

OVERVIEW

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The Report of the Comptroller and Auditor General of India on Revenue Sector for the year ended 31 March 2021 and 31 March 2022 (Government of Meghalaya) contains five chapters including one Subject Specific Compliance Audit Paragraph on *'Transitional Credit Under GST for the State of Meghalaya for the period from 01 July 2017 to 31 March 2020'*, one Performance Audit on *'Mining of Minor Minerals in Meghalaya'* and three Audit Paragraphs relating to State Excise and Transport departments involving ₹ 118.77 crore. The major findings are mentioned below:

Chapter-I: General

➤ During 2021-22, the revenues raised by the State Government (₹ 2,824.96 crore) was 20 per cent of the total revenue receipts (₹ 14,274.14 crore), lower than the revenue raised during 2019-20 (26 per cent) and 2020-21 (24 per cent). The balance 80 per cent of revenue receipts during 2021-22 was 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.

(Paragraph 1.1, Page 1)

➤ 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 2020-21 and 2021-22 revealed underassessments/short/non-levy/loss of revenue amounting to ₹ 1,358.47 crore and ₹ 358.08 crore which accounted for 52.33 per cent and 12.68 per cent of the State's Own Resources in 208 and 75 cases respectively. During the year 2020-21 and 2021-22, the departments concerned accepted under assessments/short/non-levy/loss of revenue of ₹ 134.85 crore in 78 cases and ₹ 293.47 crore in 62 cases respectively and recovered ₹ 4.32 crore.

(Paragraph 1.10, Page 12)

Chapter-II: Taxation Department

Subject Specific Compliance Audit on 'Transitional Credit Under GST for the State of Meghalaya'

Goods and Services Tax (GST) is a significant reform in the field of indirect taxes in our country, which replaced multiple taxes levied and collected by the Centre and the States. To ensure the seamless flow of input tax credit from the existing laws to the GST regime, a 'transitional arrangement for input tax' was included in the GST Act, 2017. Section 140 of the MGST Act, 2017 enables the taxpayers to carry forward the ITC earned under the existing laws to the GST regime. The section read with Rule 117 of the MGST Rules, 2017 envisaged that all registered taxpayers, except those opting for payment of tax under the composition levy scheme, are eligible to claim transitional credit by filing TRAN-1 returns within 90 days from the appointed day. The time limit for filing TRAN-1 returns was extended initially till 27 December

2017 which was further extended to 31 March 2020 for the taxpayers who could not file TRAN-1 due to technical difficulties and for those cases recommended by the GST Council. Audit on Transitional Credit under GST for the State of Meghalaya for the period from 01 July 2017 to 31 March 2020 revealed the following:

- 19 out of 250 transitional credit claims (eight *per cent* of total claims) involving ₹ 1.32 crore had only been verified by the Department and inadmissible claims worth ₹ 0.38 crore detected of which ₹ 0.02 crore was recovered. The remaining 231 cases (92 *per cent*) involving an amount of ₹ 31.70 crore have not been verified by the Department.

(Paragraph 2.3.6.1, Page 17)

- There was an excess carry forward of transitional credit claim to the tune of ₹ 3.10 crore which needs to be reversed/recovered along with interest amounting to ₹ 1.82 crore.

(Paragraph 2.3.7.1, Page 19)

- Five dealers out of 143 cases examined by audit availed transitional credit amounting to ₹ 1.48 crore against the input credit balance of ₹ 1.26 crore available in their last MVAT returns (June 2017). This has resulted in excess carry forward of transitional credit claim of ₹ 0.22 crore.

(Paragraph 2.3.7.2, Page 21)

- Six dealers out of 143 cases examined by audit availed transitional credit amounting to ₹ 0.51 crore without filing the last six months returns under MVAT regime. This resulted in irregular carry forward of transitional credit amounting to ₹ 0.51 crore.

(Paragraph 2.3.7.3, Page 21)

- 15 dealers out of 143 cases examined by audit availed transitional credit of ₹ 4.78 crore of which ₹ 2.92 crore was ITC claims for the last three quarters (December 2016 to June 2017) against which the taxpayers had provided invoices of ₹ 0.03 crore only. Thus, inadmissible ITC amounting to ₹ 2.92 crore was availed by the taxpayers during the period.

(Paragraph 2.3.7.4, Page 22)

Recommendations:

- *The Department should put in place a mechanism to identify high value-high risk transitional credit claims and carry out their verification on priority.*
- *The Department may take steps to verify the discrepancies pointed out by Audit to ensure that only eligible ITC claims are carried over to the GST regime.*

Chapter-III: State Excise Department

- Failure of the Excise Department to ensure periodical stock taking of liquor sales led to misuse of the provisions of the notification for concessional rate of excise

duty on rum sold to canteen licencees, resulting in short realisation of revenue amounting to ₹ 1.87 crore.

Recommendations:

- *The Government needs to strengthen the mechanism for issue of sales permits to ensure that the stock of the dealer is invariably verified before the permit is issued.*
- *The Government needs to ensure recovery of dues from M/s Ram Bonded Warehouse at the earliest.*

(Paragraph 3.3, Page 30)

- Lack of internal control and regulation by the Excise Department over the functioning of Indian Made Foreign Liquor (IMFL) retail and bar licensees led to unauthorised operation of expired retail and bar licensees leading to irregular issuance of permits and non-realisation of revenue of ₹ 7.35 lakh.

Recommendation

- *Excise Department should strictly enforce the issuance of retail permits to IMFL retailers and bar licensees, only to the licence holders who had paid the annual renewal within the scheduled date of payment. Further, appropriate provision may also be made in the Meghalaya Excise Rules for punitive action with regard to retail and bar licensees who neglect to pay their dues.*

(Paragraph 3.4, Page 31)

Chapter-IV: Transport Department

- Failure on the part of the Commissioner of Transport to enforce compliance of the terms and conditions of contract agreement for setting up of integrated checkgate-cum-weighbridge and absence of monitoring on the functioning of the weighbridges resulted in non-realisation of revenue to the tune of ₹ 23.75 crore.

(Paragraph 4.3, Page 36)

Chapter-V: Forest & Environment Department

Performance Audit on ‘Mining of Minor Minerals in Meghalaya under the Forests & Environment’.

The Performance Audit on mining of Minor Minerals in Meghalaya covering the period from 01 April 2016 to 31 March 2021 was conducted during October 2021 to March 2022 to evaluate the compliance on the grant and execution of mining leases, collection of minor minerals receipts, the effectiveness in monitoring illegal excavation/transportation of minor minerals and safeguarding the environmental sustainability while granting and operating of mining leases. Audit observations in this Performance Audit have revenue implication of ₹ 41.38 crore and some of the major observations are detailed below:

Granting and execution of mining leases

Provisions of MMMCR Rules 2016 had not been complied by the DFOs, while issuing/granting the mining lease as cases of granting mining leases despite non-submission/delay in submission of mandatory documents as well as cases of lease being granted within restricted areas and mining activities being carried out beyond lease areas were also observed. Besides, absence of proper accounting of Form H and cases of issuance of Form-H to non-lease holders were also noticed.

Recommendations

- *The Department should review all the mining leases pointed out in Audit, which have been granted without adherence to the statutory requirements. Further, the Department should put in place appropriate procedures for the forest officials and other authorities to ensure strict compliance with the provisions of MMMCR Rules, 2016 while granting mining leases in the State.*
- *The Department may investigate all cases of violation of the MMMCR, 2016, fix responsibility and take punitive action under Rule 36 of MMMCR 2016 read with sub-section (2) of section 21 of Mines and Mineral (Development and Regulation) Act, 1957.*
- *The matter relating to issuance of Form H to non-lease holders should be investigated, and accountability should be fixed to avoid repetition of such irregularities.*

➤ **(Paragraph 5.3.8, Page 49)**

Assessment and collection of minor mineral receipts viz., royalty, fees and others

There was revenue loss to the State due to short/ non-collection of royalty, MMMRF, cess and stamp duty on minor minerals.

There were no clear instructions from the Government for monitoring the minor minerals utilised by contractors for construction works of Government Departments which resulted in short/non-collection of royalty, MMMRF and cess.

Further, despite royalty and MMMRF on minor minerals being collected by F&E Department and cess collected by the Mining & Geology (M&G) Department, there was no mechanism between the two Departments to exchange information on the quantity of minor minerals transported by the lessees which resulted in non-realisation of cess on minor minerals.

Boulder stones extracted during construction of roads/widening of existing roads, which was incidental in nature, were not assessed resulting in non-realisation of royalty and other dues.

Recommendations

- *The Department, in addition to actively following up with the user agencies regarding the timely submission of accounts for the minerals utilised and realising the balance amount of royalty from the contractors, also needs to*

issue clear instructions to ensure that minor minerals utilised by contractors were obtained from mining leases. The contractors should also submit a certificate from the lessee that the minor minerals were procured from mining lease areas. Further, Government may also initiate an inquiry on the issue of short/non deduction of royalty by the user departments.

- *The State Government may identify the permit holders/vendors who has not deposited the royalty in full and ensure that royalty is recovered from them*
- *The Government should take steps to ensure that there is timely and proper dissemination of information from the Apex level to field offices to avoid delays in implementation of executive orders. The Government should also fix responsibility in cases where there is loss of revenue to the State due to administrative delays.*
- *The Department needs to issue instructions to all DFOs that Form H shall be issued to the lessees only after advance payment of cess as was in the case of payment of royalty and MMMRF, to prevent leakage of cess.*
- *Extraction of boulder stone which is incidental in nature, arising out of construction of roads or widening of existing roads carried out by agencies like NHIDCL and similar agencies, should be assessed and collection of applicable royalty and cess, should be ensured.*

(Paragraphs 5.3.9 Page 59)

Monitoring and vigilance mechanism

Monitoring and vigilance mechanism in the Department was inadequate and ineffective to prevent illegal excavation/transportation of minor minerals.

There were cases where the lessees did not submit the monthly/annual returns within the stipulated time to ensure that minor minerals were transported as per the quantity mentioned in the transport challans.

Cases of illegal mining still continue in the State.

There were deficiencies in monitoring of vehicles at the check-gates leading to under-reporting of vehicles carrying minor minerals *vis-à-vis* records of DFOs concerned and Land Customs Station.

Recommendations

- *The Department may consider amendment of MMMCR Rules, 2016 to impose penalty for delay/ in non-submission of monthly/annual returns by the lessees to ensure that minor minerals were transported as per declaration made in the returns.*
- *Government may fix responsibility of the erring forest department officials for their failure to detect illegal mining activities.*
- *The DFOs (T) should conduct monthly reconciliation with data of LCS on number of trucks and quantity of minor mineral exported to Bangladesh with check-gate records.*

- *The Department should rationalise deployment of manpower in each check-gate in conjunction with the number of trucks passing through the check-gates.*
- *For improving the manning of check-gates and to plug the leakage of revenue, the Department may consider installing electronic surveillance system, including Radio Frequency Identification (RFID), CCTV and electronic weighment machines at all forest check-gates, to ensure accurate recording of number of vehicles along with the weight of transported minerals passing through these check-gates.*

(Paragraphs 5.3.10, Page 69)

Safeguarding of environmental sustainability while granting of mining leases and operation of mines

Mitigation measures to safeguard the environment before and after the grant of mining lease are inadequate. Despite two or more mining leases being in close proximity to each other, the Department has not declared cluster zones based on the GoI criteria of 500 meters gap between the boundaries of such mining leases.

DSRs, though prepared, were not complete in all respects and also not based on survey reports.

Recommendations:

- *The Department needs to fix responsibility for non-conducting periodic inspection of lease areas to ensure that the conditions stipulated while issuing various clearance were strictly complied by the lessees to safeguard the environment.*
- *District Survey reports should be prepared for each district based on annual survey report*

(Paragraphs 5.3.11, Page 80)