

CHAPTER I-GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Meghalaya during the year 2009-10, 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 below:

Table 1.1

(Rupees in crore)

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10 ¹
1.	Revenue raised by the State Government					
	• Tax revenue	252.67	304.74	319.10	369.44	444.29
	• Non-tax revenue	146.01	184.37	199.35	225.31	275.09
	Total	398.68	489.11	518.45	594.75	719.38
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	350.57	447.18	564.07	595.23	612.38
	• Grants-in-aid	997.69	1,205.90	1,358.86	1,620.66	2115.59
	Total	1,348.26	1,653.08	1,922.93	2,215.89	2727.97
3.	Total revenue receipts of the State Government (1 and 2)	1,746.94	2,142.19	2,441.38	2,810.64	3447.35
4.	Percentage of 1 to 3	22.82	22.83	21.24	21.16	20.87

Thus, during the year 2009-10, the revenue raised by the State Government (₹ 719.38 crore) was 20.87 per cent of the total revenue receipts against 21.16 per cent in the preceding year. The balance 79.13 per cent of receipts during 2009-10 was from the Government of India.

¹ For details, please see Statement No. 11 - Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Meghalaya for the year 2009-10. Figures under the head 0020 - Corporation tax; 0021 - Taxes on income other than corporation tax; 0032 - Taxes on wealth; 0037 - Customs; 0038 - Union excise duties; 0044 - Service tax and 0045 - Other taxes and duties on commodities and services - 901 Share of net proceeds assigned to the States booked in the Finance Accounts under A-tax revenue have been excluded from the revenue raised by the State Government and included in the State's share of divisible Union taxes.

1.1.2 The following table presents the details of tax revenue raised during the period 2005-06 to 2009-10:

Table 1.2

(Rupees in crore)

Sl. No.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+) or decrease (-) in 2009-10 over 2008-09
1.	Tax on sales, trade etc.	173.37	215.82	234.90	281.83	321.40	(+) 14.04
2.	State excise	59.16	53.95	58.62	69.79	90.29	(+) 29.37
3.	Stamp duty and registration fees	5.48	6.49	5.99	5.54	11.02	(+) 98.92
4.	Taxes and duties on electricity	0.04	0.03	0.03	0.03	0.05	(+) 66.67
5.	Taxes on vehicles	8.73	9.34	11.35	13.21	13.61	(+) 3.03
6.	Taxes on goods and passengers	2.76	2.79	3.58	3.31	3.50	(+) 5.74
7.	Land revenue	0.33	5.58	2.12	0.50	0.26	(-) 48.00
8.	Others	2.80	10.74	2.51	(-) 4.77	4.16	(+) 187.21
Total		252.67	304.74	319.10	369.44	444.29	

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

Stamps and Registration: The increase was due to increase in the number of registrations and valuation of the properties.

The other departments did not inform (October 2010) the reasons for variation, despite being requested (April 2010).

1.1.3 The following table presents the details of major non-tax revenue raised during the period 2005-06 to 2009-10:

Table 1.3**(Rupees in crore)**

Sl. No.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+)/decrease (-) in 2009-10 over 2008-09
1.	Miscellaneous general services including State lotteries	7.92	17.96	18.98	24.13	0.16	(-) 99.34
2.	Forestry and wild life	15.30	16.66	15.60	17.36	20.03	(+) 15.38
3.	Interest receipts	6.67	13.36	15.38	17.82	23.28	(+) 30.64
4.	Mining Receipts	97.56	109.03	123.66	132.73	198.21	(+) 49.33
5.	Public works	4.33	5.11	4.24	6.70	7.02	(+) 4.78
6.	Medical and public health	0.70	1.08	0.56	0.74	0.56	(-) 24.32
7.	Education, sports, art and culture	0.55	0.91	0.53	0.93	0.77	(-) 17.20
8.	Crop husbandry	1.99	2.21	2.38	3.22	2.80	(-) 13.04
9.	Animal husbandry	1.32	1.56	1.47	1.37	1.54	(+) 12.41
10.	Others	9.67	16.49	16.55	20.31	20.72	(+) 2.02
Total		146.01	184.37	199.35	225.31	275.09	

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

Mining and Geology: The increase was due to increase in the rate of royalty on coal due to revision.

The other departments did not inform (October 2010) the reasons for variation despite being requested (April 2010).

1.2 Response of the Government and assurances

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

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

the PAG (Audit). An annual report regarding pending IRs is sent to the Secretaries of the concerned Government departments to facilitate monitoring and settlement of the audit observations raised in these IRs through the intervention of the Government.

IRs issued upto March 2010 pertaining to the offices under eight departments² disclosed that 302 IRs involving money value of ₹ 1,831.81 crore remained unsettled at the end of June 2010. Of these, 38 IRs containing 149 observations involving money value of ₹ 44.18 crore pertaining to the offices under seven departments³ had not been settled for more than five years.

In respect of 19 IRs involving money value of ₹ 479.68 crore issued during 2009-10, even the first reply has not been received from the departments / Government (October 2010). The status regarding position of old outstanding IRs/paragraphs was reported to the Government in August 2010; their reply has not been received (October 2010).

1.2.2 Departmental audit committee meetings

In order to expedite the settlement of the outstanding audit observations contained in the IRs, departmental audit committees have been constituted by the Government. These committees are chaired by the secretaries of the concerned administrative departments and their meetings are attended by the concerned officers of the State Government and officers of the PAG.

During the year 2009-10, no audit committee meeting was held, despite being requested. Thus, the concerned departments failed to take advantage of the system of Audit Committee meetings. This is reflected in accumulation of large number of outstanding paragraphs as mentioned in paragraph 1.2.3 below:

1.2.3 Position of Inspection Reports

The summarised position of inspection reports issued during the year 2009-10 including those of previous four years and their status as on 1 April 2010 are tabulated below:

Table 1.4

(Rupees 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
2005-06	219	645	781.95	44	137	409.84	8	64	357.26	255	718	834.53
2006-07	255	718	834.53	41	192	517.94	21	206	140.86	275	704	1,211.61
2007-08	275	704	1,211.61	38	122	748.75	43	133	273.79	270	693	1,686.57
2008-09	270	693	1,686.57	50	246	980.08	10	122	1,359.79	310	817	1,306.86
2009-10	310	817	1,306.86	38	161	804.30	46	98	279.35	302	880	1,831.81

² Forest, Land Revenue, Mining & Geology, Sales Tax, Stamps & Registration, State Excise, State Lottery and Transport departments.

³ Forest, Land Revenue, Mining & Geology, Sales Tax, Stamps & Registration, State Excise, and Transport departments.

Thus, against the opening balance of 219 IRs with 645 paragraphs involving ₹ 781.95 crore, there were closing balance of 302 IRs with 880 paragraphs involving ₹ 1,831.81 crore. The balance increased due to apathy on the part of the departments/Government to initiate action for early settlement of audit observations which includes non-response to our requests for audit committee meetings as highlighted above.

1.2.4 Response of the departments to the draft audit paragraphs

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

64 audit paragraphs and one review proposed to be included in the Report of the Comptroller and Auditor General of India for the year ended March 2010, Government of Meghalaya were forwarded to the Secretaries of the respective departments in June 2010. Out of these, replies were furnished to only three paragraphs and one review upto October 2010. The remaining 61 paragraphs have been included without the response of the Government.

1.2.5 Follow up on Audit Reports-summarised position

With a view to ensuring accountability of the executive in respect of all the issues dealt with in the various Audit Reports, the Public Accounts Committee (PAC) issued instructions in July 1993 for submission of *suo motu* replies by the concerned departments from 1986-87 onwards. The PAC specified the time frame as six weeks upto 32nd Report and six months in the 33rd Report for submission of action taken notes (ATN) on the recommendations of the PAC.

A review of outstanding ATNs as of September 2010 on the paragraphs included in the Reports of the Comptroller and Auditor General of India (Revenue Receipts), Government of Meghalaya disclosed that the concerned departments of the State Government had not submitted *suo motu* explanatory notes on 286 paragraphs of Audit Reports for the years from 1992-93 to 2008-09 as mentioned below:

Table 1.5

Year of Audit Report	Date of presentation of the Audit Report to the Legislature	Number of paragraphs/reviews included in the Audit Report		Number of paragraphs/reviews for which <i>suo motu</i> replies are awaited	
		Paragraphs	Reviews	Paragraphs	Reviews
1992-93	16 September 1994	6	...	6	...
1993-94	08 September 1995	8
1994-95	20 September 1996	10	...	4	...
1995-96	07 April 1997	14	2	3	2
1996-97	12 June 1998	21	1	17	1
1997-98	09 April 1999	8	1	1	...

1998-99	12 April 2000	8	1	8	1
1999-2000	07 December 2001	23	2	22	2
2000-01	01 April 2002	20	1	18	1
2001-02	20 June 2003	25	...	8	...
2002-03	11 June 2004	30	1	30	1
2003-04	14 October 2005	29	...	27	...
2004-05	27 March 2006	23	...	5	...
2005-06	19 April 2007	33	1	6	1
2006-07	12 May 2008	34	3	30	3
2007-08	24 June 2009	41	1	41	1
2008-09	28 May 2010	45	2	45	2
Total		378	16	271	15

The departments failed to submit ATN on 29 out of 30 paragraphs pertaining to revenue receipts for the years from 1982-83 to 1997-98 on which recommendations had been made by the PAC in their 16th to 33rd Reports presented before the State Legislature between December 1988 and June 2000, as mentioned below:

Table 1.6

Year of Audit Report	Number of paragraphs on which recommendations were made by the PAC but ATNs are awaited	Number of PAC Report in which recommendations were made
1982-83	2	16 th
1984-85	9	26 th 19 th
1987-88	1	26 th
1988-89	1	20 th
1989-90	1	20 th
1990-91	11	26 th 20 th
1991-92	3	26 th 20 th
1997-98	1	33 rd
Total	29	

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

1.3 Status of assurances by the Department/Government on the issues highlighted in the Audit Reports

In order to analyse the system of addressing the issues highlighted in the Inspection Reports (IRs)/Audit Reports by the Department/Government the action taken on the paragraphs included in the Inspection Reports/Audit Reports by the Mining & Geology Department is shown in the succeeding paragraphs.

- During the last five years, 13 IRs containing 26 paragraphs involving money value of ₹ 120.20 crore were issued to the Department/Government.
- Out of the 13 IRs issued during the last five years, even first reply has not been received in respect of four IRs involving money value of ₹ 117.09 crore.

- Out of 26 paragraphs involving money value of ₹ 120.20 crore, the Department has accepted paragraphs involving money value of ₹ 10.16 lakh against which, no recovery has been made (October 2010). No intimation in respect of the remaining has been given to audit (October 2010).
- During 2005-06 to 2009-10, 25 paragraphs and one review involving money value of ₹ 238.24 crore in respect of Mining & Geology Department have been featured in the Audit Reports of the Comptroller and Auditor General of India, Government of Meghalaya. The Department accepted four paragraphs involving money value of ₹ 6.79 crore and recovered ₹ 5 lakh. No reply has been received in respect of the remaining paragraphs.

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

1.3.1 Recovery of accepted cases

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

Table 1.7

(Rupees in crore)					
Year of AR	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value accepted paragraphs	Amount recovered during the year
2005-06	34	262.43	11	10.90	0.05
2006-07	40	6,847.81	14	736.18	3.98
2007-08	42	829.85	5	729.73	-
2008-09	47	1,175.55	13	827.77	0.10
2009-10	65	1,036.25	07	1.96	0.29
Total	228	10,151.89	50	2306.54	4.42

Thus, against the accepted cases involving ₹ 2306.54 crore the departments / Government could recover a paltry sum of ₹ 4.42 crore.

This shows that the departments/Government have failed to recover the dues even in those cases where they have accepted audit observations.

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

1.3.2 Action taken on the recommendations accepted by the departments / Government

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

During the period from 2005-06 to 2009-10, six reviews pertaining to Taxation, Mining & Geology, Transport, Lottery and Excise Departments containing 39 recommendations were discussed with the departments/Government. All the recommendations were accepted with an assurance to look into them.

Based on audit recommendations, the departments/Government put the following system in place:

- Meghalaya Excise Rules, 1973 were amended in keeping with audit contention. Establishment Charges were done away with retrospectively and security deposit was increased manifold.
- Input Tax Credit allowed to industries / manufacturing units availing tax remission has been done away with.

Though the concerned departments/Government accepted all the remaining recommendations, they are yet to streamline the system/amend the provisions as recommended by us.

We recommend that the Government put in place a monitoring mechanism to watch and ensure timely action on the recommendations accepted by the concerned departments in the best interest of the revenue of the State.

1.4 Planning for audit during 2009-10

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 2009-10, out of 168 auditable units, 93 units were planned and audited which is 55 *per cent* of the total auditable units. Besides, a review on "Exemptions, concessions and remissions under the Meghalaya Industrial Policy 1997 and schemes framed thereunder" was also conducted.

1.5 Results of audit

1.5.1 Position of local audit conducted during the year

Test check of the records of taxes on sales, trade etc., state excise, motor vehicles tax, other tax receipts, forest receipts and other non-tax receipts conducted during the year 2009-10 revealed underassessment/short/non-levy/loss of revenue amounting to ₹ 903.26 crore in 169 cases. During the year, the departments accepted underassessments/short/non levy/loss of revenue of ₹ 31.37 crore in 15 cases pointed out in 2009-10 and earlier years, and recovered ₹ 26 lakh.

1.5.2 This Report

This Report contains 64 paragraphs and one review involving ₹ 1,036.25 crore. The departments/Government accepted audit observations involving ₹ 98.67 lakh, and recovered ₹ 7.68 lakh. Audit observations with a total revenue effect of ₹ 2.42 crore have not been accepted by the departments, but their contention have been found to be at variance with the facts or legal position and these have been appropriately commented upon in the relevant paragraphs. No reply has been received in the remaining cases (October 2010). These are discussed in the succeeding chapters.