

## CHAPTER I-GENERAL

### 1.1 Trend of revenue receipts

**1.1.1** The tax and non-tax revenues raised by the Government of Meghalaya during the year 2011-12, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are shown below:

**Table 1.1**

(₹ in crore)

Sl. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12 <sup>1</sup>
<b>1.</b>	<b>Revenues raised by the State Government</b>					
	• Tax revenue	319.10	369.44	444.29	571.45	697.54
	• Non-tax revenue	199.35	225.31	275.09	301.69	368.24
	<b>Total</b>	<b>518.45</b>	<b>594.75</b>	<b>719.38</b>	<b>873.14</b>	<b>1065.78</b>
<b>2.</b>	<b>Receipts from the Government of India</b>					
	• Share of net proceeds of divisible Union taxes and duties	564.07	595.23	612.38	901.65	1,044.19
	• Grants-in-aid	1,358.86	1,620.66	2,115.59	2,491.23	2,544.50
	<b>Total</b>	<b>1,922.93</b>	<b>2,215.89</b>	<b>2,727.97</b>	<b>3,392.88</b>	<b>3,588.69</b>
<b>3.</b>	<b>Total revenue receipts of the State Government (1 and 2)</b>	<b>2,441.38</b>	<b>2,810.64</b>	<b>3,447.35</b>	<b>4,266.02</b>	<b>4,654.47</b>
<b>4.</b>	<b>Percentage of 1 to 3</b>	<b>21.24</b>	<b>21.16</b>	<b>20.87</b>	<b>20.47</b>	<b>22.90</b>

The above table indicates that during the year 2011-12, the revenues raised by the State Government (₹ 1,065.78 crore) was 22.90 per cent of the total revenue receipts as against 20.47 per cent in the preceding year. The balance 77.10 per cent of receipts during 2011-12 was from the Government of India.

**1.1.2** The following table presents the details of tax revenues raised during the period 2007-08 to 2011-12:

<sup>1</sup> For details, please see Statement No. 11 - Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Meghalaya for the year 2011-12. Figures under the head 0020 - Corporation tax; 0021 - Taxes on income other than corporation tax; 0032 - Taxes on wealth; 0037 - Customs; 0038 - Union excise duties; 0044 - Service tax and 0045 - Other taxes and duties on commodities and services - 901 Share of net proceeds assigned to the States booked in the Finance Accounts under A-tax revenue have been excluded from the revenue raised by the State Government and included in the State's share of divisible Union taxes.

**Table 1.2**

(₹ in crore)

Sl. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+) or decrease (-) in 2011-12 over 2010-11
1.	Sales Tax/VAT CST	234.90	271.07	298.44	324.77	425.31	(+) 30.96
			10.76	22.96	85.11	87.19	(+) 2.44
2.	State excise	58.62	69.79	90.29	104.50	131.50	(+) 25.84
3.	Stamps & Registration fees	5.99	5.54	11.02	10.76	9.08	(-) 15.61
4.	Taxes and duties on electricity	0.03	0.03	0.05	0.26	0.87	(+) 234.62
5.	Taxes on vehicles	11.35	13.21	13.61	19.19	31.12	(+) 62.17
6.	Taxes on goods and passengers	3.58	3.31	3.50	4.37	4.39	(+) 0.46
7.	Land revenue	2.12	0.50	0.26	17.11	2.40	(-) 85.97
8.	Others	2.51	(-) 4.77	4.16	5.38	5.68	(+) 5.58
	<b>Total</b>	<b>319.10</b>	<b>369.44</b>	<b>444.29</b>	<b>571.45</b>	<b>697.54</b>	

The following reasons for variations were reported by the concerned Departments:

**Excise:** The increase was due to implementation of holograms and increase in consumption.

**Taxes and duties on electricity:** The increase was due to implementation of periodical inspection of installation.

The other Departments did not inform Audit (March 2013) the reasons for variations despite being requested (April & July 2012).

**1.1.3** The following table presents the details of major non-tax revenues raised during the period 2007-08 to 2011-12:

**Table 1.3**

(₹ in crore)

Sl. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+) /decrease (-) in 2011-12 over 2010-11
1.	Mining receipts	123.66	132.73	198.21	215.58	262.58	(+) 21.80
2.	Interest receipts	15.38	17.82	23.28	24.72	27.13	(+) 9.88
3.	Forestry and wild life	15.60	17.36	20.03	22.05	26.03	(+) 18.05
4.	Public works	4.24	6.70	7.02	12.71	17.02	(+) 33.91

5.	Crop husbandry	2.38	3.22	2.80	4.11	4.58	(+) 11.44
6.	Animal husbandry	1.47	1.37	1.54	1.68	1.76	(+) 4.76
7.	Education, sports, art and culture	0.53	0.93	0.77	1.00	0.79	(-) 21.00
8.	Medical and public health	0.56	0.74	0.56	0.69	1.35	(+) 95.65
9.	Others	35.53	44.44	20.88	19.15	27.00	(+) 40.99
<b>Total</b>		<b>199.35</b>	<b>225.31</b>	<b>275.09</b>	<b>301.69</b>	<b>368.24</b>	

None of the Departments informed Audit (March 2013) the reasons for variations despite being requested (April & July 2012).

## **1.2 Response of the Government and assurances**

### **1.2.1 Failure of senior officials to enforce accountability and protect the interest of the State Government**

The Principal Accountant General (PAG) (Audit), Meghalaya conducts periodic inspection of the various offices of the Government departments to test check the correctness of assessments, levy and collection of tax and non-tax receipts, and verify the maintenance of accounts and records as per the Acts, Rules and procedures prescribed by the Government. These inspections are followed up with the inspection reports (IRs) issued to the heads of offices inspected with copies to the higher authorities. Serious irregularities noticed in audit are also brought to the notice of the Government/head of the department by the office of the PAG (Audit). An annual report regarding pending IRs is sent to the Secretaries of the concerned Government departments to facilitate monitoring and settlement of the audit observations raised in these IRs through the intervention of the Government.

IRs issued upto March 2012 pertaining to the offices under seven departments<sup>2</sup> disclosed that 181 IRs involving money value of ₹ 1300.75 crore remained unsettled at the end of June 2012. Of these, 25 IRs containing 41 observations involving money value of ₹ 31.79 crore pertaining to the offices under six departments<sup>3</sup> had not been settled for more than five years (October 2012).

In respect of 13 IRs involving money value of ₹ 299.43 crore issued during 2011-12, even the first reply has not been received from the departments / Government (October 2012). The status regarding position of old outstanding IRs/paragraphs was reported to the Government in July 2012; their reply has not been received (March 2013).

### **1.2.2 Departmental audit committee meetings**

In order to expedite the settlement of the outstanding audit observations contained in the IRs, departmental audit committees have been constituted by the Government. These committees are chaired by the secretaries of the concerned

<sup>2</sup>Forest, Mining & Geology, Sales Tax, Stamps & Registration, State Excise, State Lottery and Transport departments.

<sup>3</sup>Forest, Mining & Geology, Sales Tax, Stamps & Registration, State Excise, and Transport departments.

administrative departments and their meetings are attended by the concerned officers of the State Government and officers of the PAG.

During the year 2011-12, one audit and accounts committee meeting was held<sup>4</sup>with the Excise, Registration, Taxation and Stamps (ERTS) Department in which 64 audit observations were discussed. As a result of the discussion, 26 audit observations were settled.

### 1.2.3 Position of Inspection Reports

The summarised position of IRs issued during the year 2011-12 including those of previous four years and their status as on 01 April 2012 are tabulated below:

**Table 1.4**

(₹ in crore)

Year	Opening balance			Addition			Clearance			Closing balance		
	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
2007-08	275	704	1,211.61	38	122	748.75	43	133	273.79	270	693	1,686.57
2008-09	270	693	1,686.57	50	246	980.08	10	122	1,359.79	310	817	1,306.86
2009-10	310	817	1,306.86	38	161	804.30	46	98	279.35	302	880	1,831.81
2010-11	302	880	1,831.81	55	220	269.78	203	444	613.74	154	656	1,487.85
2011-12	154	656	1,487.85	34	222	844.51	24	143	508.58	164	735	1,823.78

It would be seen from the above that the number of IRs and outstanding audit observations/paragraphs have come down, however the money value of these paragraphs has increased to ₹ 1,823.78 crore.

### 1.2.4 Response of the Departments to the draft audit paragraphs

The draft paragraphs are forwarded to the secretaries of the concerned departments through demi-official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the departments is invariably indicated at the end of each such paragraph included in the Audit Report.

Thirty one audit paragraphs and one Performance Audit proposed to be included in the Report of the Comptroller and Auditor General of India for the year ended March 2012, Government of Meghalaya were forwarded to the Secretaries of the respective Departments between August and November 2012. Out of these, replies were furnished to only one Performance Audit and six audit paragraphs upto March 2013. The remaining 25 audit paragraphs have been included without the response of the Government.

### 1.2.5 Follow up on Audit Reports-summarised position

As per Headquarter's instructions the State PACs are to send paras upto 2007-08 to the concerned Government for follow up. Accordingly, all outstanding paras for the Audit Reports upto 2007-08 have been referred to the PAC for necessary action.

<sup>4</sup>26 July 2011.

A review of outstanding ATNs as of November 2012 on the paragraphs included in the Reports of the Comptroller and Auditor General of India (Revenue Receipts), Government of Meghalaya disclosed that the concerned departments of the State Government had not submitted *suo motu* explanatory notes on 150 paragraphs of Audit Reports for the years 2008-09 and 2010-11 as mentioned in the following table:

**Table 1.5**

Year of Audit Report	Date of presentation of the Audit Report to the Legislature	Number of paragraphs/reviews included in the Audit Report		Number of paragraphs/reviews for which <i>suo motu</i> replies are awaited	
		Paragraphs	Reviews	Paragraphs	Reviews
2008-09	28 May 2010	45	2	45	2
2009-10	16 March 2011	64	1	64	1
2010-11	23 March 2012	44	3	36	2
<b>Total</b>		<b>153</b>	<b>6</b>	<b>145</b>	<b>5</b>

The Departments failed to submit ATNs on 47 out of 48 paragraphs pertaining to revenue receipts for the years from 1982-83 to 2009-10 on which recommendations had been made by the PAC in their 16<sup>th</sup> to 39<sup>th</sup> Reports presented before the State Legislature between December 1988 and November 2012, as mentioned below:

**Table 1.6**

Year of Audit Report	Number of paragraphs on which recommendations were made by the PAC but ATNs are awaited	Number of PAC Report in which recommendations were made
1982-83	2	16 <sup>th</sup>
1984-85	9	26 <sup>th</sup> 19 <sup>th</sup>
1987-88	1	26 <sup>th</sup>
1988-89	1	20 <sup>th</sup>
1989-90	1	20 <sup>th</sup>
1990-91	11	26 <sup>th</sup> 20 <sup>th</sup>
1991-92	3	26 <sup>th</sup> 20 <sup>th</sup>
1997-98	1	33 <sup>rd</sup>
2008-09	16	37 <sup>th</sup>
2009-10	3	39 <sup>th</sup>
<b>Total</b>	<b>48</b>	

Thus, failure of the concerned departments to comply with the instructions of the PAC defeated the objective of ensuring accountability of the executive.

### ***1.3 Status of assurances by the Departments/Government on the issues highlighted in the Audit Reports***

In order to analyse the system of addressing the issues highlighted in the Inspection Reports (IRs)/Audit Reports by the Department/Government the action

taken on the paragraphs included in the Inspection Reports/Audit Reports by the Excise Department is shown in the succeeding paragraphs.

- During the last five years, 33 IRs containing 155 paragraphs involving money value of ₹ 141.75 crore were issued to the Department/Government.
- Out of the 33 IRs issued during the last five years, even first reply has not been received in respect of 6 IRs involving money value of ₹ 5.85 crore.
- Out of 155 paragraphs involving money value of ₹ 141.75 crore, the Department has accepted paragraphs involving money value of ₹ 12.02 crore against which, ₹ 4.20 crore has been recovered (March 2013). No intimation in respect of the remaining paragraphs has been given to audit (March 2013).
- During 2007-08 to 2011-12, 19 paragraphs and one Performance Audit involving money value of ₹ 118.48 crore in respect of Excise Department have been featured in the Audit Reports of the Comptroller and Auditor General of India, Government of Meghalaya. The Department accepted seven paragraphs involving money value of ₹ 70.24 crore and recovered ₹ 0.54 crore. No reply has been received in respect of the remaining paragraphs.

**We recommend that the Government may consider taking suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as taking action against officials/officers who fail to send replies to the IRs/paragraphs as per the prescribed time schedules and also fail to take action to recover loss/outstanding demand in a time bound manner.**

### **1.3.1 Recovery of accepted cases**

The position of paragraphs included in the Audit Reports of the last five years (including current year's report), those accepted by the departments and the amount recovered are mentioned in the following table:

**Table 1.7**

*(₹ in crore)*

Year of AR	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value accepted paragraphs	Amount recovered during the year
2007-08	42	829.85	5	729.73	0.38
2008-09	47	1175.55	13	827.77	0.25
2009-10	65	1036.25	07	1.96	0.58
2010-11	48	1836.44	8	1587.03	172.99
2011-12	31	297.56	7	178.41	0.26
<b>Total</b>	<b>233</b>	<b>5175.65</b>	<b>40</b>	<b>3324.90</b>	<b>174.46</b>

Thus, against the accepted cases involving ₹ 3324.90 crore, the departments/ Government could recover a paltry sum of ₹ 174.46 crore. This shows that the departments/Government have failed to recover the dues even in those cases where they have accepted audit observations.

**We recommend that the departments may take immediate action to install a mechanism to pursue and monitor prompt recovery of dues involved in accepted cases.**

### ***1.3.2 Arrears in assessments***

The information furnished by the Sales Tax Department relating to the position of arrears in assessment during the year 2011-12 is given in the following table:

Category of cases under the Acts	Opening balance at the beginning of the year	Addition during the year	Total	Finalised during the year	Pending at the end of the year	Percentage of finalised cases to the total cases
CST/MST/VAT	331600	23431	355031	7832	347199	2.21
MSL	11236	358	11594	451	11143	3.89
<b>Total</b>	<b>342836</b>	<b>23789</b>	<b>366625</b>	<b>8283</b>	<b>358342</b>	<b>2.26</b>

The finalisation of pending cases during 2011-12 was only 2.26 *per cent* of the total cases due for assessment which is very low.

The Department needs to take prompt measures to finalise the pending assessment cases at an early date, especially VAT assessments. It may be mentioned that VAT assessments for the years 2005-06 and 2006-07 have already become time barred due to non-completion of assessments within a period of five years.

### ***1.3.3 Action taken on the recommendations accepted by the departments / Government***

The performance audits conducted by this office are forwarded to the concerned departments/Government for their information with a request to furnish their replies. These performance audits are also discussed in Exit Conferences and the departments'/Government's views are included while finalising the performance audits for the Audit Reports.

In 2011-12, a Performance Audit pertaining to Excise, Registration, Taxation and Stamps Department was carried out. The Performance Audit was discussed with the Department/Government on 1 February 2013. Out of five recommendations included in the Performance Audit report, one recommendation was accepted by the Department/ Government with an assurance to look into them. Further report on implementation of the recommendation was awaited (March 2013).

#### **1.4 Planning for audit during 2011-12**

The unit offices under various departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter alia* include critical issues in Government revenues and tax administration *i.e.* budget speech, white paper on State Finances, reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during past five years *etc.*

During the year 2011-12, out of 168 auditable units, 101 units were audited. Besides, one Performance Audit on “Assessment, levy and collection of tax under the MVAT Act” was also conducted.

#### **1.5 Results of audit**

##### **1.5.1 Position of local audits conducted during the year**

Test check of the records of taxes on sale, trade *etc.*, state excise, motor vehicles tax, forest receipts and other non-tax receipts conducted during the year 2011-12 revealed under assessments/short/non-levy/loss of revenue amounting to ₹ 856.79 crore in 222 cases. During the year, the departments accepted under assessments/short/non levy/loss of revenue of ₹ 187.59 crore in 47 cases pointed out in 2011-12, and recovered ₹ 0.62 crore.

##### **1.5.2 This Report**

This Report contains 31 paragraphs and one Performance Audit involving ₹ 444.93 crore. These are discussed in the succeeding chapters.