and non-display of status of work in the DCMS were also noticed. Lack of monitoring and control on deposit works led to scarce financial resources of GoM remaining unutilized or blocked on account of incomplete works.

Implementation of the scheme of creation of Swargiya Uttamrao Patil Van Udyans in Maharashtra

Out of 67 Bio-diversity Parks (BDPs), termed as 'Swargiya Uttamrao Patil Van Udyan' taken up by the GoM under the scheme, only 15 BDPs could be completed and handed over (March 2021). The improper selection of sites resulted in unsuccessful plantations and creation of parks on non-government land. There was absence of budgetary and expenditure controls, short release of funds resulted in extension of scheme and majority of parks remained incomplete. Audit observed non-completion of BDPs within stipulated period and deterioration of assets created as there was no provision in the DPR for maintenance of assets formed during creation of BDPs.

Goods and Service Tax Transitional Credits

Audit of "Goods and Service Tax transitional credits" revealed cases of excess availment of transitional credits due to irregular declaration in GST TRAN-1 by tax payers. Irregular transitional credit was availed by tax payers though they did not file all the prescribed returns. Audit also observed the cases of irregular availment of transitional credit on capital goods, goods in transit and input contained in work in progress/finished goods. Commissioner of State Tax failed to produce the records pertaining to verification of the claims of transitional credits availed by tax payers to Audit for scrutiny in spite of repeated requisitions due to which audit could not verify effectiveness of department's verification and internal control mechanism regarding transitional credit.

Goods and Service Tax refunds

Audit of "Goods and Service Tax refunds" revealed that the electronic credit/cash ledgers of the tax payer were not debited before generation of Application Reference Number of the refund application resulting in irregular grant of refund. There were cases of delayed issuance of refund order, thereby, creating liability of payment of interest. The grant of provisional refunds in excess of total due amount were also noticed. Department granted refund on account of zero rated exports without obtaining the proof of exports. Department erred in considering the input tax credit on capital goods, input services and pre-GST invoices for grant of refund wherever applicable. The cases of consideration of incorrect values of components such as Adjusted Total Turnover, Net Input Tax Credit, values of invoices which resulted in excess refunds were noticed. On rejection of refund claim of unutilized ITC on account of ineligibility of the said credit, the Department did not ensure re-credit of rejected amount in the Electronic Credit Ledger of the claimant. Department did not submit data of communication of refund orders to counterpart tax authorities, data relating to conduct of post-audit of refund claims and data of mode of payment of GST refunds to the tax payer for audit scrutiny despite repeated requests.

Individual Audit Observations

Audit observed undue benefit to the Concessionaire of ₹ 1.44 crore on account of delay in recovery of expenditure incurred by the department

on repair works and in another case avoidable expenditure of ₹ 3.48 crore on widening of a road length notified as National Highway was noticed.

- Audit of VAT offices revealed Short levy of Value Added Tax and interest thereon to the tune of ₹ 11.72 lakh due to application of incorrect rate of tax. Further in another two cases it was noticed short levy of interest under section 30(3) of Maharashtra Value Added Tax Act, 2002 of ₹ 47.06 lakh and an Excess refund to the tune of ₹ 21.56 lakh due to grant of inadmissible allowance of set-off on inputs utilized in construction of Factory Building.
- Audit of offices under Stamp Duty and Registration Department revealed Short levy of Stamp Duty of ₹ 6.72 crore in 14 cases of lease deeds due to non-consideration of constructed area in one case, nonconsideration of renewal clause in two cases and undervaluation of market value in 11 cases.
- In three cases audit noticed Short levy of Stamp Duty of ₹ 2.02 crore due to not working out the correct market value of property or consideration in revenue sharing agreements. In another two cases audit noticed Short levy of Stamp Duty ₹ 0.97 crore in conveyance deed due to incorrect/non-application of provision of Maharashtra Stamps Act, 1958 and Annual Statement of Rates. Further in one case Short levy of Stamp Duty ₹ 0.30 crore due to clubbing of Mortgage Deed and Short levy of Stamp Duty ₹ 0.23 crore in one case of release deed was noticed.

Chapter III: Audit of Transactions: State Public Sector Undertakings

Performance of Maharashtra State Electricity Distribution Company Limited Pre and Post Ujwal DISCOM Assurance Yojana (UDAY)

Audit of UDAY scheme revealed that though MSEDCL received an amount of ₹ 4,960 crore from GoM under the scheme to repay it's high cost debt, it did not receive any other dedicated fund to achieve various operational parameters. As a result, MSEDCL was left to improve its operational parameters through its own resources or under other Central/State schemes. At the time MSEDCL approached (March 2017) the GoM for availing guarantee for raising bonds of \gtrless 1,653 crore in accordance with the GR (December 2016), GoM denied standing guarantee to MSEDCL for raising the funds. There was no firm commitment from GoM departments to expeditiously clear the outstanding dues of MSEDCL. MSEDCL could not achieve its targets of bringing down the AT&C losses to the desired level. On the contrary, AT&C losses of MSEDCL had increased from 16.94 per cent in 2018-19 to 20.73 per cent in 2020-21 due to poor collection mainly from agricultural consumers and various State Government departments. Thus, the main objectives of achieving financial and operational turnaround of MSEDCL were not achieved inspite of implementing UDAY scheme.

Follow-up audit of performance audit on 'Computerisation of *e*-ticketing system in Maharashtra State Road Transport Corporation'

Follow-up audit of Performance Audit on 'Computerisation of e-ticketing system in Maharashtra State Road Transport Corporation' revealed that the recommendations of the Committee on Public Undertakings (COPU) have not been fully complied within the prescribed time period of two months. The audit also revealed that potential revenue loss on sale of tickets due to delay in fixing the contract advertisement and issues related to various concession through Electronic Ticket Issuing Machine¹ (ETIM) were not addressed. Implementing and maintaining ETIM and Online Reservation System (ORS) did not have sufficient input controls and validation checks in place to have complete and reliable data.

Individual Audit Observation

Construction of depot at Manchar by the MSRTC within 30 kms of two existing depots against its own policy resulted in unfruitful expenditure of ₹ 4.05 crore.

Main recommendations

Chapter –II: Audit of Transactions: State Government Departments

Buildings and Roads Deposit Works undertaken by Public Works Department

- 1. The Government may ensure that the user departments deposit the funds in time to PWD so that works are executed without delay.
- 2. Government may ensure timely completion and handing over of the completed works to user departments.
- 3. The Government may ensure streamline the DCMS and strengthen the internal control and monitoring system of deposit works.

Goods and Service Tax Transitional Credits

- 1. Department should ensure timely submission of records to Audit.
- 2. The Department may revisit the provisions of internal circular No.23A of 2018 and issue clarification on un-availed ITC on Capital goods.
- **3.** Department should ensure compliance of all required conditions for availment of transitional credit by tax payer to avoid irregular/excess availment/utilisation of Input Tax Credit by the tax payer.
- 4. Department needs to initiate action for issue of demand notices to the assessee concerned for recovery of irregular excess availment of transitional credit.

¹ Application developed to capture the details of all tickets issued to the passengers boarding the bus by the conductor through the machine called Electronic Ticket Issuing Machine (ETIM)

Goods and Service Tax refunds

- **1.** Department should ensure debit to the electronic credit/cash ledger before generation of Application Reference Number and issue of refund orders.
- **2.** Department should ensure availability and production of requisitioned records/statements to audit.
- **3.** Compliance to codal provisions and instructions issued by the Government from time to time may be ensured for correct and timely disposal of the refund cases.

Chapter III: Audit of Transactions: State Public Sector Undertakings

Performance of Maharashtra State Electricity Distribution Company Limited (MSEDCL) Pre and Post Ujwal DISCOM Assurance Yojana (UDAY)

- **1.** GoM may ensure that all electricity dues of MSEDCL from departments and local bodies towards public water works and street lights are cleared in a time bound manner.
- **2.** *MSEDCL* should complete *DT* metering and feeder segregation expeditiously and reduce the AT&C losses to 15 per cent or less by improving its billing and collection efficiency.