OVERVIEW

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The Report of the Comptroller and Auditor General of India on State Revenues for the year ended 31 March 2024 (Government of Meghalaya) contains six chapters including two Performance Audits (PAs) *viz.,* (i) E-Way Bill System under Goods and Services Tax in Meghalaya, and (ii) Functioning of Regional Transport Offices in Meghalaya; two Subject Specific Compliance Audit Paragraphs (SSCAs) *viz.,* (i) Department's Oversight on GST Payments and Returns Filing (Phase II), and (ii) District Mineral Foundation (DMF) Fund in Meghalaya, and four Compliance Audit Paragraphs (CAPs) relating to Taxation, Stamps & Registration and Forests & Environment Departments. The major findings are highlighted in succeeding paragraphs.

Chapter I: General

- During 2023-24, the own revenues raised by the State Government (₹ 3,739.78 crore) was 21 *per cent* of the total revenue receipts (₹ 17,977.86 crore), which was higher than the revenue raised during 2022-23 (20 *per cent*). The balance 79 *per cent* of revenue receipts during 2023-24 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)

- Review of Inspection Reports (IRs) issued up to 31 March 2024 disclosed that 2,156 paragraphs involving money value of ₹ 7,970.10 crore relating to 457 IRs remained outstanding for want of replies or due to incomplete or unacceptable replies furnished by various Government departments.

(Paragraph 1.7.1)

- 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 2023-24 revealed short/non-collection/loss of revenue, and evasion of tax amounting to ₹ 67.49 crore in 67 cases. During the year 2023-24, the departments concerned accepted short/non-collection/loss of revenue of ₹ 21.94 crore in 24 cases and recovered ₹ 26.15 crore.

(Paragraph 1.10)

Chapter II: Taxation Department

PA on E-Way Bill System under Goods and Services Tax in Meghalaya

E-way bill transactions of the persons registered in the EWB portal pertaining to the period between 1 April 2018 and 31 March 2022 were covered in the PA on E-Way Bill (EWB) System under Goods and Services Tax (GST) with an objective to verify effectiveness of EWB system in protecting the interest of Government revenue and efficiency of Preventive/Enforcement Formations in enforcing provisions made in respect of EWB system.

Audit identified irregularities like ineligible taxpayers under the Composition Scheme continuing to pay concessional tax rates, EWBs generated by cancelled taxpayers and nil/non-filers of GST returns, generation of multiple EWBs for same invoices, and usage of suspicious vehicles, including stolen and scrapped ones for transportation and the system allowing extension or cancellation of EWBs without providing reasons, which involved a cumulative potential revenue impact of ₹ 90.66 lakh towards tax and ₹148.49 lakh towards interest and penalty.

Audit also observed other issues like mismatch of Input Tax Credit (ITC) between GSTR-3B and GSTR-2A, mismatch between GSTR-1 and GSTR-3B and incorrectly passed on ITC without movement of goods having a potential revenue impact of ₹ 6.85 crore. With regard to Cross PAN cases, Audit observed cases of non-reporting of EWB, mismatch between GSTR-1 and GSTR-3B and between GSTR-2A and GSTR-3B having mismatch tax value of ₹ 1.99 crore. Further, there was generation of EWBs which was not reported/short reported in the GST returns involving potential revenue impact of ₹ 5.24 crore and mismatch between the NIC EWB portal for outward and inward supplies as compared with corresponding GSTR-3B and GSTR-2A of invoices exceeding ₹ 50,000.

(Paragraph 2.3)

Recommendations:

(i) The Department may consider incorporating validation controls in the EWB system to alert the Composition Levy Scheme taxpayer as well as the departmental officer on crossing the threshold limit and while generating EWBs for inter-State supply.

(ii) The Department may consider incorporating suitable validation controls in the EWB system to prohibit generation of EWBs by cancelled taxpayers and take action for recovery of tax wherever applicable.

(iii) The Department may consider including suitable validation controls in the EWB system to prevent use of same invoices in generation of multiple EWBs.

(iv) The Department may prescribe guidelines for verification of EWB and scrutiny of returns of taxpayers having multiple registrations with same PAN.

SSCA on 'Department's Oversight on GST Payments and Returns Filing (Phase II)'

This SSCA was undertaken with an objective of assessing the adequacy of the system in monitoring returns filing and tax payments by the taxpayers, extent of compliance and other departmental oversight functions. The audit was predominantly based on data analysis which highlighted risk areas, red flags and in some cases, rule-based deviations and logical inconsistencies in GST returns filed for the period 2018-19 to 2020-21.

The audit findings are categorised into three categories, *viz.*, Audit of Circles, Centralised Audit and Detailed Audit. Some key findings are highlighted in the succeeding paragraphs.

- In Circle Audit, a review of four Circles disclosed that no action was taken by some Circle Officers to pursue recovery of dues against non-filers and no follow-up for issue of ASMT-13 was observed. There was inadequate follow-up on non-filing of GSTR-10 and slow pace of scrutiny of returns.
- In Centralised Audit, out of the 299 data inconsistencies identified by Audit, the Department's replies were received in 290 cases. Out of 290 cases, recovery amounting to ₹ 1.75 crore was made at the instance of Audit in 25 cases. In 44 cases, Demand Orders amounting to ₹ 17.69 crore were issued. In 113 cases, the Department needs to take further action to assess and realise the tax dues from the taxpayers wherever applicable. Further, the replies of the Department have been accepted in 108 cases. While data entry errors caused inconsistencies in four cases, action was taken prior to audit in 18 cases and in 86 cases valid explanations were provided.
- In Detailed Audit of GST returns of 20 sampled cases, the audit was limited by non-production of records. From the records produced, discrepancies were noticed relating to returns and ITC utilisation. Non-payment of interest was noticed in seven cases amounting to ₹ 11.41 lakh out of which ₹ 10.78 lakh has been recovered at the instance of Audit in six cases. In two cases, it was noticed that relevant returns were not filed, and in one case there was mismatch in ITC availment as per GSTR-3B and GSTR-2A amounting to ₹ 0.15 crore.

(Paragraph 2.4)

Recommendations:

(i) *The Department should take necessary steps to speed up the process of scrutiny of returns under Section 61 of the Act before time barring of cases.*

(ii) *The Taxation Department may strengthen internal monitoring mechanism in Circle offices and ensure that due process for cancellation of registration, issue of Notices and recovery wherever applicable is appropriately carried out.*

Compliance Audit Paragraph

Failure of the Superintendent of Taxes, Shillong (Circle II) to assess the tax return of the dealer within the time limit not only led to non-realisation of VAT but also resulted in loss of the interest accrued thereon, liable to be imposed on the defaulting dealer which ultimately resulted in a revenue loss of ₹ 8.15 crore (MVAT: ₹ 4.03 crore and Interest: ₹ 4.12 crore).

(Paragraph 2.5.1)

Chapter III: Stamps & Registration Department

The District Registrar, Nongpoh failed to collect ₹ 1.00 crore towards stamp duty and registration fee due to wrong application of the provision of the Act, besides evasion of dues of ₹ 1.52 lakh due to under-assessment of anticipated annual royalty resulting in total revenue loss of ₹ 1.02 crore.

(Paragraph 3.3)

Chapter IV: Forests & Environment Department

The Divisional Forest Officer (DFO), Nongstoin failed to ensure collection of royalty at the prescribed rates, resulting in short realisation of royalty to the tune of ₹ 48.91 lakh.

(Paragraph 4.3.1)

The Divisional Forest Officers (DFOs), Nongstoin, Williamnagar and Baghmara failed to collect Meghalaya Minor Mineral Reclamation Fund (MMMRF) levies amounting to ₹ 20.57 crore from 12 user agencies.

(Paragraph 4.3.2)

Chapter V: Mining & Geology Department

SSCA on District Mineral Foundation (DMF) Fund in Meghalaya

Audit highlighted systemic deficiencies in the functioning of District Mineral Foundation Trusts (DMFTs), including unclear delegation of responsibilities in the DMF Rules, 2017, non-compliance with mandatory audits and disclosure of essential documents, and failure to prepare annual plans and reports as mandated in the Rules.

From 2018-19 to 2023-24, there was a shortfall of ₹ 35.84 crore in DMF collections relative to royalty receipts. Discrepancy in the DMF collection reported by DMR and actual bank statement to the extent of ₹ 22.56 crore was noticed, besides ₹ 25.66 crore of the fund was unspent as of 31 March 2023. Fund distribution across districts was inconsistent, with both excess and shortfall in allocations.

This SSCA highlighted short/non-realisation of DMF contributions relative to the royalty collected totalling to ₹ 71.89 crore, besides non-levy of interest by the Department for delay in payment of DMF contributions by lease holders of major minerals amounting to ₹ 2.05 crore. Additionally, short payment of royalty amounting to ₹ 1.41 crore by mining lease holders of minor minerals was also noticed during the SSCA.

In the two sampled DMFTs, *i.e.,* East Khasi Hills and East Jaintia Hills, lists of areas and people directly and indirectly affected by mining activities was not maintained/updated. Further, mismanagement of DMF fund included diversion of ₹ 3.36 crore to non-PMKKKY schemes along with ₹ 1.23 crore spent on projects in areas not affected by mining activities. Additionally, ₹ 0.52 crore was spent on purchase of vehicles for office use without prior approval from the State Government, and idle expenditure of ₹ 4.40 crore was incurred on unused infrastructure in East Jaintia Hills.

(Paragraph 5.3)

Recommendations:

(i) *The State Government may consider formulating a SOP clearly defining the roles and responsibilities for each functionary within the Trusts for effective performance of entrusted duties provided in the Rules. The DMR may also ensure compliance to the provisions of the Rules at the State level and in the districts to reduce the systemic deficiencies in the functioning of DMFTs in the State.*

(ii) *DMR and the Forests & Environment Department should (i) mandate that all DMF contributions be accompanied by complete receipts including district-wise breakup, mineral type, and leaseholder details. Contributions without this information should be rejected or kept in suspense, (ii) institute a quarterly reconciliation process between reported collections and funds received in the bank accounts, (iii) issue directions holding DMR officers and DFOs accountable for lapses in verification and district-level tagging, (iv) retrospectively identify the originating districts for the ₹ 22.56 crore discrepancy and allocate these funds to the correct DMFTs, and (v) immediately reallocate the unspent ₹ 25.66 crore (up to 2022-23) based on verified district-level requirements.*

(iii) *The DMR may (i) establish a transparent, rule-based allocation formula linked to DMF collections and district needs, (ii) conduct quarterly reconciliation of bank records and DMR statements, (iii) monitor yearly utilisation and link future releases to performance, and (iv) mandate annual submission of audited accounts by all DMFTs by 30 June of each year.*

(iv) *The Department may (i) direct all DMFTs to prepare and maintain updated lists of areas and people directly and indirectly affected by mining activities, in accordance with Rule 5 of the DMF Rules, 2017 and PMKKKY guidelines. The list should be reviewed and updated at least once every two years, with supporting documentation and field verification, and (ii) prescribe a uniform framework and ensure that identification is conducted in consultation with local bodies, mining departments, and other stakeholders using socio-economic and environmental criteria. The updated lists should be placed before the Governing Council for approval and uploaded to the district website for public transparency.*

(v) *The Government may direct all DMFTs to ensure that schemes proposed for DMF funding are approved strictly based on a verified and updated list of mining-affected areas and beneficiaries, as mandated under Rule 5 of the DMF Rules, 2017 and Paragraph 1(C) of the PMKKKY guidelines.*

Chapter VI: Transport Department

PA on Functioning of Regional Transport Offices in Meghalaya

The Performance Audit covering the period from 2019-20 to 2023-24, dealt with aspects relating to issue of learners and driving licences, registration of vehicles, issue of permits and fitness certificates, Motor vehicle taxes, fines, penalties, cess and enforcement activities.

Audit noticed operational inefficiencies, inadequate infrastructure and weak enforcement mechanisms in the Transport Department. Issuing licenses without the required tests and sooner than the mandatory 30 days interval between the learner's license and the driving license led to the possession of licenses by individuals who may not possess the necessary driving skills. Lack of monitoring of the Driving Schools led to violations of Rule 27 of Central Motor Vehicle Rules (CMVR), 1989. Moreover, missing vehicle details in VAHAN database indicated gaps in data entry, verification, and validation processes of the DTOs.

Out of the total delays in service deliveries observed in the State, the three test-checked DTOs (Khliehriat, Mawkyrwat and Tura) accounted for 12,120 cases (24 *per cent*) of delayed learner's license issuance, 5,655 cases (23 *per cent*) of delayed permanent driving license issuance, and 1,655 cases (40 *per cent*) of delayed permanent driving license renewals.

Audit of VAHAN database revealed that 116 Government of Meghalaya vehicles with Registration Certificates (RCs) older than 15 years were still marked 'Active'. These vehicles though reflected as 'Active' in the VAHAN portal have not conducted any fitness test or paid any tax. Operating Government vehicles with expired registrations violates Rule 52A(2) of the Central Motor Vehicles (First Amendment) Rules, 2023 and indicates weak enforcement mechanisms in the State.

Registering of 854 vehicles with out-of-jurisdiction addresses is a violation of the MV Act whereas the non-registration of 522 vehicles with permanent registration not only resulted in revenue loss to the Government but was also in violation of the provision of the Act. Plying of 11,415 transport vehicles with expired permits and 12,746 transport vehicles with expired fitness certificates posed serious risks of public safety along with violations of Motor Vehicle (MV) Act and Rules. Further, the absence of designated testing grounds and Automated Testing Stations poses significant challenges in conducting practical driving tests and vehicle fitness inspections, which are vital for ensuring road safety. Due to delay in construction of the Automated Inspection and Certification (AIC) centre, the primary purpose of automated vehicle inspections and environmental compliance had not been realised.

Audit scrutiny further revealed that 201 vehicles were brought into the State of Meghalaya from neighbouring States during 2019-20 to 2023-24 without the requisite No Objection Certificates (NOCs) from their respective original States of registration. In the absence of NOCs, DTOs' verification of vehicle legitimacy is unclear. Lack of NOC raises critical concerns regarding potential instances of theft vehicle or vehicles used in unauthorised operations being brought into the State and indicates serious lapses in internal control and oversight mechanisms within the Transport Department.

During 2019-20 to 2023-24, 1,287 vehicle thefts were reported, but the Police Department did not share the details with the Transport Department as mandated under Section 62 of the MV Act, 1988. Consequently, stolen vehicles were not flagged in VAHAN, leaving their RCs active and susceptible to fraudulent use, including illegal sale or re-registration in other jurisdictions.

Audit findings showed a revenue loss of ₹ 166.15 crore to the State Exchequer due to non-levy of MV tax, short levy of registration fee and HSRP fitment fees, non-levy of permit and fitness related fees including non-levy of various fines. Additionally, non-receipt of bank drafts sent for revalidation to State Transport Authority (STA), Assam, resulted in a further loss of ₹ 0.68 crore. The lack of effective enforcement by the Transport and Police Department also led to non-imposition of penalties worth ₹ 87.94 crore and non-collection of weighment fees amounting to ₹ 10.77 crore.

(Paragraph 6.3)

Recommendations:

(i). *The Department may develop an SOP for service delivery, sensitise staff for compliance, and establish a monitoring mechanism to review adherence, identify lapses, and implement corrective actions across DTOs.*

(ii). *The Transport Department should mandate strict verification of owners' address proof during vehicle registration by implementing a standardised, auditable checklist for all DTOs, and should introduce periodic compliance audits to ensure registrations are made strictly within the jurisdiction as per Section 40 of the Motor Vehicles Act, 1988.*

(iii). *The Department may sensitise and train the staff of DTOs on the statutory requirements related to inter-state vehicle transfers, including the mandatory procurement and verification of NOCs under Section 48 of the Motor Vehicles Act, 1988.*

(iv). *The Department may conduct awareness programmes for taxi drivers, bus operators, truck associations, and tourist transport providers about the legal consequences of operating with expired permits and fitness.*

(v). *The Department must ensure that the AIC centre becomes fully operational within a defined timeline and is adequately staffed, maintained, and equipped to carry out inspection and certification as envisaged under the Act and Rules. This will not only contribute to safer roads and cleaner air but also boost State revenues through sustained operations of the testing centre.*

(vi). *The Transport Department should rectify incomplete VAHAN records, automate fee calculation based on notified rates, recover short-levied amounts, refund excess collections, and strengthen internal controls to prevent recurrence.*

(vii). The Department may consider implementing a system for bulk SMS or WhatsApp notifications to remind vehicle owners of permit renewals, fitness tests, and other required actions related to vehicles on the state. This would improve compliance, strengthen enforcement, besides enhancing revenue collection for the State.

(viii). The Department may (i) issue demand notices to the vehicle owners for non-payment of all motor vehicle taxes and fees, and (ii) share the details of defaulting vehicle owners with the Enforcement authorities as well as the Police Department to enforce the penal provisions and recovery of dues.