NEWS ITEMS ON CAG/ AUDIT REPORTS (03.05.2022 to 04.05.2022)

CAG constitutes team to audit AIFF, instructed by top authority to go deep into details

(theprint.in, timesofindia.indiatimes.com, news18.com, english.mathrubhumi.com, latestly.com) PTI | 04 May 2022

With an instruction from higher authorities to "go deep into the details", the Comptroller and Auditor General of India (CAG) on Wednesday constituted a team to conduct an audit of the All India Football Federation (AIFF) for the last four financial years for alleged financial irregularities.

The AIFF, though, insisted that it has not received any "special letter" from CAG in recent times and said submission of its audited financial statements is a "normal thing" which is done from time to time.

"CAG has constituted a team today to audit AIFF's record of last four financial years and there is an instruction from the higher authorities to the special team to go deep into the details and carry out a thorough investigation," a Indian football source aware of the development said.

Reacting to a report that the Sports Ministry has approved an audit of the apex football body after the special cell of the CAG allegedly found financial irregularities in the AIFF, a federation official said it has been submitting a copy of its audited financial statements to the CAG.

"First thing is, the federation has not received any special letter from CAG recently on audit of the AIFF financial statements for the last four financial years — 2017-18 to 2020-21. This is a normal thing and not a one-off issue," the federation official said.

The AIFF has been facing the heat of late, largely because of the delay in conducting its elections, pending since more than a year despite several members of the body expressing their opposition to it.

On the issue of the sports ministry approving an audit of the football body by CAG, the AIFF on Tuesday also sought to clear the air.

"Contrary to certain media reports, the AIFF would like to clarify that it has been submitting a copy of its audited financial statements to the CAG. In fact, audited accounts from 2017-18 to 2020-21 have all been submitted to them," the AIFF said in a statement.

"The AIFF did receive a letter on June 18, 2021, from CAG asking for audited finances along with a copy of documents of financial grants from MYAS and other sources for the period from 2017-18 to 2020-21.

"It was on August 30, 2021, that all relevant documents for the period from 2017-18 to 2019-20 were submitted, and subsequently, all audited financials for the period of 2020-21 were submitted on February 10, 2022," it added.

Last month, the sports ministry informed the Supreme Court that Praful Patel has no mandate to continue as the federation's president as he has already served three terms and the national body should hold elections without further delay.

In an affidavit to the apex court on April 8 in relation to a Special Leave Petition (SLP) filed by the AIFF, the sports ministry said Patel's tenure was in violation of the Sports Code.

Patel completed his three terms and 12 years as AIFF president in December, 2020, the maximum permitted to a national sports federation (NSF) chief under the Sports Code.

The AIFF, however, did not hold the elections, citing a pending petition in the Supreme Court regarding its constitution. https://theprint.in/sport/cag-constitutes-team-to-audit-aiff-instructed-by-top-authority-to-go-deep-into-details/941975/

2. CAG constitutes team to audit AIFF for financial irregularities *(news9live.com)* MAY 4, 2022

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3. CAG special audit headed AIFF's way *(timesofindia.indiatimes.com)* 03 May 2022

NEW DELHI: In what could be a dubious first in Indian sports, the allegations of financial irregularities in the All India Football Federation (AIFF) has reached the doorstep of the Comptroller and Auditor General of India (CAG), with the Ministry of Youth and Sports Affairs approving an audit of the country's apex football body.

According to a letter, a copy of which is with Times Sport, the Sports Ministry has sanctioned an audit of the AIFF for the last four financial years, 2017-18 to 2020-21, after the Special Cell of the CAG sought its approval

The letter dated March 7, 2022 (Fo. No. 28-3/2022-SP.III), addressed to the Director, Special Cell, Office of Director General of Audit (Home, Education and Skill Development), says that the MYAS is "directed to convey sanction for conducting audit of the AIFF from 2017-18 to 2021-22 under Section 14(2) of CAG's Act 1971".

The Sports Ministry was responding to a request by the Special Cell of the CAG (Reference letter Spl Cell/4- 339/AIFF/2020-21/449, dated Feb 18, 2022), seeking approval to conduct a special audit, acting on a complaint received over financial corruption in the AIFF.

"A copy of this report may be sent to this Ministry for taking further necessary action," the letter further states. Also marked in the correspondence are the General Secretary, AIFF; the Secretary General, Sports Authority of India; ED (Teams); Jt Secy (Sports), Jt Secy and Financial Adviser, Director (Finance), and PS to Minister of the MYAS.

When contacted, the AIFF said, they had received no such letter regarding a special audit "but every year a copy of the audited financial statements are submitted to CAG," general secretary, Kushal Das told TOI. "The audited accounts for the year 2020-21 has been submitted to CAG," he added.

A CAG Special Cell audit in a National Sports Federation would be unprecedented in the history of Indian sports administration, as allegations of financial corruption in the AIFF have been swirling for a while now. In sanctioning their approval for the audit, the sports ministry has taken another step in its scrutiny of the AIFF workings. Earlier in April, the Sports Ministry, as a respondent in an affidavit in relation to a Special Leave Petition against the AIFF, had told the Supreme Court that Patel and his committee had no mandate to hold on to their offices.

With threat of derecognition also hanging over the AIFF, this latest move coincides with the refusal to call for elections by AIFF president Praful Patel and his team helmed by general secretary, Kushal Das and deputy general secretary Abhishek Yadav, since Nov 2020 after they moved court on the plea that their constitution needed amending. Patel, who has already completed three four-year terms in office (12 years), thus becoming ineligible for a fourth term as per the National Sports Code, continues in office citing the court intervention despite growing opposition from the AIFF member states. https://timesofindia.indiatimes.com/sports/football/top-stories/cag-special-audit-headed-aiffs-way/articleshow/91284919.cms

4. AIFF clears the air about financial irregularities *(thestatesman.com, socialnews.xyz)* MAY 4, 2022

The All India Football Federation (AIFF) cleared the air on Tuesday regarding allegations of financial irregularities in the sports body.

According to reports in the media, the Sports Ministry has approved an audit of the apex football body after the Comptroller and Auditor General of India (CAG) special cell allegedly discovered financial irregularities in the AIFF.

“Contrary to certain media reports, the AIFF would like to clarify that it has been submitting a copy of its audited financial statements to the CAG. In fact, audited accounts from 2017-18 to 2020-21 have all been submitted to them,” the federation said in a statement on Tuesday.

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The statement said that no further communication has been received from the CAG to date. https://www.thestatesman.com/sports/aiff-clears-air-financial-irregularities-1503067760.html

5. CAG audit report on the functioning of UIDAI *(theleaflet.in)* MAY 2, 2022

THE Comptroller and Auditor General of India [CAG] published an audit report titled 'Functioning of Unique Identification Authority of India' on April 6, 2022. The Aadhaar project, established through the Unique Identification Authority of India [UIDAI] in January 2009, has generated more than 129.04 crore Aadhaars till the end of March 2021. Yet, even after ten years of its existence, it has failed to maintain the uniqueness of the identity. As per the CAG report, more than 4.75 lakh Aadhaars with the same biometric data were issued by the UIDAI till November 2019.

Despite Aadhaar being one of the largest biometric based identification systems of the world, there are serious concerns mentioned in the CAG report. In an attempt to address these concerns, The Leaflet posed a set of questions to Dr. Gopal Krishna, law and policy researcher, and a member of the Citizens Forum for Civil Liberties. Dr. Krishna is a fellow of the International Research Group on Authoritarianism & Counter Strategies, Berlin, and has also appeared before the Parliamentary Standing Committee on Finance that examined The National Identification Authority of India Bill, 2010.

Edited excerpts from the interview:
Q: Can you tell us what your concerns are over the CAG report?

A: The CAG's audit report has established that biometric profiling based on 12-digit unique identification numbers [UID]/Aadhaar, being issued to 'residents' of India, is a flawed method to identify human beings in general and residents of India in particular. It also makes it eminently clear that UIDAI has failed to devise any mechanism to identify and segregate 'residents' of India from non-residents. Prior to Aadhaar, there were at least 15 identity documents which were recognized by the Election Commission of India [ECI]. The ECI has now included Aadhaar too in its list of identity documents.

"Contrary to the claims of the promoters of biometric Aadhaar like Nandan Nilekani that "[m]illions of people without any ID, now have an ID", the fact is that of all the Aadhaar numbers issued to Indian residents till date – 99.97 per cent had pre-existing identification (ID) documents.

The CAG's report creates a compelling logic for all agencies to withdraw from their reliance on this identifier. This CAG report is as significant as the report of the London School of Economics [LSE] titled 'The Identity Project: an assessment of the UK Identity Cards Bill and its implications'. The United Kingdom (UK) ID project [Identity Cards Act, 2006], now repealed, was cited by Wipro Ltd. in a document called Does India need a Unique Identity Number? to advocate the Aadhaar project in India. Also, the UIDAI project originated with Wipro's 'Strategic Vision: Unique Identification of Residents' document prepared under the chairmanship of Dr. Arvind Virmani, Principal Advisor, Planning Commission.

In the 42nd Report of the Parliamentary Standing Committee on Finance on Aadhaar Bill, Yashwant Sinha, the head of the Committee, relied on the LSE Report which stated "…identity systems may create a range of new and unforeseen problems…the risk of failure in the current proposals is therefore magnified to the point where the scheme should be regarded as a potential danger to the public interest and to the legal rights of individuals".

The LSE Report further remarked that the UK ID project was shelved for a number of reasons which included the incurrence of excessive cost; untested, unreliable and unsafe technology; the possibility of risking the safety and security of the citizens; and the requirement of high standard security measures which would increase the estimated operational cost, to name a few.

Thus, a joint reading of CAG's report, the 42nd report of the Parliamentary Committee and the LSE's report creates a compelling logic for the union government to shelve the Aadhaar project, and for the states to unsign the Memorandum of Understanding, which they signed with the UIDAI, especially when the concerns raised by 17 eminent citizens, including Justice V.R. Krishna Iyer, former justice of Supreme Court; Justice A.P. Shah, former chairman of the Law Commission of India; Prof. Upendra Baxi, eminent legal philosopher; K.G. Kannabiran (late), co-founder and President of the People's Union of Civil Liberties; Romila Thapar and Uma Chakravarti, historians, in September 2010 have been vindicated.

Q: As you mentioned above, there are pre-existing identification documents recognised by ECI. So, what about the claims of the Aadhaar promoters that many Indians do not even have any existing identification proof?

A: The Executive Summary of CAG's audit report begins by talking about "Identification of the right individuals" for "welfare schemes". Immediately after that it starts talking about how "citizens were required to furnish multiple documents….to various Government as well as private agencies." It refers to the inconvenience of "those who did not have any of these identity documents." It states that in order to "overcome the challenge, the Union Government decided to introduce a unique identity (UID) for the residents of India" in 2009.

"A harmonious construction of the verdict of Justice Chandrachud as part of the nine-judge bench and his dissenting order as part of the five-judge bench reveals several inconsistencies in Justice Sikri's majority opinion; it becomes evident that latter's opinion is inconsistent with the opinion of the nine-judge Constitution Bench. In fact, the judgment authored by Justice Sikri is inconsistent with his own observations too. It has evaded even those facts, sequence of events and scientific evidence which are on record.

However, contrary to the claims of the promoters of biometric Aadhaar like Nandan Nilekani that "[m]illions of people without any ID, now have an ID", the fact is that of all the Aadhaar numbers issued to Indian residents till date – 99.97 per cent had pre-existing identification (ID) documents. This has been revealed in a reply to an application of Ujjainee Sharma and Trishna Senapaty under Right to Information Act by UIDAI. This proves that "an inability to prove identity" was not a major barrier to access benefits and subsidies.

Q: The CAG report states that Aadhaars have been issued to minors below the age of five years based on the biometrics of their parents. Do you think it is concerning?

A: The CAG's report asserts that, "Issue of Aadhaar numbers to minor children below the age of five, based on the biometrics of their parents, without confirming uniqueness of biometric identity goes against the basic tenet of the Aadhaar Act". UIDAI is acting unmindful of the fact that, "Supreme Court has stated that no benefit will be denied to any child for want of Aadhaar". It brings to light the fact that UIDAI continues to incur avoidable expenditure on the issue of Bal Aadhaars.

Q: We have a huge existence of unpaired biometric data and Aaadhar numbers being paired with mismatched documents. The UIDAI has so far failed to identify the exact extent of mismatch. Does it make the very purpose of the UID vulnerable?

A: The Aadhaar scheme stands exposed like the UK's ID project. It is a tried, tested and failed scheme. The CAG's audit report vindicates the verdict authored by the nine-judge Constitution bench of Hon'ble Supreme Court in Justice K.S. Puttaswamy vs. Union of India (2017).

The dissenting judgment of Justice D.Y. Chandrachud of the 5-judge Constitution bench in 2018's Aadhaar judgment assumes greater significance because it is he who authored the leading opinion of the nine-judge Constitution Bench on right to privacy in this very case which had the concurrence of all the judges. A harmonious construction of the verdict of Justice Chandrachud as part of the nine-judge bench and his dissenting order as part of the five-judge bench reveals several inconsistencies in Justice A.K. Sikri's majority opinion; it becomes evident that latter's opinion is inconsistent with the opinion of the nine-judge Constitution Bench. In fact, the judgment authored by Justice Sikri is inconsistent with his own observations too. It has evaded even those facts, sequence of events and scientific evidence which are on record.

Referring to the Aadhaar database project, Justice Sikri observed: "Its use is spreading like wildfire, which is the result of robust and aggressive campaigning done by the Government, governmental agencies and other such bodies…The Government boasts of multiple benefits of Aadhaar." It may be recalled that the first Chairman of UIDAI, Nandan Nilekani, used to refer to "robust and aggressive campaigning" as marketing, saying success or failure of Aadhaar depends on its marketing or campaigning. The judge in question recognised that this project is a result of marketing. He carefully uses the word "boasts" with regard to the government's claims about its "multiple benefits".

The opening statement of the Justice Sikri authored opinion reads: "It is better to be unique than the best. Because, being the best makes you the number one, but being unique makes you the only one. 'Unique makes you the only one' is the central message of Aadhaar, which is on the altar facing constitutional challenge in these petitions." This opening statement of the opinion is questionable from a scientific point of view. Thus, the CAG's audit report reveals that "multiple benefits" which were "boasted" are just boasts.

Q: In the Aadhaar judgment, the government argued that seeding of Aadhaar numbers into the Permanent Account Number [PAN] database will only allow a robust way of de-duplication. But even after 10 years of it being introduced, do you think we are any way near to the de-duplication promise?

A: With regard to the requirement of linking Aadhaar, an identification number of a "resident" of India who is "entitled" to have it, with PAN for filing Income Tax Returns, a joint reading of the relevant provisions of Income-tax Act, 1961 and Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 reveals that it is only relevant for a "resident" who has exercised her/his entitlement and has enrolled as "an individual who has resided in India for a period or periods amounting in all to one hundred and eighty-two days or more in the twelve months immediately preceding the date of application for enrolment", under Section 2(v) of the Aadhaar Act.

It is made clearly manifest from Section 3(1) of the Aadhaar Act, which reads, "Every resident shall be entitled to obtain an Aadhaar number by submitting his demographic information and biometric information by undergoing the process of enrolment: Provided that the Central Government may, from time to time, notify such other category of individuals who may be entitled to obtain an Aadhaar number." It is quite clear that the emphasis of the provision is on the word "entitled", making it applicable solely to those residents of India who have undertaken "enrolment" as an entitlement. All entitlements are voluntary.

Further, Section 139AA(1) of the Income-tax Act states, "Every person who is eligible to obtain Aadhaar number shall, on or after the 1st day of July, 2017, quote Aadhaar number—(i) in the application form for allotment of permanent account number; (ii) in the return of income: Provided that where the person does not possess the Aadhaar Number, the Enrolment ID of Aadhaar application form issued to him at the time of enrolment shall be quoted in the application for permanent account number or, as the case may be, in the return of income furnished by him."

"Being "eligible to obtain an Aadhaar number" does not and cannot imply that an individual is under compulsion to exercise one's eligibility. Nowhere does section 139AA, or any other instrumentality of the State, say that "enrolment" is mandatory.

In the above provision, the emphasis is on the word "eligible". Being "eligible to obtain an Aadhaar number" does not and cannot imply that an individual is under compulsion to exercise one's eligibility. Nowhere does section 139AA, or any other instrumentality of the State, say that "enrolment" is mandatory; in fact the opposite is emphasised. The fact is that a person who has not enrolled, will not and cannot have any Enrolment ID of Aadhaar application form "issued to him". Section 139AA simply undertakes an exercise in behavioural modification, to nudge an individual to believe that "it means that she/he has to "enrol" because she/he is eligible.

What is being demanded of an individual under section 139AA is "Aadhaar number" in the return of income. But this is only possible in the case of those who have already enrolled voluntarily. This demand is addressed to those who have an Aadhaar number, not to those who do not have it. Those who have not enrolled cannot do the impossible, which is, to provide what they are not bound by law to possess.

In the light of the privacy and Aadhaar judgments, Section 25 of the Aadhaar and Other Laws (Amendment) Act, 2019 and the verdict of the five-judge Constitution bench of Hon'ble Supreme Court in Rojer Mathew versus South India Bank Ltd. & Ors (2019), there is a compelling constitutional and legal logic for the Income Tax Department to put a stay on the execution of the requirement of linking Aadhaar number with PAN for filing Income Tax Returns, and facilitate filing the same by quoting PAN alone.

Q: When we say that Aadhaar is one of the largest databases in the world, one of the most pertinent concerns is its data archiving policy. Data retention is clearly an indispensable aspect of understanding the privacy rights of individuals, especially when we talk about the right to be forgotten. We do not have such a policy right now. In the absence of this, there is no accountability on how and what type of the data is stored, be it personal data or sensitive personal data. What are your thoughts on this, especially on the aspect of informational privacy?

A: The union government has acknowledged that data privacy and the need to protect personal information is almost never a concern when data is stored in a decentralised manner. Data that is maintained in silos is largely useless outside that silos, and consequently has a low likelihood of causing any damage. However, all this has changed with the implementation of the Aadhaar. One of the inevitable consequences of Aadhaar will be that the UID will unify multiple databases. As more and more agencies of the government sign on to the UID Project, the UID Number will become the common thread that links all those databases together.

Over time, private enterprise could also adopt the Aadhaar as an identifier for the purposes of the delivery of their services or even for enrolment as a customer. It is quite revealing that the Government of India's 2010 Approach Paper for a Legislation on Privacy asserted, "Once this happens, the separation of data that currently exists between multiple databases will vanish."

This poses a threat to the identity of citizens and the idea of residents of the State as private persons will be forever abandoned. The crucial issue of fundamental right to privacy is linked with the issue of denial of constitutionally guaranteed natural rights of citizens in the absence of biometric profiling based Aadhaar. This approach of the government implies that the right to have public services is now dependent on having a biometric Aadhaar number. Since 2010 to 2018, the government has kept promising that it will enact a right to privacy and data protection law, but it is yet to see the light of the day.

Q: Do you think there is a possibility of linking the Aadhaar number with the National Judicial Data Grid?

A: The current chairman of UIDAI, J. Satyanarayana, has been the member of the Task Force for preparation of the Policy Document on Identity and Access Management under National e-Governance Programme, which submitted its report in 2006. Coincidentally, the Processes Committee of the Planning Commission set up in July 2006 assigned the task of preparing the "UIDAI Strategic Vision: Creating a Unique Identity Number for every Resident of India" to Wipro Ltd. during the same period. This report talked about "Citizen Identities" and "Owner of identities".

"The approach of the government implies that the right to have public services is now dependent on having a biometric Aadhaar number. Since 2010 to 2018, the government has kept promising that it will enact a right to privacy and data protection law, but it is yet to see the light of the day.

This April 2007 report revealed that "National UID Project has been initiated, with Voter ID Numbers and BPL households in the first instance." It emerged from the report that long before the arrival of Nilekani, in July 2009, as Chairman of UIDAI, the Aadhaar project was already unfolding. This report also discloses that each registered judicial court has a UID number at Subordinate Courts, High Court and Supreme Court. This effort seems to be part of profiling and surveillance of judicial institutions.

Thus, the path being traversed by National Judicial Data Grid, a database of orders, judgments and case details of 18,735 computerised District and Subordinate Courts that has been created as an online platform under the eCourts Project, has reached the stage of launch of the Interoperable Criminal Justice System, which seeks to integrate and make data interoperable between different institutions, such as police, prisons and courts, involved in the criminal justice system. This seems to be the path of complete end of separation of powers.

Q: You have previously written that the Aadhaar scheme is linked to the electoral databases. Please explain this claim further.

A: A careful perusal of UIDAI documents reveals that this scheme is linked to the electoral database too. A confidential document of UIDAI titled 'Creating a unique identity number for every resident in India', leaked by Wikileaks on November 13, 2009 reads: "One way to ensure that the UID is used by all government and private agencies is by inserting it into the birth certificate of the infant. Since the birth certificate is the original identity document, it is likely that this number will then persist as the key identifier through the individual's various life events, such as joining school, immunizations, voting etc."

A strange situation has emerged where citizens chose a government that was supposed to represent them but their government is undertaking the task of coercively biometrically authenticating whether or not those it represents are indeed those who they claim to be. It ends up breaking the sacrosanct social contract between the citizen and the State in an unprecedented act of breach of trust. If opposition parties in India fail to promise abandonment of the Aadhaar project in their manifestos like UK's opposition parties even after the CAG's audit report, it will only indicate that electoral bonds have overwhelmed them.

The proponents of the world's biggest citizen identification scheme aim to converge the electoral photo identity card numbers of the electoral database and the Aadhaar number database through the Central Identities Data Repository. UK abandoned it following the recommendations of LSE's report, but India's political opposition seems to feign ignorance.

Will the Supreme Court's yet to be constituted seven-judge bench, to review the Aadhar judgment, take cognisance of both the LSE's report and CAG's report to decide the constitutionality of Aadhaar Act? The attempt to undertake convergence of all the sensitive databases of Indians and the confidence of promoters of UID in the irreversibility of their efforts has thrown yet another unmet open constitutional challenge. https://theleaflet.in/cag-audit-report-on-the-functioning-of-uidai/

6. Audit revealed Karnataka lost Rs 191.96 crore due to Illegal mining *(bengaluru.citizenmatters.in)* May 4, 2022 | Monali Phadtare and E P Nivedita

A country's socio-economic development is largely linked to the natural resources it possesses. With mineral resources being an important component. Karnataka has huge reserves of minerals like iron ore, limestone and gold among other natural resources, and its ranking based on mineral reserves and production capacity within India varies from 5th to 10th.

Illegal mining in Karnataka has been covered extensively in all media. It was also taken up by the Supreme Court and investigated by the Central Bureau of Investigation (CBI). But over the years, mining, both legal and illegal, has taken a toll on people, environment and health in both rural and urban areas.

For instance, rapid urbanisation the demand for granite in the form of ornamental building stone and construction material has increased leading to a huge spurt in quarrying.

Major environmental impacts of quarrying, as pointed out by researchers, are effects of blasting, alteration of natural terrain leading to soil erosion, blockage of natural drainage systems, loss of habitat for some fauna and flora species and decrease in ground water recharge.

Additionally, occupational health and safety risks exist for quarry employees and nearby residents may experience vibrations and noise.

As per the Stone Crusher Regulation Act, stone crushers should be 8km away from the limits of Municipal Corporations and no quarrying is allowed within 200 mts of any residential area, national highway, roads, temple, schools etc. Several PILs regarding violation of the conditions prescribed have been filed by citizens in Bengaluru.

With a view to mainstreaming environmental concerns in mining activity, the Karnataka government inserted Chapter IIA, "Systematic, Scientific Mining and Protection of the Environment" into the Karnataka Minor Minerals Concession (KMMC) Rules, 2013.

The Office of Accountant General (E&RSA) Karnataka conducted a performance audit covering the period April 2014 – March 2018 to ascertain:

-Whether the Department of Mines and Geology (DMG) was adequately prepared for implementation of the new provisions relating to systematic and scientific mining in terms of infrastructure, human and financial resources, and technical know-how.

-Whether processes and controls relating to the approval of the Quarry Plans (QP), grant of Environmental Clearance (EC) and monitoring the implementation of the QP/EC conditions within the DMG and other related agencies were effective.

-Whether the new provisions relating to systematic and scientific quarrying were adequate for protection of the environment.

In addition to examining the records pertaining to various entities including the state/district Level Environment Impact Assessment Authority (SEIAA/DEIAA), Department of Revenue and the Karnataka State Pollution Control Board (KSPCB), the audit team conducted Joint physical verification (JPV) with officials of the DMG and engaged the Indian Institute of Science (IISc) and National Remote Sensing Agency (NRSA) as Technical Consultants.

Nine out of 31 district offices were selected for audit. These districts included 1,107 current quarry leases i.e. 1,046 Ordinary Building Stone/Granite and 61 sand quarry leases. Records of 201 stone crusher units in the selected districts were checked.

Important observations
During Joint Physical Verification, we observed the following irregularities:

-Quarrying in an area of 29,800 square meter despite the expiry of the Mining Lease in 52 cases.
-Quarrying outside the legal boundaries in 33 cases spanning over 46,000 square meters.
-Quarrying in 109 illegal sites accounting for over 1.07 lakh square meter.

Illegal extraction from the above sites had a revenue implication of Rs. 191.96 crore in terms of unrealized royalty and penalty.

With the help of the Technical Consultant (IISc) and the use of satellite imagery, we found:

-Quarrying beyond the legal boundaries in an area of 8.90 lakh square meters in 146 locations leading to illegal extraction of 27.68 crore MT of Building Stone, Sand and Granite.

-Illegal Quarrying in 532 sites in Chikballapur Taluk over 11.45 lakh square meters.

Receipts from mining include royalty, application fee, licence fee, permit fee, penalty, interest on belated payment of dues, etc. from lease holders. Though there was an accelerated growth in turnover of the mining companies involved, there was no upsurge in revenue from royalty.

The lease holders were required to enter production details through the E-Permit System (Software Package) and apply online for a MDP (Mineral Despatch Permit). However, vehicle movement without valid MDP was noticed. These offenders were not brought to account resulting in loss of penalty at the rate of five times the royalty. Further, the vehicles were not seized. A case was noticed in Hassan District, where 57.05 MT of Building Stone was transported without MDP. The Department's records in Hassan District also showed that 9,947 vehicles had transported 1,69,109 MT of Ordinary Building Stone without MDP whereas the number of vehicles caught on road without MDP during that period was only 469. The lack of enforcement would certainly act as an incentive for repeated violations.

The department deviated from the principle of developing/operating a mine after Cumulative Impact Assessment and notification of clusters (group of quarries). As a result, individual environmental clearances were granted to individual quarries though an individual quarry is not an appropriate method of estimating adverse effects on the environment.

Mining operations were taken up without obtaining information/permission from Karnataka State Pollution Control Board (KSPCB). None of the quarry lessees had submitted compliance reports regarding the air and noise pollution levels to SEIAA (State Environment Impact Assessment Authority).

As per the Explosives Act, lease holders are to obtain permission for use of explosives in quarries. Permissible Peak Particle Velocity (PPV) limits are prescribed so as to avoid damage to surrounding structures. However, no schedule of blasting activity was prescribed in quarry areas to minimise ground vibrations. Neither did the department's field offices have the equipment to measure the blast vibrations.

Lack of sufficient human resources impaired the implementation of the policy significantly. The vacancy position in respect of Senior Geologists/Geologists and Junior Engineers was 66%. If the audit could, through joint physical inspections, identify 194 incidents of un-authorised quarrying in six districts over 29 days of inspection, it is certain that the magnitude of illegal quarrying activities is much higher and requires immediate attention from the department concerned.

A study was conducted by the Technical Consultant (IISc) to scientifically assess the volume of OBS (Ordinary Building Stone) extracted from the lease areas in Chikkaballapura District. IISc estimated the volume using current satellite images of lease areas and the topography images from the National Remote Sensing Centre (NRSC), Hyderabad. Field visits in sample cases were also used to corroborate the findings from the satellite images. It emerged that the quantity assessed by the department was hugely understated. For instance, in 173 leases, extracted OBS estimated by the department was 0.96 MT whereas the IISC estimated 38.42 MT.

Audit also noticed that the lease holders dump waste generated by mining, outside the mine lease area, which has resulted in degradation of the environment.

The Government acknowledged the findings and accepted the recommendations included in the Audit Report placed in the assembly on October 10th, 2019. https://bengaluru.citizenmatters.in/audit-revealed-karnataka-lost-191-crore-due-to-illegal-mining-79521

7. CAG flags dilution of legislative oversight *(thehindu.com)* UPDATED: MAY 03, 2022

CAG concerned over State not fully disclosing its off budget borrowings

The Comptroller and Auditor General of India (CAG), in its report — State Finances Audit Report for the year-ended March 2021 — expressed concern that the State government was not fully disclosing its off-budget borrowings/liabilities and thereby circumventing the FRBM norms.

This, according to the CAG, had the dual impact of diluting public financial management and legislative oversight. Outstanding debt at the end of the year has increased by 19 % over the preceding year and in fact, its growth rate was higher than that of the GSDP or revenue receipts. Moreover, there was no evidence on record to show that the government had made any financial impact study for long maturity borrowings with marginally lesser/similar interest rates.

The State government was not fully disclosing all the guarantees given by it to various institutions. "As the State registered revenue deficit, market borrowings had to be used to finance revenue deficit and fiscal deficit. Utilisation of Ways and Means Advances has increased significantly in the current year," the CAG said in the report. https://www.thehindu.com/news/national/telangana/cag-flags-dilution-of-legislative-oversight/article65378156.ece

8. CAG report: Maharashtra seeks report from State-owned Haffkine *(thehindu.com)* UPDATED: MAY 03, 2022

Medical Education and Drugs department acts on The Hindu report

Acting on The Hindu report titled 'State-owned Haffkine gets a rap from CAG,' Maharashtra government has issued notice to the Haffkine Biopharmaceutical Corporation Limited asking it to submit a report in this regard.

The Comptroller and Auditor General (CAG) of India report on the financial statements of the Maharashtra State government-owned Haffkine Biopharmaceutical Corporation Limited has observed that the company not only failed to comply with the Supreme Court order in a tender process worth ₹52.80 crore, but it also hid its own bank account opened in 2015 which resulted in submission of incorrect balance sheet to legislature through its annual report, which could attract breach of privilege motion against the officials of the company.

The report titled comments of the CAG under section 143(6)(b) of the companies act, 2013, which is in possession of the The Hindu, contains supplementary audit of the financial statements of the company for the year ended March 31, 2020.

The Medical Education and Drugs department has written to the Managing Director of the corporation to submit a report along with documents on the news report. https://www.thehindu.com/news/cities/mumbai/cag-report-maharashtra-seeks-report-from-state-owned-haffkine/article65375712.ece

9. Noida Land Scam, a throwback - Part V *(dailypioneer.com)* 03 May 2022

The Authority's decision to change the status of private companies to Institutional category was injudicious, selective and without basis

The C&AG has stated that multiple allotments to applicants on a single date were given and front companies were used for allotment of plots through different applications. There is evidence of dereliction of duty by the members of the PAC whereby fraudulent actions have been permitted by the officials of NOIDA.

A national newspaper has also reported based on RTI documents that 3C Universal Developers Pvt Ltd's promoters, directors and shareholders, and their companies took eight plots. Dharampal Satyapal Sons Pvt Ltd, makers of Rajnigandha pan masala, and its promoters and directors together got six plots.

Businessman Late Gurdeep Singh Chadha, better known as Ponty Chadha, bagged a plot along with Rajinder Singh Chadha and Javed Ahmed as promoter-cum-director of Brilliant Builders Pvt Ltd. His wife Jatinder Kaur was allotted another plot as promoter-cum-director of Jagat Guru Real Estate Developers Pvt Ltd. Ajay Rastogi, an official in Ponty Chadha's liquor business, too got a plot.

Among the other beneficiaries of the scheme, prominent lawyers Shanti Bhushan and his son Jayant Bhushan, former ASG Vikas Singh, HCL CEO Vineet Nayar, etc., were also included.

Thus, the land of farmers acquired at lower rate, invoking the urgency clause for industrial development, was allotted on discretionary basis to affluent and influential individuals/companies for their personal/leisure use at a highly subsidised rate.

Noida Authority allotted 134 plots ranging from 1000-5000 sqm each, covering an area of 2,41,072 sqm at the rate of `7800 per sqm for the corporate offices of the Private Companies/Firms in 2008-09 treating them as Institutions rather than Commercial profit-making firms. As these companies run on commercial basis and earn profits, they should pay for the plot of land at commercial rate. The Authority used to charge commercial rate from them earlier. However, the Authority changed the status of these commercial companies to Institutional in October 2008 thereby giving undue benefit of `6600 per sqm to these private companies. Therefore, the decision by the Authority to change the status of private companies to Institutional category was injudicious, selective and without basis. Thus, the land of farmers acquired at lower rate, invoking the urgency clause for industrial development was allotted at a highly subsidised rate on discretionary basis, thereby affording undue benefits of

`161.75 crore to 134 Private companies. Undue favour in allotment of industrial plot to CBS International Projects Ltd.

Noida Authority allotted an industrial plot (No. 01/90) measuring 1,02,949 sqm on 03 September 2007 CBS International Projects Ltd at a premium of `52.77 crore for establishment

of IT Park. The allottee claimed to be a consortium of three companies (Burchill VDM, Carnoustie Management and RS Resource Management Consulting). However, on verification, it was found that the CBS was actually owned by Carnoustie Management and RS Resource Management Consulting only on the date of the application (06 August 2007). The name of Burchill VDM, an overseas company was added to present a rosy picture of its financial health in order to qualify for allotment of the plot. These wrong facts were not verified and were accepted by NOIDA without any documentary evidence. This has resulted in allotment to an ineligible applicant of a plot worth `52.77 crore. Further, the Authority failed to restrict sale of commercial and residential portion for non-captive use in the Plot as 'Bhutani Group', the promoter advertised the projects 'Alphathum' and NOIDA World One in Sector 90 wherein residential studio apartments and commercial spaces were being sold to non-IT/ITES units, which has resulted in undue benefit to the allottee to the extent of `745.56 crore.

The C&AG has therefore raised a serious question of probity, integrity and the governance failure at every level in the functioning of Noida Authority. The Authority appeared to have abdicated its responsibility to protect its own as well as public interests. Senior officials had acted in clear breach of public trust and in complete disregard to the interest of Authority and the home buyers. There was little monitoring of the projects and negligible compliance of the terms and conditions which has put the interests of stakeholders in peril. In spite of the clear evidence of breaches, the Authority failed to act against builders /allottees and take action against its own officials for their dereliction of duty and collusive role in permitting/abetting the continuing infractions. As Noida is a subset of NCR and also an important part of UP which contributes to about 10 percent of GDP of India, it is necessary that Yogi 2.0 as well as GOI take immediate action to stem the rot and hold the culprits accountable.

The Government should immediately order for an investigation by a SIT including a senior official of C&AG, IT and MCA or CBI and punish all such officials who have colluded with the developers/builders in the illegal/irregular transactions over the years, as pointed out by the C&AG of India.

All allotments of plots where full premium/cost have not been paid, should forthwith be cancelled and the possession of the plots of land be taken back. Indemnity bonds of each allottee should be encashed.

All allottees who have illegally sold/transferred the plots/sub-plots to third parties in violations of the terms and conditions of the schemes should be prosecuted and proceeded against.

The name of the New Okhla Industrial Development Authority is a misnomer. It should be changed to the Noida Development Authority.

All allotments of plots whether for GH or commercial or Institutional purposes to private companies/firms should be done on competitive bidding basis in future.

RERA should take immediate action to protect the interests of home-buyers of each residential projects being developed in 4 Sports City projects encompassing 826 acres of land in Sectors 78,79, 150 and 152.

RERA should also take a considered view on registration of such residential project where there are specified conditions on the use of land.

Discretionary Allotments of multiple Farm-houses at throwaway prices to affluent and influential persons/companies should be cancelled forthwith. In future, all such allotments should be done transparently at market rate after following objective criterion.

The Board of the Authority should be mandated to monitor the progress of projects every quarter and to take corrective/ remedial actions in time so that the prime objectives of the schemes are achieved. https://www.dailypioneer.com/2022/columnists/noida-land-scam--a-throwback---part-v.html

10. Builders cheated UP, NOIDA and home buyers *(nationalheraldindia.com)* 02 May 2022

Home buyers paid more to builders who paid much less than was due to the state and NOIDA. Both officials and builders lined their pockets

The one single activity that subjected NOIDA's collusive operations to public scrutiny, disappointment and anger is the allotment of group housing schemes.

Some key findings of CAG are:

During 2005-2018, NOIDA floated 28 residential (group housing) schemes and allotted 24 schemes. In these schemes 1.03 lakh flats were sanctioned but 72,697 flats were completed till 2020. However, NOIDA could grant permission for sub-lease for only 43,438 flats (60%) as the builders defaulted on paying their dues for remaining flats. So, these flats, though ready, cannot be leased.

CAG has gone in some details in this activity and made scathing comments against the NOIDA Board's abdication of responsibility and the CEO's arbitrary functioning.

The schemes were to be approved by the Board prior to their sanction. But the Board approved only 18% of the schemes while 82% schemes were not approved before their launch. Only in a few cases, the CEO placed the schemes to the Board before approval.

The CAG noticed that plots were allotted to builder companies by the CEO in violation of the set rules. Till 2008-09, the financial eligibility criteria were linked to the size of plots for group housing schemes. But during 2009-11, when the largest number of allotments took place, NOIDA delinked the financial criteria from the size of the plots. Thus, financial criteria remained fixed for plots irrespective of size varying from 50,000 sqm to 2.43 lakh sqm.

That created opportunity for the CEO to allot plots of far bigger size to builders way beyond their financial capacity. No wonder they could not complete the projects in time. Based on the allotments, the builders could lure flat buyers with attractive terms while hiding their lack of capacity to complete the projects and deliver flats in time.

NOIDA provided that the builders can bid for a maximum of two plots out of all plots offered in a scheme or all concurrent schemes taken together. In that case net worth of the applicant should have been more than the net worth required for each plot.

During 2006-07 to 2010-11, many builders got allotment for 3 to 5 plots. That was beyond their financial capacity going by their net worth. For example, Supertech Limited got allotment of 4 plots worth Rs.498 crore with a net worth of Rs 183 crore; Ultrahome Construction Limited

got allotment of 4 plots worth Rs.858 crore with net worth of just Rs.69 crore, Gaursons India Ltd Company/Consortium got allotment of 5 plots worth Rs 564.59 on net worth of Rs 73 crore, Gulshan Homz Pvt Ltd Consortium got allotment of 3 plots worth Rs 357.4 crore on a net worth of Rs 15.47 crore. Needless to say, that such dilution of criteria created a set of crony builders who ultimately failed to deliver the flats.

In 2008 and 2009, NOIDA reduced the allotment money to 10% per cent of the premium from the previous rate of 40% on the ground of global economic recession in disregard of GoUP order of 2009. With this unwarranted generosity, builders could now garner more plots with initial deposit of only 10% premium.

Due to many failed/delayed projects, the builder defaulted to pay remaining premium and NOIDA's outstanding dues soared to Rs 2,664.96 crore. Understanding their folly, the Board withdrew these concessions and restored 40% of the premium in 2017. Meantime, enough damage had been done. https://www.nationalheraldindia.com/india/builders-cheated-up-noida-and-home-buyers

11. Centre's queries put spokes in State's borrowings calendar *(thehindu.com)* Updated: May 3, 2022

State could not raise ₹6,000 crore OMBs it proposed during April and May first week

HYDERABAD: The State government has landed in a piquant situation in terms of finances as the Centre is yet to give its approval to the State government to raise open market borrowings through the Reserve Bank of India.

As a result, the State government could not avail of the ₹3,000 crore OMBs it proposed to raise in two instalments (April 11 and 26) in April and another ₹3,000 crore in the first week of this month (May 2). The State government, in the indicative calendar of borrowings released by the RBI, proposed to raise ₹15,000 crore through OMBs during the first quarter, but its efforts did not materialise thanks to the delays on the part of the Centre in giving its nod.

The shortfall, officials fear, is likely to have an impact on free flow of funds to the slew of welfare and developmental programmes, primarily Dalit Bandhu for which budgetary provision of ₹17,700 crore and another flagship scheme Rythu Bandhu for which ₹14,800 crore had been made for the current financial year. Resorting to OMBs to overcome the shortfall in finances is a common feature and several States avail of the facility to meet their immediate financial needs.

The State, however, should take the approval of the Centre under the provisions of Article 293 of the Constitution. Though grant of permission has been a routine affair thus far, the Centre this time around is said to have raised certain queries about the financial health of the State reportedly on the off-budget borrowings and guarantees given to corporations.

Interestingly, the Comptroller and Auditor General of India, in its latest report, expressed concern over the off budget borrowings claiming that the percentage of the outstanding liabilities would be way above the limit if these were considered. Senior officials told The Hindu that the government had addressed elaborate communication to the Centre seeking its permission for raising OMBs through the RBI.

"They raised some more queries. We are in the process of responding to them," a senior official said lamenting that the Centre was resorting to such "dilatory tactics" for the first time. If delayed further, the issue had the potential to become one more bone of contention between the State and the Centre whose relations are already showing signs of strain. https://www.thehindu.com/news/national/telangana/centres-queries-put-spokes-in-states-borrowings-calendar/article65378082.ece

12. Supreme Court says excess payment made to employees by error can't be recovered *(theleaflet.in)* Updated: May 3, 2022

THE Supreme Court on Monday reiterated that excess payments made to employees cannot be recovered after their retirement on the ground that the said increments were granted owing to an error, in the case of Thomas Daniel versus State of Kerala & Ors.

A division bench of Justices S. Abdul Nazeer and Vikram Nath pronounced the judgment while hearing an appeal filed by a teacher challenging the recovery proceedings initiated by the State against him as well as orders of the Kerala High Court.

The main question in the case was whether increments granted to the appellant while he was in service could be recovered almost ten years after his retirement on the ground that the said increments were granted on account of an error.

The appellant, a teacher, was asked by the District Educational Officer, Kollam to return pay and subsequent increments granted to him after his retirement in 1999. Daniel challenged the proposal to initiate recovery proceedings against him by way of filing a complaint before the Public Redressal Complaint Cell, Chief Minister of Kerala in May 2000, for recovering the increments granted to him during the years 1989 and 1991. When his complaint was rejected by the Kerala government in June 2000, he moved to the Kerala High Court seeking a remedy.

When the matter reached the high court, a single judge bench upheld the dismissal of his complaint by the Kerala government, observed in an order in 2006 that the mistake committed by the department concerned while granting the service benefits can be rectified by recovering the same amount from the employee's Death-Cum-Retirement Gratuity amount. The appellant filed a writ appeal against this order, but this decision was affirmed by the Division Bench of the high court as well in 2009.

These decisions prompted the appellant to file an appeal before the Supreme Court.

Before the Supreme Court, the appellant contended that the excess payment made to him was not on account of any misrepresentation or fraud on his part, but due to a mistake in interpreting the Kerala Service Rules.

It was further submitted that the appellant had retired on March 31, 1999 as he had to undergo bypass surgery. This caused a huge setback for him financially. Owing to this, the D.C.R.G. benefit was released in his favour.

This being the case, he prayed to set aside all orders against him.

Countering the appellant's claims, the counsel appearing for the respondent – State of Kerala – supported the high court's stand.

What the Supreme Court held

Relying on a plethora of judicial decisions, the Supreme Court said that if there is no misrepresentation or fraud on the part of the employee or, if a wrong principle of interpretation of the law is applied, then such excess amounts cannot be recovered. In this regard, the court said,

"…if the excess amount was not paid on account of any misrepresentation or fraud of the employee or if such excess payment was made by the employer by applying a wrong principle for calculating the pay/allowance or on the basis of a particular interpretation of rule/order which is subsequently found to be erroneous, such excess payment of emoluments or allowances are not recoverable."

Explaining this, the court further added that the relief against the recovery is granted not because of any employees' right but in equity, by exercising judicial discretion to provide relief to employees from the hardship that will be caused if the recovery is ordered.

With this, the court also pointed out that in any given case, if it is proved that an employee knew that the payment received was wrongly paid, or that an error is detected or corrected within a short time of wrong payment, then the matter would be in the realm of judicial discretion. Based on the facts and circumstances of each case, the courts may order for recovery of the amount paid in excess, the Supreme Court held.

Coming to the facts of the present case, the Supreme Court noted that the respondents had not contended any account of the misrepresentation or fraud played by the appellant with regard to the excess amounts that were paid.

The appellant retired in 1999. The case of the respondents was that excess payment was made due to a mistake in interpreting Kerala Service Rules, which was subsequently pointed out by the Accountant General, the court highlighted.

Therefore, it held:

"…we are of the view that an attempt to recover the said increments after passage of ten years of his retirement is unjustified."

With these observations, the court allowed the appeal, and set aside the orders passed by the single judge and the division bench of the Kerala High Court, the order passed by the Public Redressal Complaint Cell of the Chief Minister of Kerala, and the recovery notice against the appellant. https://theleaflet.in/supreme-court-says-excess-payment-made-to-employees-by-error-cant-be-recovered/

13. Labour & Employment Deptt & CAG's observations *(dailyexcelsior.com)* Updated: May 4, 2022

Whether Labour and Employment Department in Jammu and Kashmir is fully complying with the regulatory mechanism for the overall welfare of the labour force engaged in the building and construction activities across the UT, whether schemes tailored for them, in this connection, are being implemented properly, whether social security measures meant for the labour class and their families are taken in letter and spirit, last but not least, whether labour cess levied @1per cent on the construction cost incurred by an employer is being utilised for the labour class and allied issue are and must be subjected to regular audit. To start with, proper

registers are not maintained to ascertain the actual number of construction workers, which benefits after registration they were entitled to and other facilities available through various labour welfare schemes have never been publicised indicating all was not well with the issue of welfare and empowerment of the labour force engaged in construction activities which is the prime objective of the concerned Labour Department. In the functioning of the Department, therefore, several irregularities having been pointed out by the Comptroller and Auditor General (CAG) of India to an extent of virtually impeaching it, while being a cause of concern, warrant to be duly attended to and irregularities set right on priority basis.

It is surprising that the amount of the labour cess should keep on increasing by virtue of huge portions unspent and funds lying idle with the Banks fetching nominal interest while interests of the labour class getting ignored and eclipsed indicating that statutory provisions even are given not two hoots as unspent balances worked out in the cess account are projecting an increase within a period of five years from Rs.296 crore to Rs.622 crore. Registrations have been made without obtaining valid certificates, proof of age, who employed them etc and whether they had eligibility for registration has been found to have been not systematic. On the other hand, as per the rules, such funds are required to be transferred to the Board for Construction and Other Building Workers by the District ALCs which has not been done in the procedural manner.

While the cess came into operation for levying at one percent in 2006 and the same has been levied and deposited, on the other hand, the workers started getting the assistance only with effect from the years 2011 , 2012 which has been pointed out in the audit report of the CAG . Whether all contractors' payments made by the Board had paid the cess amount and whether the same had duly been received/recovered and deposited with the concerned wing , there appears to be no transparency and maintenance of proper records which too having found out by the audit need to be looked into as any wilful "relaxation" or any exemption was not only anti regulatory but an injustice heaped on the labour class and such short recovery , if any, must not only be fully recovered with costs but those responsible made effectively accountable. Audit of the welfare schemes for the labour class on a token basis in six districts in Jammu and Kashmir having been found inconsistent and unsatisfactory projecting the working of the Labour Department as such.

The Board for Construction and Other Building Workers which is mandated to run the welfare schemes is found faltering on other parameters as well since financial statements have not been prepared for years together which are in arrears for eight years. Not taking due interest of the money collected and held in trust by the ALCs and not specifying to the Bank which type of account such money should be kept in , the Bank applying their rules of which accounts in savings Bank portfolio were eligible to earn interest, transferred such accounts from interest earning savings to no interest earning current accounts where even half yearly incidental charges are recovered resulting in a loss of over Rs.12 lakh during the two year period only. Multifarious deviations and breaches in the relevant regulatory system in respect of the interests of the labour class as pointed out by the supreme auditors of the country is a fit ground for ordering a revamp in the Labour and Employment Department while it shows how much important is audit and inspection at regular intervals. https://www.dailyexcelsior.com/labour-employment-deptt-cags-observations/

14. Jammu power crisis – Flop show continues *(dailyexcelsior.com)* Updated: May 4, 2022

Jammu and Kashmir has abundant water resources which no other state/UT has in India. Despite this vast unmatched potential, Indus Water Treaty with Pakistan and Kashmir centric policies played the spoil sport as such Jammu and Kashmir has never been able to be self reliant in power till date and further no scope in future also.

History
Our visionary Maharaja Hari Singh planned and gave Jammu and Kashmir first power plant in 1905 at Mohra, only second in India after Mysore and second power plant in June 1955 at Ganderbal. In 1954 Jammu got 66 KV line on wooden poles from Pathankote to Canal substation. In 1962 new transmission line from Samba to Gladni line commissioned, Rajouri got Mini Hydel project and in 1965 Bhaderwah also got Mini Hydel project. In 1969-70 three units of Kalakote, from 1971 to 1975 Chenani power plant and Upper Sindh-I got operational and Jammu and Kashmir Electricity Board in pursuance of J&K Electricity Supply Act 1971 was established. At this juncture Jammu had surplus electricity as such interconnection of Kashmir and Jammu through 132 KV Udhampur- Srinagar Double Circuit Line was done, one circuit overhead crossing at Banihal Tunnel and 2nd through Banihal Tunnel. In 1978 Lower Jhelum and eventually in 1987 Salal HEP got commissioned, 480 MW Uri-1 got commissioned in 1997. Upper Sindh HEP-II of 105 MW also got commissioned at Kangan. Year 2007-08 were special as first ever Tariff Order for electricity was issued, J&K PDD launched its website, 390 MW Dulhasti Power Plant,450 MW Baglihar HEP got commissioned, computerized billing of consumers of Jammu and Srinagar city completed. 120 MW SEWA II on Ravi Basin got commissioned in 2010, 330 MW Kishanganga Hydro Power project got commissioned in 2018, more followed and many are in pipeline.

Present power crisis is not one odd day story but systematic failures at different levels to script this present day flop show year after year with no lessons learnt.

Capacity Augmentation
Government hired retired engineers as Chairman/MD with huge salaries beyond imagination to get unprecedented capacity addition at Grid Stations of Pounichak, Cheshmashahi , Draba, Khrew (Khanmoh) , Miran Sahib, Kathua, Janipur, Magam, Hiranagar-Battal Manwal Transmission Line, Grid Sub-Station Udhampur, Sidhra-II, LILO arrangement of 220KV Hiranagar-Bishnah Line, Grid Station Barn , Gladni, Canal, all stand augmented but no power to distribute.

Unbundling PDD
Meanwhile State Administrative Council Decision No 258/22/2019 dated 22.10.2019 followed by Govt Order No:191-PDD of 2019 dated 23.10.2019, JKPDD was unbundled and corporatized into 5 companies namely J&K Power Corporation Ltd (JKPCL), J&K Power Transmission Corporation Ltd. (JKPTCL), Jammu Power Distribution Corporation Ltd. (JPDCL), Kashmir Power Distribution Corporation Ltd. (KPDCL) and Ladakh Power Corporation Ltd (LPCL) but with least coordination.

Staff shortage
Every grid station/ substation and transmission lines have been augmented but staff recruited is almost 50% of strength sanctioned on the basis of 1985 report, as such it is virtually impossible to operate and maintain. What is more demoralizing and matter of serious concern

that in newly formed Corporations, numerous Divisions and Sub Divisions are headless for months. Hundreds of posts of JE and AE are lying vacant with some AEs holding three charges at a time, additional charge is the rule of the day which substantially results in critical decisions being deferred and no timely corrective measures and in the absence of timely promotions, further complicated by privatization effort by Government which has left 16,000 plus permanent and 12000 daily wagers completely demoralized and clueless. Recent strike by employees resulting total collapse and chaos to the extent that Army had to be called to manage things is a testimony that all is not well and policies adopted by administration are neither in the interest of public nor employees.

Chenab Valley Projects Corporation Experiment

Chenab Valley Projects Corporation was created in 2011 to expedite Chenab basin projects with NHPC(49%) , JKSPDC (49%) and PTC (2%) as main stake holders, but Ministry of Power vide its letter dated May 12, 2021 approved competent authority for taking over of 2% equity of PTC India Limited (PTC) thus NHPC becoming majority stake holder and now with passage of time all major posts are being held by NHPC officials only thereby overlooking UT interests. Even contracts awarded are under CBI investigations.

Least benefit from new announced projects

Government of UT of J&K extended exemption from levy of Water Usage Charges for 10 years after commissioning of the project, reimbursement of State's share of GST and waiver of free power @2% per year in a decremental manner i.e. free power to the Union Territory of Jammu & Kashmir would be 2% in the 1st year after commissioning of Project and thereafter shall increase @2% per year and shall be 12% from 6th year onwards. This situation becomes more complicated with annual load increase of around 6% to 7 % which makes J&K's 12 % share from Central pool generation minuscule as compared to consumption as such Jammu-Kashmir will remain power deficient even after commissioning of all the announced power projects.

Power Generation issues

Right now Jammu and Kashmir have State Sector generation from Kashmir's Jhelum basin 254.1 MW, Indus Basin 14.56 MW and Jammu's Chenab Basin generates 934.3 MW, Ravi basin 9 MW. But right now due to low water discharge in rivers State sector generation is 476 MW only against total generation capacity of 1212 MW and Central sector projects generating only 1371 MW against capacity of 2009 MW which means Jammu and Kashmir getting only @ 12% of 1371 MW= 165 MW only thus collective 475 MW + 165 MW = 640 MW against a peak demand of Jammu 1300 MW + Kashmir 1700 MW= 3000 MW , thus a shortfall of 2360 MW right now and at a prevalent rate of Rs12/unit, local administration is unable to purchase electricity from National Grid with the result unprecedented power cuts never seen in the history of UT. With no Plan B, clueless administration right now is just mute spectator hoping against hope that things will improve automatically with the passage of time.

Delay in Projects implementation

CAG report for Lower Kalnai Hydel Electric Project (LKHEP) itself explains the sorry state of affairs. The State Government granted (August 2013) approval for Design, Engineering and Commissioning of 48 MW Kalnai HEP with an estimated cost of Rs576.87 crores to be completed within 48 months by September 2017 from the date of award of contract but the contract agreement was signed seven and a half months later instead of standard 30 days. Work came to a standstill and the management took no decision for more than one year to either terminate the contract or extend it till June 2019 when SAC ultimately terminated the contract

and project remains incomplete. This is not one odd case as Dul Hasti and Baglihar projects had faced same fate resulting non completion for years causing manifold cost escalations and avoidable delay. Even new projects announced are stuck up for more than a decade due to various clearances.

Distribution, metering and revenue woes

A peek into power purchased, distributed and revenue collected by JPDCL and KPCL reveals the true state of affairs. JPDCL is operating right now with a billing percentage of 62% with a revenue collection efficiency of 76% of and AT&C losses of 52% whereas Kashmir's KPDCL has a billing percentage of only 36% and very high AT&T losses of 70%, totally against the national average for AT&T losses. By March 2022, JPDCL recovered Rs1696 crores for 6990 Million units consumed whereas KPDCL recovered only Rs1290 crores for 11000 Million units consumed, an unacceptable gap of 406 crores with no explanation or accountability. Main reason being non metering resulting flat rate consumption which means consumers in Kashmir are least bothered about switching off gadgets resulting unnecessary load which is clearly visible with daily load difference between JPDCL and KPDCL. Despite all these facts and figures available no corrective action is being taken neither at local administration level nor at Central government level with the result genuine bill payer public have been consistently suffering immensely. JPDCL performance is far more better than their counterpart KPDCL.

Flop R-APDRP by IRCON

Under the garb of Restructured Accelerated Power Development and Reforms Programme undertaken by IRCON total chaos happened where ever implemented, allegations of substandard material, not adhering to standard specifications surfaced. PDD officials were neither part of allocation of work nor it's installation or maintenance. Who were the beneficiary of this flop show?

Power tariff and metering

The existing tariff structure for the domestic consumers for the first 100 units tariff is charged at Rs 1.69/unit, subsequent 100 units Rs2.20/ unit and maximum if the consumption is beyond 400 units @ Rs 3.52. No power tariff revision since 2016-17. Recent allocation of new Smart Meters is also bewildering as Jammu got issued 38635 units of smart meters of which they installed 26967 units whereas Kashmir was issued less than half 15350 units and installed 14861. Instead of metering unmetered area decision of administration to meter fourth time same Jammu localities shows no intent to achieve 100% metering target with the result recurring expenses but no substantial increase in revenue as majority (64%) in Kashmir and 38% in Jammu Division are still unmetered.

Crores pending with Government departments

Though private public has substantially cleared it's dues from time to time but various Government departments have outstanding of crores as electricity dues. Power department is neither able to recover these dues nor cut their power supplies to at least safeguard further losses.

Cascading effects of power crisis

What's happening right now in UT's power sector has direct effect on tourism, industry, students, business, patients , official work. Hesitant new investor, virtually collapse of water supply in peak summer days as almost all pumping stations have no special power lines. Field staff of Power corporations are facing the wrath of public whereas officers are cooling their

heels in AC offices. A government which cannot foresee and plan imminent power crisis year after year expect thousands of crores worth industrial investment.

Conclusion
Instead of putting all the blame on employees Administration should introspect and acknowledge what went wrong. Where is the equal distribution of power, revenue collection, smart meter installation or overall metering? Despite par below performance in metering, billing and revenue collection, still KPDCL gets almost double the power allocated as compared to Jammu share. Government is shying away from fixing responsibility and instilling accountability of officers in charge. All carrots no stick will not work as Cancer cannot be cured merely with Crocin. Immediate harsh measures have to be taken at the earliest by issuing white paper on Power Crisis with increase of share of UT power in new power projects from first year of commissioning. No car can run for long with a punctured tyre. Jammu cannot be made to suffer at the cost of Kashmir. With thousands of crores pending to Central Public Sector Undertakings, Government cannot run power on charities as year after year shortfall of revenue collection is totally unacceptable. Make electricity purchases of both Kashmir and Jammu division separate, collect the revenue and purchase electricity model. Sooner they do better it will be. https://www.dailyexcelsior.com/jammu-power-crisis-flop-show-continues/

15. Annual Plans for afforestation sans surveys-a ruse *(dailyexcelsior.com)* Updated: May 3, 2022

Should no prior and proper detailed surveys be conducted , physical data collected , identifying the areas to be targeted like groundwork be necessarily done in respect of preparing Annual Plans for affecting compensatory afforestation ? In this respect, casual approach is to this extent that the UT Government virtually is ignorant of how much the forest areas were impacted adversely due to the continued process of developmental works having taken place or currently going on in specific forest areas in Jammu and Kashmir. Whatever portion or areas are impacted with such unavoidable developmental works must be precisely identified, demarcated and proper plans formulated to compensate such loss these forest areas suffered in the shape of felling of trees and other damages suffered.

The funds provided for such an important task, it is learnt, are not utilized in time for plantation process which causes delays in the compensatory process and damage to the forest crest. Compensatory Afforestaion Management and Planning Authority (CAMPA) has certain set guidelines which are violated which has been actually found and viewed seriously during the audit process by the Comptroller and Auditor General of India . A sample audit in 27 forest divisions painted quite an unsatisfactory performance even to the levels of not releasing the CAMPA funds when required . Realistic evaluation thus could not be done in the absence of surveys and collating of ground data as even sporadic disputes took place leading to changing of sites which denotes a reckless and haphazard way of carrying out compensatory afforesation drive in the specific forest areas. What is needed, therefore, is a realistic, target oriented, guidelines savvy and timely executed action in compensating the loss suffered by the forests. https://www.dailyexcelsior.com/annual-plans-for-afforestation-sans-surveys-a-ruse/

SELECTED NEWS ITEMS/ARTICLES FOR READING

16. 'Scandalous' LIC IPO to Result in 'Loss' of Rs 54,000 Crore *(newsclick.in)* 02 May 2022

Civil outfit PCPSPS had said that the Centre has succumbed to the pressure of global investors by offering shares at a deep discount.

The People's Commission on Public Sector and Public Services (PCPSPS) has urged the Narendra Modi government to halt the "scandalous" Life Insurance of Corporation (LIC) initial public offering (IPO) on May 4, which will result in a "loss of more than Rs 50,000 crore".

The Commission, which includes eminent academics, jurists, erstwhile administrators, trade unionists and social activists, aims to discuss these issues with all stakeholders and people concerned with the process of policy-making and those against the government's decision to monetise, disinvest and privatise public assets/enterprises.

In a press statement released on Monday, the PCPSPS—which includes Kerela's former finance minister Thomas Isaac, former secretary with the ministry of power and economic affairs EAS Sarma and former member of the erstwhile Planning Commission SP Shukla—alleged that Union finance ministry, "succumbed to the pressure of global investors" by offering the shares at a "deep discount". "This is nothing short of a scandal. It is, perhaps, the biggest in the annals of privatisation in India."

In an earlier statement issued on January 21, the Commission had made a persuasive case against the privatisation of the LIC. The IPO will not only cause a loss of thousands of crores to the exchequer, the PCPSPS said on Monday, but is based on the "expropriation of millions of policyholders of the LIC, who have built this unique and peerless financial institution".

Explaining how the government will "lose Rs 26,189 crore" due to the "deep discount" it is offering to investors, the Commission said that the Draft Red Herring Prospectus (DRHP) filed with the Securities and Exchange Board of India (SEBI) in February mentioned the Embedded Value (EV) of the LIC was estimated at Rs 5.40 lakh crores. It implied that the "base value of each 632.50 crore shares was worth, at least, Rs 853".

According to the PCPSPS, since the "EV is of limited value in estimating the true worth of a life insurance company, and in keeping with the practice of the LIC's much smaller private peers in the industry", it was expected that a "multiplication factor of, at least, those used by these peers would be adopted in the pricing of the LIC issue".

About two months ago, a multiplication factor of between 2.5 and 4 was expected to be used in pricing the shares, the Commission added. However, the DRHP filed by the LIC on April 26 mentioned that the "issue is now priced at Rs 904-Rs 949 per share. "This implies that at the upper bound of the price range offered to prospective buyers, the multiplication factor works out to just 1.11, much lower than what is justifiable."

Given that "retail investors, employees and policyholders are being offered shares at a discount", retail investors and employees get to pay R 904 per share and policyholders Rs 889 per share, which "implies a huge loss to the public exchequer", the PCPSPS further explained.

Therefore, at Rs 949 per share, the "total earnings from the offer of 22.1375 crore shares for the absolute maximum earning for the government from the IPO would be Rs 21,008 crore".

The Commission contended that if a multiplication factor of 2.5 was used, the issue price would have been Rs 2,132 per share, "implying a total earning of Rs 47,197 crores". As a result of the deep discount, the government is "losing Rs 26,189 crore" as a result of the 3.5% stake sale.

However, since the LIC is far bigger than any of its private peers, "a multiplication factor of higher than 2.5 is justified", which implies a whopping "loss" of Rs 53,795 crore, the PCPSPS contended. According to the Commission, the April 26 DRHP reveals that the ratio of market capitalisation to EV of the LIC's three main private peers—ICICI Prudential, SBI Life and HDFC Life—ranges from 2.49 to 3.96.

If a multiplication factor of even 3.96 (HDFC Life) to the LIC is applied, it shows that the "base price of each LIC share in the IPO ought to be, at least, Rs 3,379". Therefore, at this price, the total earnings from the sale of 22.1375 crore shares would have been Rs 74,803 crores, which shows a staggering "loss" of Rs 53,795 crore.

Alleging that the government has succumbed to "intense pressure exerted by global investors who have cited the war in Ukraine and the consequent turmoil in global markets", the Commission asked why could not the government wait for a more opportune moment after markets had calmed. "How is it possible for the valuation of India's biggest insurance company, sui generis in the world of finance, to vary so much within a matter of a couple of months?"

Pointing to the "expropriation of millions of policyholders who have been instrumental in making LIC what it is today", the PCPSPS mentioned that the Centre's investment in equity between 1956 and 2011 was a "paltry Rs 5 crore, "implying that it was the hard-earned savings of policyholders that was instrumental in the LIC blossoming into a mature insurance company and enabled the corporation to "provide a safe avenue for millions of Indians".

The Commission requested all those who care for the country to challenge the Centre's decision because it "marks the first step in the move to dismantle an institution that has been a household name for generations" and extended its support to the LIC employee unions. https://www.newsclick.in/scandalous-LIC-IPO-result-loss-54000-crore

17. 5 years on, 'strategic partnership' defence projects yet to take off *(timesofindia.indiatimes.com)* May 3, 2022

NEW DELHI: Five years after the strategic partnership (SP) model was promulgated to boost indigenous defence production through tie-ups with foreign armamentmajors, not a single project has taken off under the much-touted 'Make in India' policy till now.

The SP model projects identified by the defence ministry ranged from the manufacture of new-generation submarines and helicopters to advanced fighters and futuristic main-battle tanks in long-term joint ventures between Indian companies and OEMs (original equipment manufacturers) with "deep and extensive" transfers of technology.

But the first project to make six diesel-electric stealth submarines with airindependent propulsion for greater underwater endurance, at an initial estimated cost of Rs 43,000 crore

under Project-75 India (P-75I), is still far away from the actual contract being inked after the long-winded initial shortlisting and tender process.

The defence ministry in July last year issued the RFP (request for proposal) to defence shipyard Mazagon Docks and private shipbuilder L&T, who in turn were to join hands with one of the five shortlisted OEMs to submit technocommercial bids for the mega project.

The foreign ship-builders were Naval Group-DCNS (France) Rosoboronexport, (Russia), ThyssenKrupp Marine Systems (Germany), Navantia (Spain) and Daewoo (South Korea). "The French and Russians have already formally pulled out of the competition. Two others have also expressed concerns about the technical and commercial conditions," a defence official said on Tuesday.

The other SP projects have not even reached this preliminary stage. One of them is the Navy's longpending acquisition of 111 armed, twin-engine utility choppers at a cost of over Rs 21,000 crore to replace its ageing fleet of single-engine Chetak helicopters.

Another is IAF's quest for 114 new 4.5-generation fighters with "some fifth-generation capabilities" for over Rs1.25 lakh crore, which has seven foreign contenders but is yet to be even granted the initial "acceptance of necessity" by the defence ministry.

The Army in May-June last year had also issued a RFI (request for Information) for acquiring 1,770 "future ready combat vehicles" or tanks in a phased manner.

"All the SP model projects are in the doldrums, putting a big question mark on the entire policy. In P-75I, for instance, the time for submission of bids has been repeatedly extended, and now stands at June 30," another official said.

"The pricing methodology of the SP model policy, notified in May 2017, is flawed. Moreover, long-term partnerships require assured and repeated orders, which is not permitted under the existing rules," he added.

The SP model was initially meant to progressively build capabilities in the Indian private sector to design, develop and manufacture complex weapons for the future needs of the armed forces. "But then the public sector also muscled its way in. A relook at the entire policy is now needed," an official said. https://timesofindia.indiatimes.com/india/5-years-on-strategic-partnership-defence-projects-yet-to-take-off/articleshow/91296132.cms

18. New Defence PSUs have done well so far, but they need to stay the course *(financialexpress.com)* May 2, 2022

There has been a miraculous turnaround in the financial fortunes of the Public Sector Undertakings (DPSUs) constituted by the government on October 15, 2021, by reorganising 41 ordnance factories. Six of these seven companies have reported provisional profit after merely six months of operation from October 01, 2021 to March 31, 2022.

India Optel Limited (IOL), comprising three units manufacturing opto-electronics instruments, communication and airfield lighting cables, and spring steel wires, tops the list with a provisional profit of Rs 60.44 crore.

The other companies to make profit are Armoured Vehicles Nigam Limited (Rs 33.09 crore), Munitions India Limited (Rs 28 crore), Troops Comfort Limited (Rs 26 crore), Advanced Weapons and Equipment India Limited (Rs 4.84 crore), and Gliders India Limited (Rs 1.32 crore) which manages just one parachute manufacturing unit at Kanpur.

Considering that each of these six companies had been making a loss in the preceding three years, ranging from six-monthly average loss of 5.67 crore by IOL to Rs 677.39 crore by Munitions India Limited, the turnaround is very creditable in the face of heavy odds faced by these DPSUs.

Yantra India Limited is the only company to be in the red, posting a loss of Rs 111.49 crore which is not so bad when seen in the backdrop of its six-monthly average loss of Rs 348.17 crore in the preceding three years. The company has eight units located across the states of Maharashtra, Madhya Pradesh, West Bengal, and Uttar Pradesh manufacturing specialised components and equipment required for making small arms, explosives, and artillery.

The encouraging financial performance of the new companies is not the only cause for cheer. In the first six months, these companies have achieved a turnover of more than Rs 8,400 crore which is important for two reasons.

One, it is just about Rs 480 crore less than the annual average value of supplies made by the erstwhile ordnance factories to the three servicesalone (excluding paramilitary forces) between 2018-19 and 2020-21. As a matter of fact, the turnover of the first six months is more than the total value of supply made to the services in 2019-20 and just about Rs 10 crore less than the value of supplies in 2020-21.

And two, these companies seem to be well set for achieving their maximum annual capacity to supply equipment to the three services which, according to 22ndreport of the Standing Committee on Defence submitted to the parliament in March 2021, stood at Rs 17,000 crore.

How has this feat been achieved? This is where the narrative becomes a bit hazy. The official Press Release of April 29 attributes it to ‘functional and financial autonomy provided to these new companies, coupled with hand holding by the Government’.

This is a sad commentary on the way the ordnance factories were being handheld by the Department of Defence Production (DDP) which exercise full administrative control over them through Kolkata-based Ordnance Factory Board (OFB). It also defies imagination as to why ‘functional and financial autonomy’ could not be given to the OFB before its corporatisation.

The Press Release gives another arcane explanation that these new companies had taken various measures for ‘optimal utilisation of their resources and cost reduction’, resulting in ‘cumulative savings of about 9.84% in the areas like overtime and non-production activities during the initial six months itself’. One wonders why these steps could not be taken before corporatisation.

‘Optimal utilisation of resources’ is handy bureaucratese which produces a profound effect but explains little. As for cost reduction on account of curtailment or discontinuation of overtime and non-production activities, these are welcome steps but provide inadequate explanation of how the turnaround has been achieved.

Hopefully, the turnaround is not the result of 'clever accounting'. In 2021-22, the ordnance factories were given budgetary support of Rs 204 crore and Rs 4,254.81 crore for capital and revenue expenditure respectively. In 2022-23, another Rs 2,500 crore has been allocated as 'emergency authorisation for newly created DPSUs' under the capital budget and Rs 475 crore for revenue expenditure. It is unclear whether this infusion of funds had anything to do with the financial results.

This is not to disparage the achievements, or discourage the management, of the new enterprises which are undoubtedly making all possible efforts to make corporatisation work, but the financial performance of the first six months should not be allowed to induce complacency. The road ahead is still fraught with great challenges.

Take, for example, the business prospects of these companies. According to the Press Release 'all outstanding indents with the OFB were grandfathered and converted into deemed contracts valuing about Rs 70,776 crore'at the time of its corporatisation. A sum of Rs 7,765 crore was also paid to them by way of mobilisation advance before commencement of the business as independent entities. Even during the current financial year, a sum of Rs 2,65.95 crore has been given to them for capital expenditure and by way of equity.

Sooner or later, this source of funding and assured orders will dry up which is when the real challenge will surface. That these DPSUs have bagged domestic contracts and export orders worth Rs 3,000 crore and Rs 600 crore respectively within six months augurs well but does not provide any assurance of continuous flow of supply orders.

The demand for state-of-the-art defence equipment is bound to rise, requiring heavy investment in research and development. If the experience of the old DPSUs is any indication, this would be challenging, not least because of the stiff competition from the private sector that these DPSUs did not have to face in their earlier avatar, and the domestic market whose potential is finite on account of enduring budgetary constraints. https://www.financialexpress.com/defence/new-defence-psus-have-done-well-so-far-but-they-need-to-stay-the-course/2510334/

19. What is driving up GST collection? *(livemint.com)* May 3, 2022

The government's goods and services tax (GST) collections, taken by analysts as a high-frequency indicator, has witnessed a strong rebound since the first wave of the pandemic. Mint takes a look at what is driving this revenue growth and its implications.

The government's goods and services tax (GST) collections, taken by analysts as a high-frequency indicator, has witnessed a strong rebound since the first wave of the pandemic. Mint takes a look at what is driving this revenue growth and its implications.

What is the current GST collection trend?

In the first half of FY22 when the second covid-19 wave raged, GST collections were less severely impacted than the first wave, which had severely depressed revenues in the first half of FY21. For most of FY22, barring May and June, GST revenue receipts remained over ₹1 trillion as the curbs were local and less harsh. Revenue receipts saw a significant improvement in the latter half of FY22 as the economy recovered and the pent-up demand drove consumption. GST collection had remained above ₹1.3 trillion in six of the months in FY22. Figures for April, which represents sales that took place in March, show a record collection at ₹1.68 trillion.

What is the reason for a surge in collections?

According to the Centre, economic recovery and anti-evasion steps, especially in the case of those dealing in fake invoices, have been contributing to GST revenue buoyancy. The GST Council also took steps to resolve the issue of tax anomalies in sectors such as mobile phones and footwear that brought inefficiency into the tax system. Experts, however, have flagged the role of high commodity prices and inflation boosting revenue from the indirect tax levied as a percentage of the price. Also, a series of steps taken to scale up oversight of economic activity has led to improved return filing and tax payment compliance.

How has rising inflation impacted GST collection?

A surge in commodity prices has been supporting indirect tax receipts, according to experts. Retail inflation measured by the consumer price index (CPI) touched a 17-month high of 6.95% in March, while the wholesale price index (WPI)-based inflation has been in double digits all through FY22, with the figure at 14.55% in March.

Was there any change in tax compliance?

One major challenge that the tax sleuths have been grappling with is the gap between the actual sales, based on which the buyer claims tax credit, and what is reported to the government. The extensive use of technology and reporting requirements have made it difficult for material and service suppliers to keep their sales under wraps and pocket the taxes collected from the buyer. Thus, compliance by suppliers has significantly improved. In April, 10.6 million GSTR 3B returns were filed, up from 9.2 million returns a year ago.

What are the implications?

The growth in GST revenue collections is a relief to the central as well as state governments that badly need revenue buoyancy to finance economic recovery and provide public goods. Improved GST collection would mean states may be able to cope with the revenue gap that will arise when the GST compensation for the first five years of the 2017 indirect tax reform ends in June 2022. Also, the Centre may be able to plug any revenue gap arising from not meeting disinvestment targets. https://www.livemint.com/economy/what-is-driving-an-upsurge-in-india-s-gst-collections-11651513524309.html

20. GST's next step — reforms: Good time to reduce slabs as tax mop-up is on an upswing *(financialexpress.com)* Updated: May 3, 2022

At Rs 1.68 trillion, the Goods and Services Tax (GST) collections in April, for sales in March, are remarkable and reflect the increasing formalisation of the economy, a good performance by the corporate sector, improved compliance, enforcement action against tax evaders. The rise can also be attributed to fiscal year-end activity and input tax credit being allowed only on timely compliance by vendors. To that extent, there could be some tapering off in the coming months as the economic recovery slows.

Nonetheless, with collections on an uptrend for many months now, this could be a good time to work on rationalising the GST structure even as the recommendations of the Bommai committee are awaited. While increasing rates in an inflationary environment might not be feasible, the GST Council must put down some timelines for a cleaner structure. Even if it is not possible to move to the two-slab structure as originally envisaged, in the immediate future, assessees are entitled to a timetable that is inflation-agnostic. The frequent revisions in rates are not just unfair to industry, they are also delaying a sound architecture for the GST.

Currently there are four main slabs—5%, 12%, 18% and 28%. One option, reportedly being proposed by the tax authorities, is to merge the 5% and 12% slabs into an 8% slab. Since the items in the 12% slab are relatively few in number, the loss of revenue would be minimal. To be sure, this can't be done immediately since the 5% rate is applicable to essentials, and any hike in rates would hurt the poor. There is another school of thought that favours merger of the 12% and 18% slabs into one 16% slab. This could hurt revenues since various estimates put the collections from the 18% tax slab at close to 50%.

The divergence of views should, however, not delay the rationalisation process. Initially, it can be a three-slab structure, perhaps over two years, and a two-rate structure thereafter. Ahead of that, the granular data on GST collections needs to be made public. Disclosure must be made on which slabs and sectors are throwing up revenues so that the structure of the GST can be framed properly. At the end of the day, whatever the final construct, it should be designed logically with the objective of reaching a revenue neutral rate of 15.5%. So far, however, there have been only cuts in the tax rates and virtually no hikes. In November 2017, the GST Council decided to cut the tax rate on 178 items from 28% to 18%, leaving only 50 items in the highest tax slab. The reductions are estimated to have cost the exchequer approximately Rs 20,000 crore annually.

This was followed by a second round of cuts in December 2018, when the Council pruned rates for another 17 categories of goods and six types of services, leaving just one item of common use, namely cement, in the 28% bracket. The cuts were clearly unwarranted, and while consumers may have been appeased, they didn't help revenue collections. The GST Council should not have gone for such steep cuts on so many items; even if it had decided to cut the rates, this should have been accompanied with a reduction in the number of slabs, which would have required some rates to go up.

Also, the several anomalies relating to inverted duties need to be addressed; this is becoming a problem for infrastructure projects where there is a mix of goods and services leaving large sums of input credit unutilised. The good news is that 20 states and UTs have reported an over 14% growth in collections in April. As such, states should not be unduly hurt by the lack of compensation for a shortfall in revenue growth of below 14%. https://www.financialexpress.com/opinion/gsts-next-step-reforms-good-time-to-reduce-slabs-as-tax-mop-up-is-on-an-upswing/2510813/

21. With competing claims for funds, DoT not in favour of tariff subsidy *(indianexpress.com)* Updated: May 3, 2022

Multiple requests and letters from private telecom companies and industry bodies notwithstanding, the Department of Telecommunications (DoT) is unlikely to provide any support in the form of floor price for tariff or subsidy for the same in the near future, senior government officials said.

"There are multiple and competing claims on the total funds that we have. And the priorities of the government must be on food, fertiliser and farmer subsidies. So a subsidy on tariff for telcos is not likely in the near future," an official said. Sources said that the demand for a floor price on tariff had been raised once again after the Telecom Regulatory Authority of India's (Trai) recommendations on base price of 5G spectrum were released. The top executive decision making body of the DoT, the Digital Communications Commission, too has accepted the recommendations of the Trai.

“Multiple suggestions were floated. One was to provide some support from the USOF (universal service obligation fund) while other was to provide some subsidy to telcos whose ARPU (average revenue per user) has remained between $2-3 range for quite some time now,” an official said.

All the three private telecom players as well as industry body Cellular Operators Association of India (COAI) have repeatedly raised the demand for a floor price on telecom tariff which would help them improve their average revenue per user. The latest such demand was made after the telecom package of September 2021, when the industry players urged the government to think about introducing a floor price in the second leg of the reforms. In a recent letter to the DoT, COAI had said that the demand for a floor price on both data and voice services was “a legitimate demand” given the financial health of the telecom players.

“Given the financial pressure on the sector and the fact that ARPU (average revenue per user) and tariffs of the Indian telecom sector are the lowest in the world, floor pricing is imperative to ensure that the sector is sustainable,” COAI had said in its letter.

Even state-run telecom company Mahanagar Telephone Nigam Limited had in its response to the Trai consultations, had said given the health of the sector, there was an urgent need of “regulatory intervention” for “tariff fixation”.
https://indianexpress.com/article/business/with-competing-claims-for-funds-dot-not-in-favour-of-tariff-subsidy-7900098/