

CHAPTER I GENERAL



CHAPTER – I

GENERAL

1.1 Trend of Revenue Receipts

1.1.1 The Tax and Non-Tax Revenue raised by Government of Meghalaya (GoM) during the years 2022-23, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grants-in-aid received from Government of India (GoI) during the year and the corresponding figures for the preceding four years is depicted in **Table 1.1**.

Table 1.1: Trends of Revenue Receipts

(₹ in crore)

Sl. No.	Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
1.	Revenue raised by the State Government					
	Tax Revenue	1,793.24	1,891.25	2,072.56	2,300.38	2,650.67
	Non-Tax Revenue	427.70	530.11	523.17	524.58	456.61
	Total	2,220.94	2,421.36	2,595.73	2,824.96	3,107.28
2.	Receipts from the Government of India					
	Share of Union taxes/ duties	4,889.07	4,211.78	4,551.63	6,580.63	7,286.14
	Grants-in-aid and contributions	2,608.61	2,780.38	3,535.88	4,868.55	4,426.45
	Total	7497.68	6,992.16	8,087.51	11,449.18	11,712.59
3.	Total Revenue Receipts (1 & 2)	9,718.62	9,413.52	10,683.24	14,274.14	14,819.87
4.	Percentage of 1 to 3	22.85	25.72	24.30	19.79	20.97

Source: Finance Accounts, Government of Meghalaya.

It is evident from **Table 1.1** that revenue raised by the State Government (₹ 3,107.28 crore) during the fiscal year 2022-23 was 21 *per cent* of the total Revenue Receipts (₹ 14,819.87 crore), higher than the revenue raised during 2021-22 (20 *per cent*). Notably, the remaining 79 *per cent* of Revenue Receipts during 2022-23 was received from Government of India (GoI) in the form of State Share of Union taxes and duties and Grants-in-aid.

Revenue Receipts of the State increased by ₹ 545.73 crore (3.82 *per cent*) during 2022-23 over the preceding year. The increase was mainly on account of an increase in Tax Revenue and share of Union taxes/duties as compared to the previous year. The increase was offset by a decrease of ₹ 510.07 crore under non-tax revenue and grant-in-aid and contributions.

1.1.2 The details of the tax revenue raised during the period 2018-19 to 2022-23 are given in **Table 1.2**.

Table 1.2: Details of Tax Revenue raised

(₹ in crore)

Head of revenue	2018-19		2019-20		2020-21		2021-22		2022-23		% of increase (+)/ decrease (-) in 2022- 23 over 2021-22	
	BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals
Sales Tax	1,339.73	627.50	1,650.00	567.13	679.18	725.09	767.52	718.89	747.51	621.78	(-) 2.61	(-) 13.51
State Goods & Services Tax	--	805.96	--	909.78	1,219.35	822.81	489.30	1,117.94	1,316.01	1,477.03	(+) 168.96	(+) 32.12
State Excise	263.50	226.21	289.85	276.27	312.50	375.38	360.00	308.00	350.03	365.16	(-) 2.77	(+) 18.56
Taxes on Vehicles	69.94	86.95	100.00	99.24	120.00	78.63	125.00	99.42	100.12	131.51	(-) 19.80	(+) 32.28
Stamp duty and Registration fees	19.39	26.19	21.33	20.34	23.46	31.56	21.30	27.06	38.18	28.16	(+) 79.25	(+) 4.07
Land revenue	1.54	2.73	1.69	1.00	2.20	21.29	4.51	9.83	4.51	4.91	--	(-) 50.05
Taxes on goods and passengers	6.18	8.45	9.41	9.13	9.97	10.72	10.00	12.54	11.00	14.05	(+) 10.00	(+) 12.04
Others ¹	15.93	9.25	17.52	8.36	10.32	7.09	7.80	6.70	8.04	8.07	(+) 3.08	(+) 20.45
Total	1,716.21	1,793.24	2,089.80	1,891.25	2,376.98	2,072.57	1,785.43	2,300.38	2,575.40	2,650.67	(+) 44.25	(+) 15.23

As indicated in **Table 1.2**, the actual realisation of tax revenue during 2022-23 was ₹ 2,650.67 crore, surpassing the budget estimates (BEs) of ₹ 2,575.40 crore by ₹ 75.27 crore, reflecting a growth of 2.92 *per cent*. In comparison to the previous fiscal year (2021-22), there was a notable 15.23 *per cent* increase in overall tax revenue raised.

During the fiscal year 2022-23, all tax revenue heads, except for Sales Tax and Land Revenue, demonstrated positive trends, exhibiting increase in tax revenue receipt ranging between 4.07 *per cent* and 32.28 *per cent*. Sales Tax and Land Revenue experienced declines of 13.51 *per cent* and 50.05 *per cent*, respectively, compared to the preceding year. The most noteworthy surge in tax revenue receipts was observed in Taxes on Vehicles at 32.28 *per cent*, and State Goods and Services Tax (SGST) at 32.12 *per cent*.

1.1.3 Details of BEs and actual on Non-Tax Revenue raised during the period 2018-19 to 2022-23 are indicated in **Table 1.3**:

Table 1.3: Non-Tax Revenue raised

(₹ in crore)

Head of revenue	2018-19		2019-20		2020-21		2021-22		2022-23		% of increase (+)/ decrease (-) in 2022-23 over 2021-22	
	BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals
Interest receipts	47.60	58.26	55.06	28.91	60.57	11.53	34.98	24.65	13.95	8.81	(-) 60.12	(-) 64.26
Dividends and profits	0.19	0.11	0.21	0.14	0.23	0.00	0.16	0.12	0.18	0.35	(+) 12.50	(+) 191.67
Non-ferrous mining and metallurgy	291.39	147.56	320.53	322.84	400.66	246.44	449.98	239.78	500.00	263.38	(+) 11.12	(+) 9.84
Forestry and wildlife	114.39	78.31	125.83	81.27	120.00	102.12	120.00	117.34	120.00	129.76	0.00	(+) 10.58

¹ It includes- Taxes on profession, Trades, callings and employment, taxes and duties on electricity and other taxes and duties on commodity and services.

Head of revenue	2018-19		2019-20		2020-21		2021-22		2022-23		% of increase (+)/ decrease (-) in 2022-23 over 2021-22	
	BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals
Other administrative services	7.18	9.25	7.90	41.30	8.69	26.98	21.57	3.73	32.65	6.33	(+) 51.37	(+) 69.71
Public works	11.60	17.64	18.71	9.78	20.58	7.05	11.83	6.34	8.53	9.86	(-) 27.90	(+) 55.52
Police	7.88	16.27	8.67	8.17	9.53	7.29	9.89	6.62	8.82	8.82	(-) 10.82	(+) 33.23
Animal husbandry	2.50	2.10	2.75	1.91	3.03	1.96	2.31	2.20	2.54	1.99	(+) 9.96	(-) 9.55
Crop husbandry	8.59	6.71	9.45	2.29	10.40	2.03	2.77	2.65	2.46	2.78	(-) 11.19	(+) 4.91
Other receipts ²	46.78	91.49	51.46	33.50	56.60	138.23	40.54	144.12	41.59	24.55	(+) 2.59	(-) 82.97
Total	538.10	427.70	600.57	530.11	690.29	543.63	694.03	547.55	730.72	456.63	(+) 5.29	(-) 16.60

Source: Finance Accounts and Budget, Government of Meghalaya.

As indicated in **Table 1.3**, the revenue realised under Non-Tax Receipts for the fiscal year 2022-23 amounted to ₹ 456.63 crore, falling short of the BEs set at ₹ 730.72 crore by ₹ 274.09 crore, reflecting a deficit of 37.51 *per cent*. Notably, the shortfall in actual receipts occurred in (i) Other administrative services (69.71 *per cent*), (ii) Animal Husbandry (9.55 *per cent*), and (iii) Other Receipts (82.97 *per cent*).

In comparison to the preceding fiscal year (2021-22), the total BEs witnessed a projected increment of ₹ 36.69 crore (5.29 *per cent*), however, the actual non-tax revenue receipts experienced a decline of ₹ 90.92 crore, falling short by 16.60 *per cent* when compared to the preceding year.

Recommendation: To enhance financial forecasting accuracy and optimize revenue collection, the Department should cultivate a culture of continuous improvement. This involves integrating historical performance analysis into budget projection processes to align estimates more closely with actual outcomes. Additionally, the State Government needs to conduct a comprehensive assessment of its revenue collection mechanisms to pinpoint deficiencies. Identifying these shortcomings will facilitate the implementation of corrective measures to overcome them.

1.2 Goods and Service Tax

Goods and Services Tax (GST) was implemented in the country with effect from 01 July 2017 on supply of goods or services or both. GST is concurrently administered by the

² It includes - (i) Public Service Commission (₹ 2.34 crore), (ii) Stationery and Printing (₹ 0.11 crore), (iii) Contributions and Recoveries towards Pension and Other Retirement Benefits (₹ 1.72 crore), (iv) Miscellaneous General Services (₹ 3.41 crore), (v) Education, Sports, Art and Culture (₹ 1.09 crore), (vi) Medical and Public Health (₹ 3.13 crore) (vii) Water supply and sanitation (₹ 7.21 crore), (viii) Housing (₹ 0.57 crore), (ix) Urban Development (₹ 0.07 crore), (x) Information and Publicity (₹ 0.13 crore), (xi) Labour and Employment (₹ 7.26 crore), (xii) Social Security and Welfare (₹ 0.01 crore), (xiii) Fisheries (₹ 0.02 crore), (xiv) Co-operation (₹ 5.74 crore), (xv) Other Agriculture Programmes (₹ 1.51 crore), (xvi) Other Rural Development Programmes (₹ 0.08 crore), (xvii) North Eastern Areas (₹ 1.33 crore), (xviii) Minor Irrigation (₹ 0.63 crore), (xix) Power (₹ 1.71 crore) (xx) Village and small Industries (₹ 0.83 crore), (xxi) Tourism (₹ 0.96 crore), (xxii) Civil supplies (₹ 0.04 crore), and (xxiii) Other General Economic Services (₹ 1.69 crore).

Union (CGST) and the States (MGST) on supply within the State while Integrated Goods and Services Tax (IGST) is levied on inter-state supply of goods or services or both. 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 and Himalayan (NE&H) States were required to be registered in the State under the new GST law. Status of various categories of dealers registered under the State GST as on 31 March 2023 is shown in **Table 1.4** below:

Table 1.4: Statement showing category of dealers registered under GST in Meghalaya (under State jurisdiction) as on 31 March 2023.

Category of registrants	No. of registrants	Percentage of total
• Normal taxpayers	• 25,252	• 89.79
• Composition taxpayers	• 2181	• 7.76
• Tax deductors at source (TDS)	• 564	• 2.01
• Tax collectors at source (TCS)	• 118	• 0.42
• Input Service Distributors	• 07	• 0.02
• Others (Casual, NRTP, OIDAR)	• 0	• 0.00
• Total Registrants	• 28,122	• 100

Source: Information furnished by the Assistant Commissioner of Taxes, Meghalaya, Shillong.

From **Table 1.4**, it can be seen that as on 31 March 2023, total number of registered dealers under the State GST were 28,122, out of which ‘normal taxpayers’ accounted for 89.79 *per cent* of the total registrants. ‘Composition taxpayers’ accounted for 7.76 *per cent* while ‘Tax deductors at source’ accounted for 2.01 *per cent*. During 2022-23, of the total registrations, 6,687 (23.78 *per cent*) have migrated from pre-GST regime, while the remaining were new registrations under GST regime. A total of 3091 registrations have been cancelled by the Department during 2022-23.

1.2.2 GST Return filing pattern

1.2.2.1. Filing pattern of GSTR-1 and 3B

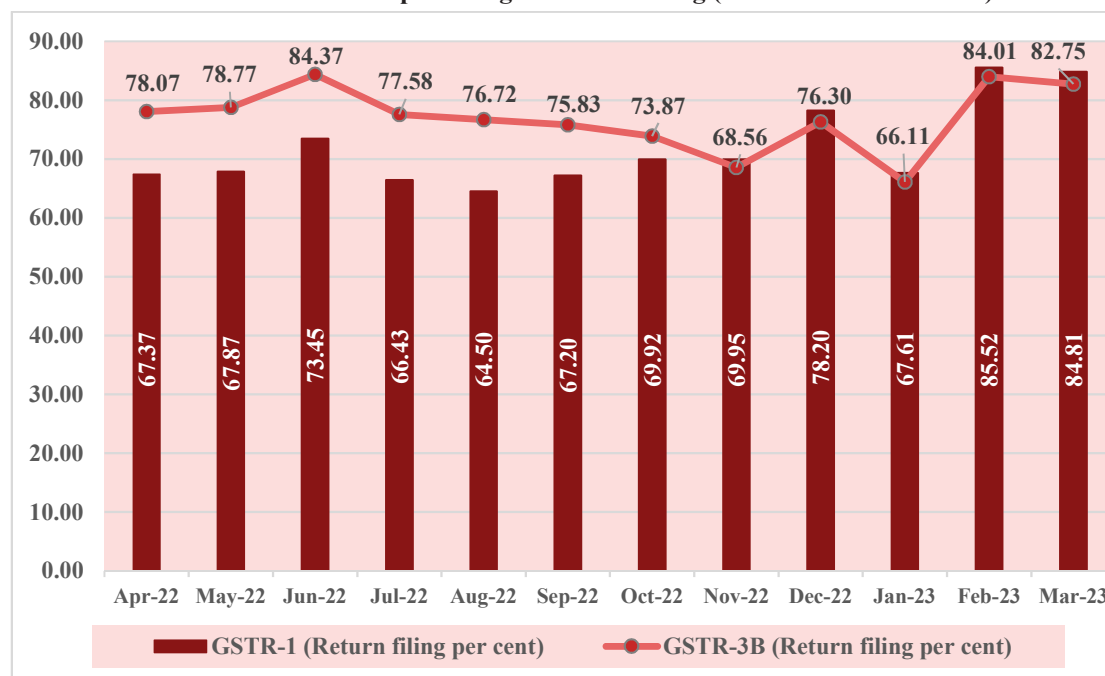
The filing of GSTR-1³ and GSTR-3B⁴ returns is mandated under Section 37 and 39 (1) of the Meghalaya Goods and Services Tax (MGST) Act. The system envisages that both the returns are linked to enable the assessing officer to accurately assess the tax dues of dealers, for a particular month.

The trends of filing of GSTR-1 and GSTR-3B for the period from April 2022 to March 2023, as compiled from the information furnished by the Department, have been depicted in **Chart 1.1**.

³ **GSTR-1:** It is a sales return that is required to be filed by every GST registered person.

⁴ **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.

Chart 1.1: Month-wise percentage of Return filing (GSTR-1 and GSTR-3B)



Source: Information furnished by the Assistant Commissioner of Taxes, Meghalaya, Shillong.

It can be seen from the above chart that filing of GSTR-1 and GSTR-3B increased from 67.37 per cent and 78.07 per cent in April 2022 to 84.81 per cent and 82.75 per cent in March 2023 respectively. Details are given in **Appendix 1.1**.

1.3 Revenue from GST

GST is based on the principle of destination-based consumption taxation as against the then principle of origin-based taxation. It is a dual GST with the Centre and the States levying simultaneous 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) is levied on inter-state supply (including stock transfers) of goods or services. The IGST is levied and collected by GoI and is 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

Scrutiny of budget estimates *vis-à-vis* actual receipt under SGST for five years from 2018-19 to 2022-23 revealed that there were variations between budget estimates (BEs) as compared to actual realisation of revenue as detailed in **Table 1.5**.

Table 1.5: Revenue from SGST

Year	Budget Estimate	Actuals
2018-19	Not estimated	805.96
2019-20	Not estimated	909.78
2020-21	1,219.35	822.81
2021-22	489.30	1,117.94
2022-23	1,316.01	1,477.03

Source: Budget document and State Finances Audit Report 2022-23.

Based on the data provided in **Table 1.5**, it is evident that the Department has not utilised historical analysis of past performances to establish benchmarks for identifying trends, patterns, and deviations between budgeted and actual figures, thereby impacting the determination of budget estimates. Despite significant fluctuations in budget estimates during the years 2020-21 to 2022-23, it is observed that revenue collection under SGST has mostly demonstrated an upward trend, with a notable increase of 32.12 *per cent* in the year 2022-23 compared to the preceding year.

1.3.2 Apportionment of IGST

Under Section 17 of the IGST Act, apportionment of tax and settlement of funds is provided to States and IGST has to be shared between the Centre and States in the ratio of 50:50. The provisional apportionment of IGST to Meghalaya for the years 2020-21 to 2022-23 is given in **Table 1.6**.

Table 1.6: Apportionment of IGST

(₹ in crore)

IGST component	2020-21	2021-22	2022-23
IGST apportioned to the State as per Section 17 of IGST Act, 2017	89.11	187.08	267.98
IGST provisionally/ ad-hoc apportioned to the State.	60.33	46.61	35.16
IGST cross utilised between			
SGST as IGST	(-) 34.94	(-)45.95	(-)57.09
IGST as SGST	421.81	582.84	755.01

Source: Information furnished by the Assistant Commissioner of Taxes, Meghalaya, Shillong.

1.3.3 Collection of SGST from top 10 commodities/services

The detailed lists of top ten commodities and services which contributed maximum State GST during the years 2021-22 and 2022-23 are given in **Table 1.7**:

Table 1.7: Revenue from Top 10 commodities/Services for the year 2021-22 and 2022-23

(₹ in crore)

Sl. No.	2021-22		2022-23	
	Name of Commodity/ Service	SGST	Name of Commodity/ Service	SGST
COMMODITIES				
1	Automobiles	77.83	Automobiles	133.44
2	Iron and steel and articles	67.79	Iron and steel and articles	78.28
3	Lime, Cement and minerals products	55.97	Lime, Cement and minerals products	65.03
4	Electrical machinery and equipment parts	38.15	Electrical machinery and equipment parts	47.07
5	Tobacco and substitutes	36.73	Tobacco and substitutes	44.95
6	Machinery and mechanical appliances; parts	25.75	Machinery and mechanical appliances; parts	35.24
7	Dairy products	25.62	Dairy products	32.37
8	Pharmaceuticals products	23.82	Pharmaceuticals products	28.12
9	Rubber & articles (Tubes and tyres)	27.03	Rubber & articles (Tubes and tyres)	20.72
10	Minerals fuels and oils and products	14.40	Minerals fuels and oils and products	17.86
SERVICES				
1	Construction services	80.16	Construction services	126.80
2	Communication services	47.10	Communication services	42.44
3	Support services	21.55	Support services	21.76
4	Financial services	15.60	Financial services	19.28
5	Other services	8.45	Real Estate. Leasing, Rental services	10.42

Sl. No.	2021-22		2022-23	
	Name of Commodity/ Service	SGST	Name of Commodity/ Service	SGST
6	Real Estate. Leasing, Rental services	7.64	Accommodation, Food and beverage services	7.63
7	Accommodation, Food and beverage services	4.25	Transport services	5.40
8	Transport services	1.90	Other services	3.68
9	Manufacturing services	1.33	Professional services	1.72
10	Professional services	1.13	Manufacturing services	1.59

Source: Information furnished by the Assistant Commissioner of Taxes, Meghalaya, Shillong.

1.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2023 under the head, 0040 – Taxes on Sale, Trade, *etc.*, amounted to ₹ 89.00 crore, of which, ₹ 37.00 crore was outstanding for more than five years as detailed in **Table 1.8**.

Table 1.8: Details of Arrears of Revenue Collection as on 31 March 2023

(₹ in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2023		Departments' reply
		Total	For more than five years	
1	0040 – Taxes on Sale, Trade, <i>etc.</i>	89.00	37.00	The Department is doing its best to recover the arrear dues.

Source: State Finances Audit Report for the year ended 31 March 2023.

As seen from **Table 1.8**, recovery of ₹ 89.00 crore was pending against the principal head, which was 2.86 *per cent* of the State's own revenue collection amounting to ₹ 3,107.28 crore (Own Tax Revenue: ₹ 2,650.67 crore *plus* Non-Tax Revenue: ₹ 456.61 crore) for 2022-23. Revenue amounting to ₹ 37.00 crore (41.57 *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.

1.5 Pendency of Refund Cases

The MVAT Act stipulates that interest at the rate of eight *per cent* per annum shall be paid if the refund is not processed 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 obligated to pay interest at a rate of six *per cent* per annum if any tax, which has been ordered to be refunded to the applicant is not refunded within 60 days from the date of receipt of the application.

The number of refund cases under Sales Tax/ Meghalaya Value Added Tax (MVAT) and State GST pending at the beginning of the year 2022-23, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2022-23 as reported by the Department is given in **Table 1.9**.

Table 1.9: Details of pendency of refund cases

(₹ in crore)

Sl. No.	Particulars	2022-23			
		Sales Tax/VAT		State GST	
		No. of cases	Amount	No. of cases	Amount
1	Claims outstanding at the beginning of the year	23	16.10	63	7.65
2	Claims received during the year	20	26.87	114	42.70
3	Refunds made during the year	29	29.42	97	32.06
4	Refunds rejected during the year	-	-	21	11.99
5	Balance outstanding at the end of the year	14	13.55	59	6.30

Source: Information furnished by the Assistant Commissioner of Taxes, Meghalaya, Shillong.

As seen from **Table 1.9** above, during 2022-23, out of 43 pending refund cases involving ₹ 42.97 crore under the Sales Tax/MVAT, 29 cases (67.44 per cent) involving ₹ 29.42 crore were refunded. While under the State GST, 97 cases (54.80 per cent) involving ₹ 32.06 crore were refunded against total 177 pending cases involving refund claim of ₹ 50.35 crore.

The remaining 14 cases involving ₹ 13.55 crore under Sales Tax/MVAT and 59 cases involving ₹ 6.30 crore under the State GST were yet to be refunded at the end of the year (March 2023).

1.6 Details of evasion of tax detected by Department

The cases of evasion of tax detected by the Taxation Department, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government. Details of evasion of tax detected during 2022-23 are given in **Table 1.10**.

Table 1.10: Evasion of Tax Detected

(₹ in crore)

Sl. No.	Head of revenue	Cases pending as on 31.03.2022	Cases detected during 2022-23	Total	No. of cases in which assessment/investigation completed and additional demand with penalty, etc. raised		No. of cases pending as on 31.03.2023
					No. of cases	Amount	
					1.	0040 – Taxes on Sales, Trade	
2.	0006 - SGST	26	79	105	73	0.11	32

Source: Information furnished by the Assistant Commissioner of Taxes, Meghalaya, Shillong.

From **Table 1.10**, it can be seen that during the year 2022-23, the Department detected 79 tax evasion cases, out of which 73 cases were assessed/investigated, and an additional demand of ₹ 0.11 crore was raised leaving 32 cases still pending as of 31 March 2023.

1.7 Response of the Government/Department towards audit

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

1.7.1 Position of outstanding Inspection Reports

Upon conclusion of the audit pertaining to Government Departments and offices, the audit process yields Inspection Reports (IRs) that are subsequently disseminated to the

respective heads of the offices. Additionally, copies of these reports are transmitted to their superior officers for the purpose of effecting corrective measures and ongoing monitoring. Instances of significant financial irregularities are promptly communicated to both the Heads of the Departments and the overarching governmental body for immediate attention and remedial action.

The summarised position of IRs issued during the year 2022-23, including those of previous years and their status as on 30 September 2023 are presented in **Table 1.11**:

Table 1.11: Position of IRs⁵

(₹ in crore)

Year	Opening balance			Addition			Clearance			Closing balance (as on 30 September 2023)		
	IR	Para	Value	IR	Para	Value	IR	Para	Value	IR	Para	Value
2018-19	335	1,623	3,780.60	50	286	668.15	11	262	1,013.48	374	1,647	3,435.27
2019-20	374	1,647	3,435.27	55	476	1,888.23	12	166	241.04	417	1,957	5,082.46
2020-21	417	1,957	5,082.46	27	223	1,359.64	7	92	74.15	437	2,088	6,367.95
2021-22	437	2,088	6,367.95	8	75	358.08	12	102	157.90	433	2,061	6,568.13
2022-23	433	2,061	6,568.13	40 ⁶	193 ⁷	2,189.70 ⁸	16	122	247.14	457	2,132	8,510.69

Review of IRs issued up to 31 March 2023 disclosed that 2,132 paragraphs involving money value of ₹ 8,510.69 crore relating to 457 IRs remained outstanding for want of replies or due to incomplete or unacceptable replies furnished by various Government departments.

1.7.2 Department wise position of outstanding Inspection Reports

Department-wise details of IRs, audit observations pending settlement as on 31 March 2023 and the amount involved are presented in **Table 1.12**.

Table 1.12: Department-wise Outstanding IRs and paragraphs

(₹ in crore)

Name of Department	Nature of receipts	2022-23		
		No. of outstanding		Money Value
		IRs	Audit Observations	
Excise, Registration, Taxation & Stamps	(a) Taxes on sales, trade, etc.	171	1,050	2,882.60
	(b) SGST	17	92	673.59
	(c) State Excise	74	310	223.51
	(d) Stamps & Registration	26	38	3.08
	(e) State Lotteries	0	0	0.00
Forests & Environment	Forestry and wildlife	62	302	804.58
Transport	Taxes on motor vehicles	79	227	1,174.15
Mining and Geology	Mining receipts	30	134	2,764.55
	Total	459	2,153	8,526.10

⁵ Figures of opening and closing balance of outstanding IRs and paras and their money value for the years 2018-19 to 2022-23 have been updated based on reconciliation of records.

⁶ Includes 15 IRs pertaining to the SSCA on Departments' Oversight on GST Payments and Returns Filing for the year 2017-18 (one limited audit, five Range audits, and nine detailed audits).

⁷ Includes 74 paras pertaining to the SSCA on Departments' Oversight on GST Payments and Returns Filing for the year 2017-18.

⁸ Includes ₹ 520.11 crore pertaining to the SSCA on Departments' Oversight on GST Payments and Returns Filing for the year 2017-18.

Additionally, in respect of 20 out of 33 Inspection Reports (IRs) issued during 2022-23, it was noted that the initial response, mandated to be submitted by the heads of offices within one month from the issuance of the IRs, were not received as on January 2024. The delay in addressing these IRs may be attributed to the lack of proactive measures taken by the Heads of Offices and Heads of Departments to rectify the deficiencies, omissions, and irregularities highlighted by audit within the IRs.

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

1.7.3 Response of the Departments to the Draft Compliance Audit Paragraphs

The draft Compliance Audit Paragraphs (CAPs) are forwarded to the Secretaries of the Departments concerned through demi-official letters drawing their attention to 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 paragraph included in the Audit Report of the Comptroller & Auditor General of India (CAG).

The draft audit paragraphs proposed to be included in the Report of the CAG on Revenue Sector of Government of Meghalaya for the year ended 31 March 2023 were forwarded to the Secretaries of the Departments concerned between July 2023 and April 2024 to which replies from Excise Department, Forests & Environment, and ERTS Department has been received and the same has suitably been incorporated in this Report.

1.7.4 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 in the Legislative Assembly, the Departments concerned should initiate action on the audit paragraphs. The Government should submit Action Taken Notes (ATNs) and Explanatory Notes (ENs) 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.

Total of 402 audit paragraphs (including Performance Audits (PAs)) included in the Reports of the CAG for the years ended 31 March 2009 to 2022, were placed before the State Legislature between May 2010 and September 2023. The Suo Motu explanatory notes from the Departments concerned are awaited in respect of 177 paragraphs, which constitute 44.03 *per cent* of the total audit observations (March 2023).

The PAC discussed 53 selected paragraphs⁹ between April 2011 and March 2023 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 2023) in respect of 14 recommendations made by the PAC as mentioned in **Table 1.13**.

⁹ Pertaining to the Audit Reports for the years 2008-09, 2009-10, 2013-14, 2016-17 and 2017-18.

Table 1.13: Outstanding ATNs

Year	Name of the Department	No. of ATNs awaited
2008-09	Sales Tax	11
2009-10	Sales Tax	02
2009-10	Stamps and Registration	01
	Total	14

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/Government, action taken on the paragraphs included in the Audit Reports of the last five years on **Transport Department** has been evaluated and results are included in this Audit Report. No Performance Audit was conducted on the Department in the last five years.

1.8.1 Position of Inspection Reports of Transport Department

The summarised position of IRs issued during the last five years, paragraphs included in these reports and their status in respect of Transport Department as on 30 September 2023 are presented in **Table 1.14**.

Table 1.14: Position of Inspection Reports of Transport Department

(₹ in crore)

Year	Opening balance			Addition			Clearance			Closing balance		
	IR	Para	Value	IR	Para	Value	IR	Para	Value	IR	Para	Value
2018-19	79	308	879.01	8	43	104.31	5	119	609.24	82	232	374.08
2019-20	82	232	374.08	6	28	76.10	4	23	119.43	84	237	330.75
2020-21	84	237	330.75	5	29	52.82	3	7	4.45	86	259	379.12
2021-22	86	259	379.12	1	1	0.33	11	24	2.49	76	236	376.96
2022-23	76	236	376.96	12	40	951.03	10	59	157.53	78	217	1,170.46

As illustrated in **Table 1.14**, the clearance rate of IRs/Paras was significantly low. As on September 2023, 78 IRs and 217 Paras with collective objection valued at ₹ 1,170.46 crore, remains pending for clearance.

It is imperative that the Transport Department takes prompt and decisive action to address the outstanding Inspection Reports and enhance the clearance rate.

1.8.2 Recovery in respect of Accepted Cases

The status of paragraphs pertaining to the Transport Department included in the Audit Reports of the last five years, those accepted by the Department and the amount recovered as on 31 March 2023 is mentioned in **Table 1.15**:

Table 1.15: Status of recovery of accepted cases

(₹ in crore)

Year of Audit Report	No. of paragraphs		No. of paragraphs		Amount recovered during the year
	Included	Money Value	Accepted	Money Value	
2017-18	3	5.00	3	5.00	-
2018-19	3	2.29	2	1.89	0.16
2019-20	1	1.23	1	1.23	-
2020-21	1	23.75	-	-	-
2021-22					
Total	8	32.27	6	8.12	0.16

In summary, the data presented in **Table 1.15** indicates a concerning trend within the Transport Department's recovery efforts for accepted cases over the past five-year period (2018 to 2022). Despite a total accepted money value of ₹ 8.12 crore, the department managed to recover only ₹ 0.16 crore (1.97 *per cent*). This disparity suggests a need for strategic interventions and enhanced recovery mechanisms to ensure more effective fiscal outcomes and to mitigate financial losses for the Transport Department.

1.9 Audit Planning

Offices within various departments are classified into high, medium, and low-risk units, taking into consideration factors such as revenue position, historical trends of audit observations, and other relevant parameters. The formulation of the annual audit plan is based on risk analysis, which encompasses critical aspects of government revenues and tax administration, drawing insights from sources like budget speeches, white papers on State Finances, reports from the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical evaluation of revenue earnings over the past five years, features of tax administration, audit coverage, and its impact during the last five years.

During the year 2022-23, out 165 auditable units, 33 units were audited (20 *per cent*).

1.10 Results of Audit

1.10.1 Position of local audits conducted during the year 2022-23

Test check of the records of taxes on sale, trade, *etc.*, Stamps & Registration, State Excise, Forest Receipts, Motor Vehicles Tax and other Non-Tax Receipts conducted during the year 2022-23 revealed underassessments/short/non-levy/loss of revenue amounting to ₹ 1,577.17 crore in 70 cases, which accounted for 50.76 *per cent* of the State's Own Resources. During the year 2022-23, the departments concerned accepted under assessments/short collection/loss of revenue of ₹ 607.10 crore in 15 cases.

Additionally, the audit process uncovered other irregularities pertaining to compliance issues with monetary value of ₹ 612.53 crore across 123 cases. Subsequently, the concerned departments accepted 35 cases amounting to ₹ 411.70 crore.

During the fiscal year 2022-23, the respective departments successfully recovered a total sum of ₹ 0.82 crore from the amounts previously held under audit objection. This encompasses amounts from objections related to years preceding 2022-23.

1.11 Coverage of this Report

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 evasion of royalties, excise duty, *etc.*

This report contains three Subject-Specific Compliance Audits, namely:

- (i) Implementation of Meghalaya Regulation of the Game of Arrow Shooting and the Sale of Teer Tickets Act,
- (ii) Departmental Oversight on GST Payments and Returns Filing (Phase I), and
- (iii) Tax Deduction at Source (TDS) by Government Departments and Tax Collection at Source (TCS) by E-Commerce Operators.

Additionally, the report includes three Compliance Audit Paragraphs (CAPs) derived from test audits conducted by the Office of the Principal Accountant General (Audit) Meghalaya during the year 2022-23. The total financial impact identified in the aforementioned report materials stands at ₹ 98.01 crore. Paragraphs from 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.

