

CHAPTER – I

GENERAL

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1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Meghalaya during the year 2019-20, 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 mentioned in **Table 1.1**.

Table 1.1 Trend of Revenue Receipts (₹ in crore)

Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
1.	Revenues raised by the State Government					
	Tax revenue	1056.82	1186.01	1450.10	1793.24	1891.25
	Non-tax revenue	228.60	685.24	366.63	427.70	530.11
	Total	1285.42	1871.25	1816.73	2220.94	2421.36
2.	Receipts from the Government of India					
	Share of Union taxes/ duties	3276.46	3911.05	4323.14	4889.07	4211.78
	Grants-in-aid and contributions	2481.25	3156.65	3133.61	2608.61	2780.38
	Total	5757.71	7067.70	7456.75	7497.68	6992.16
3.	Total revenue receipts of the State Government (1 and 2)	7043.13	8938.95	9273.48	9718.62	9413.52
4.	Percentage of 1 to 3	18.25	20.93	19.59	22.85	25.72

Source: Finance Accounts, Government of Meghalaya.

As seen in **Table 1.1** above, during the financial year (FY) 2019-20, revenues raised by the State Government (₹ 2,421.36 crore) was 25.72 per cent of the total revenue receipts, which is the highest percentage during the preceding five years. The balance 74.28 per cent revenue receipts during 2019-20 were received from the Government of India in the form of State Share of Union taxes and duties and Grants-in-aid from the Government of India. Total Revenue Receipts of the State during 2019-20 decreased by ₹ 305.10 crore which was 3.14 per cent over the previous year. The decrease was mainly under Share of Union taxes /duties¹ as compared to previous year

1.1.2 The details of the tax revenue raised during the period 2015-16 to 2019-20 are given in **Table 1.2**.

Table 1.2 Details of Tax Revenue raised (₹ in crore)

Sl. No.	Head of revenue	2015-16		2016-17		2017-18		2018-19		2019-20		Percentage of increase (+) or decrease (-) in 2019-20 over 2018-19	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
1.	Sales Tax	766.36	811.79	940.47	931.06	1223.25	766.63	1339.73	627.50	1650.00	567.13	(+23.16	(-)9.62
2.	State Goods & Services Tax (SGST)	--	--	--	--	--	376.00	--	805.96	--	909.78	--	(+)12.88
3.	State Excise	194.15	170.04	238.24	168.98	229.13	199.30	263.50	226.21	289.85	276.27	(+10	(+)22.13
4.	Taxes on Vehicles	41.30	42.01	50.68	48.22	60.82	67.01	69.94	86.95	100.00	99.24	(+)42.98	(+)14.13
5.	Stamp duty and	12.59	12.74	14.48	17.19	18.83	20.25	19.39	26.19	21.33	20.34	(+10	(-) 2.34

¹ Share of Union taxes/duties are based on the recommendations of the Finance Commission.

Sl. No.	Head of revenue	2015-16		2016-17		2017-18		2018-19		2019-20		Percentage of increase (+) or decrease (-) in 2019-20 over 2018-19	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
	Registration fees												
6.	Land revenue	4.77	3.18	5.49	1.27	5.60	2.08	1.54	2.73	1.69	1.00	(+9.74)	(-)63.37
7.	Taxes on goods and passengers	5.78	4.92	6.97	5.31	5.62	7.83	6.18	8.45	9.41	9.13	(+)52.27	(+)8.05
8.	Others ²	10.62	12.14	12.22	13.98	15.73	11.00	15.93	9.25	17.52	8.36	(+)79.69	(-)9.62
	TOTAL	1035.57	1056.82	1268.55	1186.01	1558.98	1450.10	1716.21	1793.24	2089.80	1891.25	(+)22.20	(+)5.47

Source: Finance Accounts and Budget, Government of Meghalaya.

As shown in **Table 1.2** above, during 2019-20, the actual realisation of revenue was ₹ 1,891.25 crore as against the budget estimate (BE) of ₹ 2,089.80 crore, which was short by ₹ 198.55 crore (10.50 per cent). However, in comparison to the previous year, the overall revenue realisation was increased by 5.47 per cent. Percentage of increase under other revenue heads ranged between 8.05 per cent to 22.13 per cent of the collection in the previous year. On the other hand, the actual realisation in case of ‘Stamp Duty and Registration fees’, ‘Land Revenue’ and under ‘Others’ heads were deficient to the extent of 9.62 per cent to 63.37 per cent.

It was further observed that revenue on account of State Goods and Services Taxes was not estimated in the Budget although the details of minimum assured revenue from GST, based on the formula³ devised by the GoI, were available with the State Government. As per the formula, minimum assured revenue for the year 2019-20 was ₹ 1,074.47 crore (base year revenue ₹ 636.17 crore). Had the revenue amount receipt under the SGST (₹ 909.78 crore) or the assured amount (₹ 1,074.47 crore) been accounted for in the budget estimate, the shortfall of actual realisation of revenue over the BE would have been increased manifold. This indicates that the budget estimate was not realistic.

The increase in collection of tax revenue pertaining to ‘State Excise’ was stated to be due to implementation of new Excise policies to generate more revenue. However, the reasons for increase or decrease of revenue collection under the remaining heads of tax revenue had not been intimated till date (March 2022) by the Departments concerned though the same was requisitioned in July 2020.

1.1.3 The details of the BE and actual non-tax revenue raised during the period 2015-16 to 2019-20 are indicated in **Table 1.3**:

² It includes- Taxes on profession, Trades, callings and employment, taxes and duties on electricity and other taxes and duties on commodity and services.

³ The Government of India in the GST Compensation to States Act, 2017 had set 2015-16 as the base year for all states and offered compensation for five years starting from the date of implementation of State GST Act. The revenue growth rate for each state is considered at 14 per cent per year. In Meghalaya the base year revenue has been worked out at ₹ 636.17 crore.

Table 1.3: Non-Tax Revenue raised (₹ in crore)

Sl. No.	Head of revenue	2015-16		2016-17		2017-18		2018-19		2019-20		Percentage of increase (+) or decrease (-) in 2019-20 over 2018-19	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
1.	Interest receipts	34.77	39.34	39.99	46.25	43.27	52.50	47.60	58.26	55.06	28.91	(+) 15.67	(-)50.38
2.	Dividends and profits	0.14	0.07	0.15	0.11	0.17	0.11	0.19	0.11	0.21	0.14	(+) 10.53	(+)27.27
3.	Non-ferrous mining and metallurgy	112.21	60.75	232.40	469.52	264.87	207.88	291.39	147.56	320.53	322.84	(+) 10	(+)118.79
4.	Forestry and wildlife	68.44	72.08	81.85	103.99	112.55	55.61	114.39	78.31	125.83	81.27	(+) 10	(+)3.78
5.	Other administrative services	8.86	3.49	10.19	3.11	6.67	3.76	7.18	9.25	7.90	41.30	(+) 10.03	(+)346.49
6.	Public works	12.57	8.40	14.46	10.22	10.78	17.01	11.60	17.64	18.71	9.78	(+) 61.29	(-)44.59
7.	Police	9.69	16.28	11.14	25.21	7.32	4.51	7.88	16.27	8.67	8.17	(+) 10.03	(-)49.78
8.	Animal husbandry	2.59	1.96	2.98	1.59	2.28	1.85	2.50	2.10	2.75	1.91	(+) 10	(-)9.05
9.	Crop husbandry	6.28	3.18	7.23	3.46	7.81	4.49	8.59	6.71	9.45	2.29	(+) 10.01	(-)65.87
10.	Others	56.62	23.06	65.77	21.78	57.05	18.91	46.78	91.49	51.46	33.50	(+) 10	(-)63.38
	TOTAL	312.17	228.61	466.16	685.24	512.77	366.63	538.10	427.70	600.57	530.11	(+)11.61	(+)23.94

Source: Finance Accounts and Budget, Government of Meghalaya.

As seen from **Table 1.3** above, during 2019-20 the actual realisation of revenue under non-tax receipts was ₹ 530.11 crore against the BE of ₹ 600.57 crore, which was short by ₹ 70.46 crore (11.73 per cent). The shortfall was most pronounced in 'Interest receipts' (₹ 26.15 crore), 'Forestry and wildlife' (₹ 44.56 crore), 'Public Works' (₹ 8.93 crore) and 'Crop Husbandry' (₹ 7.16 crore).

However, in comparison to the previous year (2018-19), the revenue realisation from non-tax receipts has increased from ₹ 427.70 crore to ₹ 530.11 crore i.e., by 23.94 per cent.

The decrease in revenue collection in 'Forestry and wildlife' was stated to be due to court cases filed under NGT that affected extraction and export of minor minerals, as well as strict implementation of the Meghalaya Minor Minerals Concession Rules, 2016 that allowed only legal mining leases to operate in Meghalaya. The other departments did not intimate reasons for increase/decrease (March 2022), though the same was requisitioned in July 2020.

Recommendation: The State Government needs to review its revenue estimation and collection mechanism and put in place adequate measures to enable it to prepare a more realistic budget and strengthen its revenue collection apparatus.

1.2 Goods & Services Tax

The introduction of the Goods and Services Tax (GST) is a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, GST will mitigate ill effects of cascading or double taxation in a major way and pave the way for a common national market. GST is a multi-stage tax system which is comprehensive in nature and applied on the sale of goods and services. In Meghalaya, GST was launched with effect from 01 July 2017.

1.2.1 GST Registrations

Under GST Law any dealers with annual turnover of ₹ 10 lakh or more with effect from 01 July 2017 and ₹ 20 lakh or more with effect from 01 February 2019 for North Eastern (NE) and Hill States were required to be registered in the State under the new GST law. Position of various categories of dealers registered under the State GST as on 31 August 2020 are shown in the table below:

Table 1.4: Statement showing category of dealers registered under GST in Meghalaya (under State jurisdiction) up to 31 August 2020

Category of registrant	No. of registrants	Percentage of total
Normal taxpayers	18811	89.58
Composition taxpayers	1841	8.77
Tax deductors at source	310	1.48
Tax collectors at source	31	0.15
Input Service Distributors	NA	NA
Others (Casual, NRTP, OIDAR)	5	0.02
Total Registrants	20998	

Source: Information provided by Department.

NA: Not Available.

It is seen from the above table that as on 31 August 2020, total number of registered dealers under the State GST were 20,998, of which 'normal taxpayers' accounted for 89.58 *per cent* followed by 'composition taxpayers' with 8.77 *per cent* and 'Tax deductors at source' with 1.48 *per cent*. Of the total registrations, 9,145 i.e. 43.55 *per cent* were migrated from pre-GST regime, while balance were new registrations under GST regime.

1.2.2 GST Return filing pattern

1.2.2.1 Filing pattern of GSTR-1 and 3B

The filling of GSTR-1⁴ and GSTR-3B⁵ returns is mandated under Section 37 and 39(1) of the MGST Act. The system envisages that both the returns are linked to enable the assessing officer to accurately assess the tax dues of the dealer, for a particular month.

The trends of filing of GSTR-1 and 3B as on 31 March 2020 for the period from April 2019 to March 2020, as compiled from the information furnished by the Department, have been depicted in the following **Table**:

⁴ GSTR-1: It is a sales return that is required to be filed by every GST registered person.

⁵ GSTR-3B: It is a self-declared consolidated summary return of inward and outward supplies which is required to be filed by a registered person electronically on the GST common portal.

Table 1.5: Details of Return filing (GSTR-1 and GSTR-3B)

Return Type Months	GSTR-1			GSTR-3B				
	Due for filing	Return filed	Return filing per cent	Due for filing	Returns filed as on the last day of the report period	Return filing per cent	Returns filed by due date	Per cent filed by due date
April 2019	23,763	7,159	43.40	23,703	18,754	78.92	Data not available	Data not available
May 2019	24,195	7,232	43.61	23,763	19,092	78.91		
June 2019	24,878	15,851	63.71	24,195	19,672	79.07		
July 2019	25,640	7,411	44.76	24,878	20,210	78.82		
August 2019	25,884	7,390	45.86	25,640	20,342	78.59		
September 2019	26,140	16,467	63.00	25,884	20,483	78.36		
October 2019	26,255	7,420	46.12	26,140	20,543	78.24		
November 2019	26,357	7,356	46.03	26,255	20,503	77.79		
December 2019	26,428	16,089	60.88	26,428	20,485	77.51		
January 2020	26,536	7,443	46.78	26,536	20,496	77.24		
February 2020	26,675	7,113	44.75	26,675	20,408	76.51		
March 2020	26,706	14,930	55.91	26,706	20,202	75.65		

Source: Information provided by Department.

It can be seen from the above table that filling of GSTR-1 increased from 43.40 per cent in April 2019 to 55.19 per cent in March 2020. However, the filling of GSTR-3B returns decreased from 78.92 per cent in April 2019 to 75.65 per cent in March 2020. Audit observed that as on date, there was no linkage between GSTR 1 and GSTR 3B in the system. Further, during the period of review, the number of GSTR 3B returns filed were found to be higher in number than the GSTR 1 returns filed during the same period. This was despite the extension granted by the GST Council (for the return period from July 2017 to January 2020 up to 30 September 2020) for filing of GSTR 3B returns.

1.3 Revenue from GST

GST is based on the principle of destination-based consumption taxation as against the present principle of origin-based taxation. It is a dual GST with the Centre and the States simultaneously levying tax on a common base. GST levied by the Centre is called Central GST (CGST) and that levied by the State is called State GST (SGST). Besides, an Integrated GST (IGST) would be levied on inter-state supply (including stock transfers) of goods or services. This shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by Law on the recommendation of the GST Council.

1.3.1 SGST Revenue

The Taxation Department has not included any estimations of revenue on account of SGST in the Budget. However, the figures of actual realisation of revenue from collection under SGST for three years from 2017-18 to 2019-20 is given in the **Table** below:

Table 1.6: Revenue from SGST

(₹ in crore)

Year	Actuals
2017-18	141.40
2018-19	284.02
2019-20	334.63

Source: Information provided by Department.

It is observed that revenue collection under SGST has shown an upward trend, with collections rising by as much as 101 *per cent* in the year 2018-19 over the previous year. However, during 2019-20, the SGST collections rose by merely 18 *per cent* over 2018-19.

1.3.2 Compensation

Under the GST (Compensation to States) Act, 2017, states were guaranteed bi-monthly compensation for any loss of revenue in the first five years of GST implementation, starting from 01 July 2017. **Table 1.7** below shows the figures of bi-monthly compensation under GST received by the State from the Union Government.

Table 1.7: Bi-monthly compensation received from the Union Government

(₹ in crore)

Month	Provisional Compensation due	Provisional compensation received	Shortfall/surplus, if any
April-May 2019	179.00	0.00	(-) 179.00
June-July 2019	179.00	21.00	(-) 158.00
August-September 2019	179.00	55.00	(-) 124.00
October-November 2019	179.00	29.00	(-) 150.00
December 2019-January 2020	179.00	25.23	(-) 153.77
February-March 2020	179.00	26.77	(-) 152.23
Total	1074.00	157.00	(-)917.00

Source: Information provided by Department in February 2021.

During the period from April 2019 to March 2020, the State had been compensated with ₹ 157.00 crore.

1.3.3 Apportionment through IGST

Under Section 17 of the IGST Act, apportionment of tax and settlement of funds is provided to the States and IGST has to be shared between the Centre and states in the ratio of 50:50. The provisional apportionment of IGST to the State of Meghalaya for the years 2017-18 to 2019-20 is given as under:

Table 1.8: Apportionment of IGST

(₹ in crore)

IGST component	2017-18	2018-19	2019-20
IGST apportioned to the State as per Section 17 of IGST Act, 2017	79.67	79.68	101.82
IGST provisionally/ ad-hoc apportioned to the State.	0.00	104.10	26.25
IGST cross utilised between			
SGST as IGST	(-)11.70	29.57	(-)37.53
IGST as SGST	166.62	373.33	522.49

Source: Information provided by Department.

1.3.4 Collection of SGST revenue from top 10 commodities/services

The detail lists of top 10 commodities and services which contribute maximum State GST collection during the year 2019-20 are given in **Table 1.9** below:

Table 1.9: Revenue from Top 10 commodities/Services for the year 2019-20

(₹ in crore)

Sl. No.	Name of Commodity/Service	SGST/UTGST
Commodities		
1.	Portland Cement, Aluminous Cement, Slag Cement, Supersulphate Cement and Similar Hydraulic Cements etc.	20.51
2.	Telephone Sets, including Telephones for Cellular Networks or for other Wireless Networks, other than transmission or reception apparatus of certain types	12.40
3.	Limestone Flux, Limestone or other Calcareous Stones used for the manufacture of Lime or Cement	8.29
4.	Motor Cars and Other Motor Vehicles including Station Wagons and Racing Cars/Parts and Accessories	4.07
5.	Structures Excluding Prefabricated Buildings of Heading 9406 and Parts of Structures like Bridges and Bridge Sections, Lock-Gates, Towers and Lattice Masts	1.69
6.	Structures Excluding Prefabricated Buildings of Heading 9406 and Parts of Structures like Bridges and Bridge Sections, Lock-Gates, Tubular Steel Poles for Electric Transmission and Distribution Lines	1.09
7.	Textile Fabrics impregnated, coated, covered or laminated with plastics/Other Footwear	1.23
8.	Paints and varnishes including enamels and lacquers based on synthetic polymers or chemically modified natural polymers dispersed or dissolved in a non-aqueous medium	1.02
9.	Discs, tapes, solid-state non-volatile storage devices, "smart cards" and other media for recording sound or other phenomena, including matrices and masters for the production of discs	0.54
10.	Bread, Pastry, Cakes, Biscuits and other Bakers Wafers, whether or not containing cocoa, communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products	0.48
Services		
1.	Life Insurance Services/Insurance Auxiliary/ Services provided by an Insurer of Life Insurance under Unit Linked Insurance Plan (ULIP)	7.69
2.	Supply of Outdoor Catering, at premises other than specified premises provided by any person other than (a) Suppliers providing hotel accommodation at specified premises or (b) Suppliers located in specified premises	6.10
3.	Telecommunication Services/ Internet Telecommunication (Telephony) Service	5.87
4.	Works Contract Services	5.14
5.	Banking and Financial	3.12
6.	Consulting Engineer	2.98
7.	Accommodation in Hotels/ Inn/ Guest House/ Club or Camp Site etc. Service/ Restaurant Service	2.86
8.	Construction Services in respect of commercial or industrial buildings and civil structures	2.57
9.	Manpower Recruitment Agency	1.10
10.	Health Services by a Clinical Establishment, Health Check-up, Diagnosis etc.	0.59

Source: Information provided by Department.

1.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2020 under some principal heads of revenue amounted to ₹ 209.23 crore, of which, ₹ 78.73 crore was outstanding for more than five years as detailed in **Table 1.10**.

Table 1.10: Details of Arrears of Revenue Collection

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2020	Amount outstanding for more than 5 years as on 31 March 2020	Department's reply
1	0040-Taxes on Sale, Trade etc.	186.68	58.31	Reason for arrears was not furnished by the Department.
2	0039- State Excise	1.91	1.39	Accumulation of arrears was due to non-realisation of licence fee by non-operational "OFF" and "ON" retailers and due to the non-payment of 50% revenue share by local chiefs.
3	0406 – Forestry and Wildlife	20.64	19.03	The accumulation of arrears of revenue was due to pendency of payment of Forest remittances from the Forest Development Corporation of Meghalaya, on account of timber allotted to them and also due to short realisation of royalty from User Agencies using Minor minerals. Furthermore, royalty had been previously collected after transportation, hence there was pendency in royalty collection.
Total		209.23	78.73	

Source: Information furnished by the Departments.

As seen in **Table 1.10** above, recovery of ₹ 209.23 crore was pending against three of the principal heads of revenue which was 8.64 *per cent* of the State's own revenue collection from tax revenue for 2019-20. Revenue amounting to ₹ 78.73 crore (37.63 *per cent* of the total revenue arrears) was pending for recovery for more than five years which indicates that the chances of recovery are remote. Other departments⁶ did not intimate the arrears of revenue despite repeated requests (March 2022).

1.5 Pendency of Refund Cases

The number of refund cases under Sales Tax/MVAT and State GST pending at the beginning of the year 2019-20, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2019-20 as reported by the Department is given in **Table 1.11** below.

Table 1.11: Details of pendency of refund cases

(₹ in crore)

Sl. No.	Particulars	Sales Tax/VAT		State GST	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	26	20.70	76	0.72
2.	Claims received during the year	10	5.56	81	25.64
3.	Refunds made during the year	3	5.33	47	0.50
4.	Balance outstanding at the end of the year	33	20.93	110	25.86

Source: Information furnished by the departments.

⁶ Transport, Mining & Geology, Stamps and Registration and Land Revenue.

As seen from **Table 1.11** above, out of the total 36 pending refund cases valued with ₹ 26.26 crore under the Sales Tax/MVAT, only three cases valued at ₹ 5.33 crore (20.29 per cent) were refunded. Similarly, under the State GST, 47 cases valued at ₹ 0.50 crore (1.89 per cent) was refunded against the total 157 pending cases valued with ₹ 26.36 crore. The balance 33 cases involving ₹ 20.93 crore under Sales Tax/MVAT and 110 cases involving ₹ 25.86 crore under the State GST were yet to be refunded at the end of the year (March 2020).

The Meghalaya Value Added Tax Act provides for the payment of interest in case of refund at the rate of eight per cent per annum if the amount is not refunded to the dealer within 90 days from the date of any order authorising such refund. Likewise, under Section 56 of the MGST Act, the Taxation Department is liable to pay interest at the rate of six per cent per annum if any tax ordered to be refunded to the applicant within sixty days from the date of receipt of application.

As such, the Department may expedite the process of refund in such cases which are outstanding to avoid payment of interest on delayed refund.

Recommendation: *The Department needs to put in place a mechanism to monitor pendency of refund cases to ensure that there is no delay in refund dues.*

1.6 Response of the Government/Departments towards audit

The succeeding paragraphs 1.6.1 to 1.7.1 discuss the response of the Departments/Government to audit.

1.6.1 Position of outstanding Inspection Reports

The Accountant General (AG) (Audit), Meghalaya conducts periodical inspection of Government Departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules of procedure. These inspections are followed up by Inspection Reports (IRs) incorporating irregularities detected during such inspections that could not be settled during audit for want of credible replies/responses by the audited entities. The IRs are issued to the heads of offices with copies forwarded to the next higher level for taking prompt corrective action. The heads of the offices/Government Departments are required to promptly respond to the observations contained in the IRs, rectify the defects and omissions and report compliance through initial replies to the AG (Audit), within one month from the date of issue of the IRs. Irregularities of a serious nature are separately reported to the heads of the Departments and the Government for eventual inclusion in the Report of the Comptroller and Auditor General (CAG) of India, if audit is not satisfied by the responses of the Department to such observations.

Review of IRs issued upto March 2020 disclosed that 2,067 paragraphs involving money value of ₹ 3,179.44 crore relating to 438 IRs remained outstanding at the end of June 2020 as mentioned in **Table 1.12**, for want of replies or for unacceptable replies by various Government Departments.

Table 1.12: Position of outstanding IRs

Year/Details	June 2017	June 2018	June 2019	June 2020
Number of outstanding IRs	308	346	389	438
Number of outstanding audit observations	1403	1417	1577	2067
Amount involved (₹ in crore)	1,775.00	1,573.69	1,941.06	3,179.44

Department-wise details of IRs, audit observations pending settlement as on 30 June 2020 and the amounts involved are mentioned in **Table 1.13**.

Table 1.13: Outstanding IRs and paragraphs

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1.	Excise, Registration, Taxation & Stamps	(a) Taxes on sales, trade, etc.	158	1010	1989.03
		(b) State Excise	71	315	130.74
		(c) Stamps & Registration	27	48	3.69
		(d) State Lotteries	1	1	34.42
2.	Transport	Taxes on motor vehicles	87	243	59.64
3.	Mines and Minerals	Mining receipts	27	123	255.93
4.	Environment and Forests	Forestry and wild life	67	327	705.99
Total			438	2067	3,179.44

In respect of 13 IRs out of 64 IRs issued during 2019-20, even the first reply required to be received from the heads of offices within one month from the date of issue of the IRs was not received upto March 2022. Pendency of IRs due to non-receipt of the replies may be because the Heads of offices and Heads of the departments had not initiated any action to rectify the defects, omissions and irregularities pointed out by audit in the IRs.

Recommendation: *The Departments should take action to clear all outstanding IRs/paragraphs by furnishing replies within the prescribed time frame.*

1.7 Summarised position of Inspection Reports

The summarised position of IRs issued during the year 2019-20 including those of previous four years and their status as on 01 April 2020 are mentioned in **Table 1.14** below.

Table 1.14: Position of IRs (₹ 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
2015-16	265	980	1037.15	37	249	635.57	30	160	542.45	272	1069	1130.27
2016-17	272	1069	1130.27	49	397	877.87	04	49	203.64	317	1417	1804.50
2017-18	317	1417	1804.50	40	252	925.62	0	112	554.57	357	1557	2175.55
2018-19	357	1557	2175.55	51	380	1040.88	06	195	664.54	402	1742	2551.89
2019-20	402	1742	2551.89	64	498	1166.89	11	157	224.64	455	2083	3494.14

It would be seen from the above table that the number of outstanding IRs and audit observations increased in 2019-20 over 2018-19 which indicates that the departments

have made little progress in settlement of the audit observations. As such, departments need to take suitable action to settle the audit observations.

1.7.1 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 of the CAG of India.

Eight audit paragraphs proposed to be included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2020, Government of Meghalaya (Revenue Sector), were forwarded to the Secretaries of the concerned Departments between July 2021 and December 2021. The Departments furnished the replies in respect of seven draft paragraphs and the same were incorporated in this Report.

1.7.2 Follow up on Audit Reports

The internal working system of the Public Accounts Committee (PAC), notified in December 2012, laid down that after the presentation of the Report of the CAG of India in the Legislative Assembly, the Departments should initiate action on the audit paragraphs. The Government should submit the Action Taken Notes (ATN) and Explanatory Notes (EN) on audit paragraphs within three months of tabling of the Report, for consideration of the Committee. In spite of these provisions, the ENs on audit paragraphs of the Reports are not received as per the prescribed time schedule. A total of 400 audit paragraphs (including Performance Audits) included in the Reports of the Comptroller and Auditor General of India (Revenue Sector), relating to Government of Meghalaya for the years ended 31 March 2009 to 2019, were placed before the State Legislature between May 2010 and March 2021. The *suo motu* explanatory notes from the Departments concerned are awaited in respect of 187 paragraphs, which constitute 46.75 per cent of the total audit observations (March 2022).

The PAC discussed 53 selected paragraphs⁷ between April 2011 and March 2022 and their recommendations on 14 paragraphs were incorporated in two PAC Reports (37th and 39th Reports) for the years 2008-09 and 2009-10. However, ATNs have not been received from the Departments concerned (March 2022) in respect of 14 recommendations made by the PAC as mentioned in **Table 1.15** below.

Table 1.15: Outstanding ATNs

Year	Name of the Department	Number of ATNs awaited
2008-09	Sales Tax	11
2009-10	Sales Tax	02
2009-10	Stamps and Registration	01
Total		14

⁷ Pertaining to the Audit Reports for the years 2008-09, 2009-10, 2013-14, 2016-17 and 2017-18.

1.8 Analysis of the mechanism for dealing with the issues raised by audit

In order to analyse the effectiveness of the system for addressing the issues highlighted in the IRs/Audit Reports by the Departments/Governments, the action taken on the paragraphs and performance audits included in the Audit Reports of the last five years by the Excise Department has been evaluated and results included in this Audit Report.

1.8.1 Position of Inspection Reports

The summarised position of IRs issued during the last five years, paragraphs included in these reports and their status in respect of Excise Department as on March 2020 are shown below:

Table 1.16: Position of Inspection Reports (₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
2015-16	41	153	45.72	05	36	10.29	0	08	1.78	46	181	54.23
2016-17	46	181	54.23	08	66	16.80	0	10	1.59	54	237	69.44
2017-18	54	237	69.44	04	31	10.78	8	28	12.85	50	240	67.37
2018-19	50	240	67.37	09	52	41.42	0	14	4.55	59	278	104.24
2019-20	59	278	104.24	08	50	51.49	2	26	20.92	65	302	134.81

The clearance of IRs/Paras was insignificant which indicated that the Department concerned had not taken necessary action for their disposal.

1.8.2 Recovery in respect of Accepted Cases

The position of paragraphs pertaining to the Excise Department included in the Audit Reports of the last five years, those accepted by the Department and the amount recovered during 2019-20 are mentioned in **Table 1.17** below:

Table 1.17: Status of recovery of accepted cases (₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year
2014-15	06	4.58	--	--	--
2015-16	06	2.93	--	--	--
2016-17	05	2.74	--	--	0.59
2017-18	02	5.72	--	--	--
2018-19	05	5.71	--	--	--
Total	24	21.68	--	--	0.59

As can be seen from the above table, the Excise Department had recovered only ₹ 0.59 crore during the five-year period (2014-19) against the total of ₹ 21.68 crore, which represents only 2.72 per cent.

1.9 Audit Planning

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 2019-20, out of 153 auditable units, 50 units (32.67 *per cent*) were audited.

1.10 Results of Audit

1.10.1 Position of local audits conducted during the year 2019-20

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 2019-20 revealed underassessments/short/non-levy/loss of revenue amounting to ₹ 1,166.89 crore (which is 48.19 *per cent* of the State's own tax revenue for 2019-20) in 498 cases. During the year, the departments accepted under assessments/short/non-levy/loss of revenue of ₹ 376.97 crore in 293 cases pointed out in 2019-20 and recovered ₹ 12.81 crore.

1.11 Internal Controls

Audit noticed that the revenue earning departments had weak internal controls to detect under-assessment, short payment, evasion of taxes, fees, royalties and other irregularities. There was no system in place to actively exchange information and co-ordinate amongst the departments for cross-verification of records to detect illegal transportation of minerals, evasion of royalties, excise duty, *etc.*

This Report contains two Subject Specific Compliance Audit Reports on “Refunds under GST” and on “Arrears of Assessment and Revenue under VAT Regime post GST roll out” as well as seven selected paragraphs from test audit done by the Accountant General (Audit) Meghalaya during the year 2019-20 amounting to ₹ 267.66 crore. Paragraphs for earlier years, which could not be included in the previous Audit Reports, have also been included. These audit paragraphs are discussed in the succeeding Chapters.

