

CHAPTER-I

GENERAL

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1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenues raised by the Government of Meghalaya during the year 2014-15, 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 shown below:

Table 1

(₹ in crore)

| Sl. No. | Particulars | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 ¹ |
|-----------|---|-----------------|-----------------|----------------|----------------|----------------------|
| 1. | Revenues raised by the State Government | | | | | |
| | • Tax revenue | 571.45 | 697.54 | 847.72 | 949.29 | 939.21 |
| | • Non-tax revenue | 301.69 | 368.24 | 484.94 | 598.15 | 343.29 |
| | Total | 873.14 | 1065.78 | 1332.66 | 1547.44 | 1282.50 |
| 2. | Receipts from the Government of India | | | | | |
| | • Share of net proceeds of divisible Union taxes and duties | 901.65 | 1,044.19 | 1192.45 | 1301.96 | 1381.69 |
| | • Grants-in-aid | 2,491.23 | 2,544.50 | 3011.22 | 3417.29 | 3764.08 |
| | Total | 3,392.88 | 3,588.69 | 4203.67 | 4719.25 | 5145.77 |
| 3. | Total revenue receipts of the State Government (1 and 2) | 4,266.02 | 4,654.47 | 5532.33 | 6266.69 | 6428.27 |
| 4. | Percentage of 1 to 3 | 20.47 | 22.90 | 24.10 | 24.69 | 19.95 |

(Source: Finance Accounts)

The above table indicates that during the year 2014-15, the revenues raised by the State Government (₹ 1282.50 crore) was 19.95 per cent of the total revenue receipts as against 24.69 per cent in the preceding year. The balance 80.05 per cent of receipts during 2014-15 was from the Government of India.

1.1.2 The following table presents the details of tax revenues raised during the period 2010-11 to 2014-15:

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 2014-15. 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.

Table 1.2 (Details of Tax revenue)

(₹ in crore)

| Sl. No. | Head of revenue | 2010-11 | | 2011-12 | | 2012-13 | | 2013-14 | | 2014-15 | | Percentage of increase (+) or decrease (-) in 2014-15 over 2013-14 | |
|---------|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|---------------|--|-----------------|
| | | BE | Actual | BE | Actual | BE | Actual | BE | Actual | BE | Actual | BE | Actual |
| 1. | Taxes on sales, trade etc. | 324.16 | 412.88 | 418.20 | 512.50 | 517.17 | 631.12 | 622.83 | 723.65 | 914.90 | 726.20 | (+) 46.89 | (+) 0.35 |
| 2. | State Excise | 100.19 | 104.50 | 124.42 | 131.50 | 143.08 | 153.01 | 161.69 | 162.66 | 205.16 | 151.14 | (+) 26.88 | (-) 7.08 |
| 3. | Motor Vehicles Tax | 15.64 | 19.19 | 18.59 | 31.12 | 31.62 | 35.82 | 38.87 | 36.71 | 50.00 | 39.38 | (+) 28.63 | (+) 7.27 |
| 4. | Stamps duty | 8.60 | 10.76 | 12.29 | 9.08 | 12.44 | 10.31 | 14.06 | 9.77 | 16.66 | 9.90 | (+) 18.49 | (+) 1.33 |
| 5. | Land revenue | 2.99 | 17.11 | 3.23 | 2.40 | 3.59 | 6.27 | 4.02 | 3.47 | 4.22 | 0.08 | (+) 4.98 | (-) 97.69 |
| 6. | Taxes and duties on electricity | 1.26 | 0.26 | 1.36 | 0.87 | 1.37 | 0.93 | 1.37 | 1.89 | 1.72 | 0.81 | (+) 25.54 | (-) 57.14 |
| 7. | Others | 6.99 | 6.75 | 7.75 | 10.07 | 8.56 | 10.26 | 9.67 | 11.14 | 13.65 | 11.70 | (+) 41.16 | (+) 5.03 |
| | TOTAL | 459.83 | 571.45 | 585.84 | 697.54 | 717.83 | 847.72 | 852.51 | 949.29 | 1206.31 | 939.21 | (+) 46.13 | (-) 1.06 |

(Source: Finance Accounts)

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

Taxes and duties on electricity: The decrease was due to decrease in taxes on consumption and sales of electricity.

Taxes on vehicles: The increase was due to increase in receipts under the State Motor Vehicles Taxation Act.

Land revenue: The decrease was due to the decrease of receipts under land revenue tax and other receipts.

State Excise: The decrease was due to decrease in receipts under foreign liquor and spirits.

Taxes on Sales Trade: The increase was due to increase in tax on sale of motor spirits and lubricants and receipts under Central Sales Tax.

1.1.3 The details of the non-tax revenue raised during the period 2010-11 to 2014-15 are indicated in Table 1.3:

Table 1.3 (Non-Tax Revenue)

(₹ in crore)

| Sl. No. | Head of revenue | 2010-11 | | 2011-12 | | 2012-13 | | 2013-14 | | 2014-15 | | Percentage of increase (+) or decrease (-) in 2014-15 over 2013-14 | |
|---------|--------------------------------|---------|--------|---------|--------|---------|--------|---------|--------|---------|--------|--|-----------|
| | | BE | Actual | BE | Actual | BE | Actual | BE | Actual | BE | Actual | BE | Actual |
| 1. | Power | 2.00 | 0.33 | 2.00 | 0.00 | 2.00 | 1.36 | 2.00 | 0.64 | 2.00 | 00 | 00 | (-) 100 |
| 2. | Interest receipts | 12.24 | 24.72 | 23.64 | 27.13 | 26.01 | 25.38 | 27.45 | 33.57 | 31.61 | 37.73 | (+) 15.15 | (+) 12.39 |
| 3. | Forestry and wildlife | 22.77 | 22.05 | 25.05 | 26.03 | 27.56 | 30.87 | 35.51 | 60.12 | 40.83 | 71.99 | (+) 14.98 | (+) 19.74 |
| 4. | Public works | 7.59 | 12.71 | 8.20 | 17.02 | 9.02 | 43.43 | 9.41 | 12.22 | 10.35 | 6.28 | (+) 9.99 | (-) 48.60 |
| 5. | Miscellaneous general services | 10.80 | 0.17 | 11.66 | 9.79 | 12.44 | 0.37 | 14.93 | 1.05 | 16.53 | 0.02 | (+) 10.72 | (-) 98.10 |
| 6. | Other administrative services | 5.45 | 8.01 | 5.88 | 4.84 | 6.31 | 3.36 | 4.97 | 7.85 | 8.11 | 6.13 | (+) 63.17 | (-) 21.91 |

| | | | | | | | | | | | | | |
|-----|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------|------------------|
| 7. | Police | 6.12 | 2.44 | 6.61 | 3.22 | 6.88 | 2.89 | 7.64 | 5.92 | 8.41 | 3.85 | (+) 10.08 | (-) 34.97 |
| 8. | Medical and public health | 1.19 | 0.69 | 1.36 | 1.35 | 1.50 | 1.43 | 1.62 | 1.99 | 1.98 | 2.72 | (+) 22.22 | (+) 36.68 |
| 9. | Co-operation | 0.85 | 0.08 | 0.94 | 0.20 | 1.01 | 0.05 | 1.08 | 0.06 | 1.11 | 0.05 | (+) 2.77 | (-) 16.66 |
| 10. | Other non-tax receipts | 192.21 | 230.49 | 306.00 | 278.66 | 377.17 | 375.80 | 411.98 | 474.73 | 558.53 | 214.52 | (+) 35.57 | (-) 54.81 |
| | TOTAL | 261.22 | 301.69 | 391.34 | 368.24 | 469.90 | 484.94 | 516.59 | 598.15 | 679.46 | 343.29 | (+) 31.53 | (-) 42.61 |

(Source: Finance Accounts)

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2015 under some principal heads of revenue amounted to ₹ 30.54 crore out of which ₹ 16.58 crore was outstanding for more than five years, as detailed in Table 1.4.

Table 1.4

(₹ in crore)

| Sl. No. | Head of revenue | Total amount outstanding as on 31 March 2015 | Amount outstanding for more than 5 years as on 31 March 2015 | Replies of Department |
|---------|--------------------------------|--|--|--|
| 1 | 0040-Taxes on Sale, Trade etc. | 30.23 | 11.31 | The departments did not furnish reasons for arrears. |
| 2 | 0039- State Excise | 0.31 | 0.31 | |
| 3 | 0406- Forestry and Wildlife | -- | -- | |
| 4 | 0029- Land Revenue | -- | -- | |
| | Total | 30.54 | 11.62 | |

It would be seen from the table that recovery of ₹ 30.54 crore was pending against four of the principal Heads of revenue which was two *per cent* of the State's own revenue collection for 2014-15. Revenue amounting to ₹ 11.62 crore (38.05 *per cent* of the total revenue arrears) was pending for recovery for more than five years which indicated that the chances of recovery was remote and also pointed to systemic weakness in the revenue recovery mechanism of the State Government.

1.3 Arrears of assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year as furnished by the Sales Tax Department is shown below in Table 1.5.

Table 1.5

| Head of revenue | Opening balance | New cases due for assessment during 2014-15 | Total assessments due | Cases disposed of during 2014-15 | Balance at the end of the year | Percentage of disposal (Col. 5 to 4) |
|-----------------------------------|-----------------|---|-----------------------|----------------------------------|--------------------------------|--------------------------------------|
| 0040- Taxes on sales, trade, etc. | 42091 | 16545 | 58636 | 9931 | 48705 | 17 |

It may be seen from the above that although a good number of cases were disposed during 2014-15, the percentage of disposal compared to the cases due for assessment was only 17 *per cent* which had resulted in piling up of arrears of assessment.

Pendency in assessments will result in non/short realisation of Government revenues and may result in further accumulation in arrear revenue.

1.4 Evasion of tax detected by departments

The details of cases of evasion of tax detected by Sales Tax Department, cases finalised and demands for additional tax raised as reported by the Department during 2014-15 are given in **Table 1.6**.

Table 1.6

(₹ in crore)

| Sl. No. | Head of revenue | Cases pending as on 31 March 2014 | Cases detected during 2014-15 | Total | Number of cases in which assessment/investigation completed and additional demand with penalty etc. raised | | Number of cases pending for finalisation as on 31 March 2015 |
|---------|-----------------|-----------------------------------|-------------------------------|-------|--|----|--|
| 1 | 0040 | 586 | -- | 586 | -- | -- | 586 |

(Source: Information furnished by the Department)

The other departments did not inform the position of tax evasion cases despite being requested (April 2015 and July 2015).

1.5 Pendency of Refund Cases

The number of refund cases pending at the beginning of the year 2014-15, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2014-15 as reported by the Department is given in Table 1.7.

Table 1.7

| Sl. No. | Particulars | Sales Tax/VAT | | State Excise | |
|---------|---|---------------|---------------|--------------|--------|
| | | No. of cases | Amount (in ₹) | No. of cases | Amount |
| 1 | Claims outstanding at the beginning of the year | 02 | 1072000 | NIL | |
| 2 | Claims received during the year | 03 | 859209 | | |
| 3 | Refunds made during the year | 03 | 859209 | | |
| 4 | Balance outstanding at the end of the year | 02 | 1072000 | | |

(Source: Information furnished by the departments)

The Meghalaya Value Added Tax Act provides for the payment of interest in case of refund at the rate of 8 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. As such, the Department may expedite the process of refund in such cases which are outstanding to avoid payment of interest on delayed refund.

1.6 Response of the Government/departments towards audit

The succeeding paragraphs 1.6.1 to 1.6.7 discuss the response of the departments/Governments to audit.

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

The Accountant General (AG) (Audit), Meghalaya conducts periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the Rules and procedures. These inspections are followed up with the inspection reports (IRs) incorporating irregularities detected during such inspection not settled on the spot. The IRs are issued to the heads of offices with copies forwarded to the next higher authorities for taking prompt corrective action. The heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the AG (Audit) within one month from the date of issue of the IRs. Serious financial irregularities are separately reported to the heads of the departments and the Government.

Review of IRs issued upto March 2015 disclosed that 999 paragraphs involving money value of ₹ 1889.89 crore relating to 254 IRs remained outstanding at the end of June 2015 as mentioned in **Table 1.8**.

Table 1.8 (Position of outstanding IRs)

| | June 2012 | June 2013 | June 2014 | June 2015 |
|--|-----------|-----------|-----------|-----------|
| Number of outstanding IRs | 181 | 174 | 214 | 254 |
| Number of outstanding audit observations | 747 | 676 | 749 | 999 |
| Amount involved (₹ in crore) | 1300.75 | 1235.76 | 1568.32 | 1889.89 |

Department-wise details of IRs, audit observations pending settlement as on 30 June 2015 and the amounts involved are mentioned in **Table 1.9**.

Table 1.9 (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. | 81 | 398 | 515.13 |
| | | (b) State Excise | 41 | 153 | 40.37 |
| | | (c) Stamps & Registration | 20 | 31 | 2.00 |
| 2. | Transport | Taxes on motor vehicles | 60 | 185 | 598.17 |
| 3. | Mines and Minerals | Non-ferrous mining and metallurgical industries | 24 | 88 | 653.31 |
| 4. | Environment and Forests | Forestry and wild life | 28 | 144 | 80.91 |
| Total | | | 254 | 999 | 1889.89 |

In respect of 19 IRs issued during 2014-15, even the first reply required to be received from the heads of offices within one month from the date of issue of the IRs

were not received upto September 2015. Pendency of IRs due to non-receipt of the replies is indicative of the fact that the Heads of offices and Heads of the departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the audit in the IRs.

1.6.2 Departmental Audit Committee Meetings

The Government has set up audit committees to monitor and expedite the process of settlement of IRs and paragraphs contained in the IRs.

During the year, the State Government failed to hold even a single Audit Committee Meeting (ACM) in respect of any of the departments despite being requested (September 2014) and (November 2014).

Considering the fact that large number of IRs (254) and paragraphs (999) were pending as on 30 June 2015, the Government should make serious efforts to hold ACMs at regular intervals, especially in respect of such Departments where the number of pending IRs and paragraphs are high.

1.6.3 Position of Inspection Reports

The summarised position of Inspection Reports (IRs) issued during the year 2014-15 including those of previous four years and their status as on 01 April 2015 are tabulated below:

Table 7 (Position of Inspection Reports)

(₹ 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 |
| 2010-11 | 302 | 880 | 1,831.81 | 55 | 220 | 269.78 | 203 | 444 | 613.74 | 154 | 656 | 1,487.85 |
| 2011-12 | 154 | 656 | 1,487.85 | 34 | 222 | 844.51 | 24 | 143 | 508.58 | 164 | 735 | 1,823.78 |
| 2012-13 | 164 | 735 | 1,823.78 | 52 | 272 | 471.13 | 39 | 314 | 1055.12 | 177 | 693 | 1,239.79 |
| 2013-14 | 177 | 693 | 1239.79 | 50 | 265 | 644.90 | 13 | 183 | 198.13 | 214 | 775 | 1686.56 |
| 2014-15 | 214 | 775 | 1686.56 | 52 | 331 | 625.26 | 01 | 126 | 1274.67 | 265 | 980 | 1037.15 |

It would be seen from the above table that number of outstanding IRs which was highest in 2010-11 has come down over the years but still more efforts are needed to be made by the departments to take action in view of the audit observations including holding frequent Audit Committee Meetings so that the number of IRs and paragraphs can come down further.

1.6.4 Non-production of records to audit for scrutiny

The programme of local audit of Tax Revenue/Non-tax revenue offices is drawn up sufficiently and intimations are issued, usually one month before the commencement of audit, to the departments to enable them to keep the relevant records ready for audit scrutiny.

During the year 2014-15, not a single case relating to non-cooperation with the audit teams or non-production of records to the audit teams were reported which indicated that cordial relation existed between the audited entities and audit.

1.6.5 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.

Thirty two audit paragraphs, a Performance Audit, an Audit on a theme and a Follow-Up Report proposed to be included in the Report of the Comptroller and Auditor General of India for the year ended March 2015, Government of Meghalaya were forwarded to the Secretaries of the respective departments between June 2015 and November 2015. Out of these, reply was furnished only in respect of the Audit of the theme, the Follow-Up Report, and one audit paragraph upto November 2015. The remaining thirty one paragraphs and the Performance Audit have been included without the response of the Government.

The lack of response of the departments to the draft audit paragraphs is a matter of concern and the Government may address this issue at the earliest.

1.6.6 Follow up on Audit Reports

The internal working system of the Public Accounts Committee, notified in December 2012, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. Two hundred and fifty nine paragraphs (including Performance Audit) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Meghalaya for the years ended 31 March 2009, 2010, 2011, 2012, 2013 and 2014 were placed before the State Legislature between May 2010 and March 2015. The *suo motu* explanatory notes from the concerned departments are awaited in respect of 157 of the paragraphs (November 2015).

The PAC discussed 35 selected paragraphs pertaining to the Audit Reports for the years from 2008-09, 2009-10 and 2013-14 and its recommendations on 14 paragraphs were incorporated in their Reports (2008-09 to 2009-10). However, Action Taken Notes (ATNs) have not been received in respect of 14 recommendations of the PAC from the departments concerned as mentioned in Table 1.12.

Table 1.12 (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 |

1.6.7 Compliance with earlier Audit Reports

During the years from 2010-11 to 2014-15, the departments/Government accepted audit observation involving revenue implication of ₹ 2660.83 crore (out of the total money value of ₹ 3813.66 crore) of which only ₹ 173.26 crore had been recovered till March 2015 as mentioned in **Table 1.13**.

Table 1.13 (Compliance with earlier Audit Reports)

(₹ in crore)

| Year of Audit Report | Total money value | Accepted money value | Amount recovered during the year |
|----------------------|-------------------|----------------------|----------------------------------|
| 2010-11 | 1836.44 | 1587.03 | 172.99 |
| 2011-12 | 444.93 | 178.06 | 0.27 |
| 2012-13 | 888.40 | 681.81 | -- |
| 2013-14 | 186.44 | 46.21 | -- |
| 2014-15 | 457.45 | 167.72 | -- |
| Total | 3813.66 | 2660.83 | 173.26 |

The amount recovered was thus only 6.5 per cent of the accepted amount while the Government/departments have accepted 69.77 per cent of the cases included in the Audit Reports. Thus the percentage of recovery against the accepted cases has been very low.

1.7 Analysis of the mechanism for dealing with the issues raised by Audit

In order to analyse the effectiveness of 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 **State Excise Department** has been evaluated and results included in this Audit Report.

1.7.1 Position of Inspection Reports

The summarised position of IRs issued during the last five years, paragraphs included in these reports and their status as on September 2015 are shown below:

Table 1.14 (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 |
| 2010-11 | 47 | 252 | 64.17 | 21 | 34 | 39.33 | 44 | 213 | 49.84 | 24 | 73 | 53.66 |
| 2011-12 | 24 | 73 | 53.66 | 16 | 39 | 42.93 | 17 | 47 | 49.99 | 23 | 65 | 46.60 |
| 2012-13 | 23 | 65 | 46.60 | 6 | 24 | 3.09 | 4 | 26 | 39.28 | 25 | 66 | 10.41 |
| 2013-14 | 25 | 66 | 10.41 | 5 | 36 | 26.36 | -- | 10 | 16.53 | 30 | 92 | 20.24 |
| 2014-15 | 30 | 92 | 20.24 | 21 | 150 | 316.59 | 01 | 35 | 75.37 | 50 | 207 | 261.46 |

Thus, during the last five year period, the closing balance of IRs and paragraphs has been more or less at the same level due to a high number of paragraphs being cleared

every year which indicates that positive steps were being taken by the Department to address audit observations.

1.7.2 Recovery of accepted cases

The position of paragraphs pertaining to the State Excise Department included in the Audit Reports of the last five years, those accepted by the Department and the amount recovered during 2014-15 are mentioned below:

Table 1.15 (Status of recovery of accepted cases)

| Year of Audit Report | Number of paragraphs included | Money value of the paragraphs | Number of paragraphs accepted | Money value of accepted paragraphs | (₹ in crore) |
|----------------------|-------------------------------|-------------------------------|-------------------------------|------------------------------------|--|
| | | | | | Amount recovered during the year (2014-15) |
| 2009-10 | 8 | 4.82 | 2 | 0.39 | 0.12 |
| 2010-11 | 4 | 0.99 | -- | 0 | -- |
| 2011-12 | 4 | 0.90 | 4 | 0.90 | 0.27 |
| 2012-13 | 6 | 3.46 | -- | 0 | -- |
| 2013-14 | 4 | 43.65 | 1 | 43.08 | -- |
| Total | 26 | 53.82 | 7 | 44.37 | 0.39 |

During the last five years, the Department accepted seven out of the 26 audit paragraphs (including one PA). However, against the accepted cases involving an amount of ₹ 44.37 crore, the Department recovered only ₹ 0.39 crore which is less than one *per cent* of the accepted cases. This is a matter of concern and needs to be looked into by the Department.

1.7.3 Action taken on the recommendations of Audit

A PA on “*Working of Bottling Plants and Distilleries*” pertaining to the State Excise Department and covering the period from 2008-09 to 2012-13 was featured in the Audit Report for the year ended 31 March 2014. The PA made 20 recommendations to the Department.

During the year 2014-15, the Excise Department failed to furnish a single reply in respect of the action taken on the recommendations.

1.8 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 2014-15, out of 124 auditable units, 55 units were audited. Besides, one Performance Audit on “*Working of Taxation Checkgates in Meghalaya*” was also conducted.

1.9 Results of audit

1.9.1 Position of local audits conducted during the year 2014-15

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 2014-15 revealed under-assessments/short/non-levy/loss of revenue amounting to ₹ 625.26 crore in 331 cases. During the year, the Departments accepted under assessments/short/non levy/loss of revenue of ₹ 157.23 crore in 141 cases pointed out in 2014-15 and recovered ₹ 0.03 crore².

1.10 This Report

This Report contains 32 paragraphs (selected from the audit detections made during the local audit referred to above and during earlier years, which could not be included in earlier reports), a Performance Audit on “*Working of Taxation Checkgates in Meghalaya*”, one Audit on the theme “*Deduction of Tax at Source*” involving ₹ 353.24 crore and a Follow-up Audit on the audit recommendations pertaining to the Performance Audit on “*Transition from Sales Tax to VAT*” (Report of the Comptroller and Auditor General of India for the year ended 31 March 2009).

The departments/Government have accepted audit observations involving ₹ 73.36 crore but no recovery was intimated. The replies in the remaining cases have not been received (November 2015). These are discussed in the succeeding Chapters.

² *The recovery pertains to only those cases pointed out in the year 2014-15. The actual recovery during the year 2014-15 was higher.*