

CHAPTER 1: 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 2008-09, the State's share of divisible Union taxes 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	2004-05	2005-06	2006-07	2007-08	2008-09
I.	Revenue raised by the State government					
	• Tax revenue ¹	207.73	252.67	304.74	319.10	369.44
	• Non-tax revenue	133.49	146.01	184.37	199.35	225.31
	Total I:	341.22	398.68	489.11	518.45	594.75
II.	Receipts from Government of India					
	• State's share of divisible Union taxes	269.04	350.57	447.18	564.07	595.23
	• Grants-in-aid	935.87	997.69	1,205.90	1,358.86	1,620.66
	Total II:	1,204.91	1,348.26	1,653.08	1,922.93	2,215.89
III.	Total receipts of the State government	1,546.13	1,746.94	2,142.19	2,441.38	2,810.64
IV.	Percentage of I to III	22.07	22.82	22.83	21.24	21.16

The above table indicates that during the year 2008-09, the revenue raised by the State Government was 21.16 *per cent* of the total revenue receipts (Rs. 2,810.64 crore) against 21.24 *per cent* in the preceding year. The balance 78.84 *per cent* of receipts 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 Government of Meghalaya for 2008-09. Figures under the "share of net proceeds assigned to States" under the major heads – 0020-corporation tax, 0021-taxes on income and expenditure, 0028-other taxes on income and expenditure, 0032-taxes on wealth, 0037-customs, 0038-union excise duties, 0044-service taxes and 0045-other taxes and duties on commodities and services booked in the Finance Accounts under 'A-tax revenue' have been excluded from revenue raised by the State Government and included in 'States' share of divisible Union taxes' in this table.

1.1.2 The non-plan grants received by the State from the Government of India during the period 2004-05 to 2008-09 are mentioned below:

Table 1.2

(Rupees in crore)

Year	Amount of non-plan grants
2004-05	360.82
2005-06	406.03
2006-07	472.47
2007-08	461.02
2008-09	439.92

The share of non-plan grants during 2008-09 was 27.14 *per cent* of the total grants-in-aid received from the Government of India. Compared to 2004-05, the non-plan grants of the State increased by 21.92 *per cent* mainly due to increase in the receipt of non-plan revenue deficit grants from Rs. 321.83 crore in the year 2004-05 to Rs. 355.78 crore in the year 2008-09.

1.1.3 The following table presents the details of tax revenue raised during the period 2004-05 to 2008-09:

Table 1.3

(Rupees in crore)

Sl. no.	Heads of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+) or decrease (-) in 2008-09 over 2007-08
1.	Sales tax/VAT	106.35	159.65	187.78	216.89	271.07	(+) 25
	Central sales tax	19.84	13.72	28.04	18.01	10.76	(-) 40
2.	State excise	62.70	59.16	53.95	58.62	69.79	(+) 19
3.	Stamps and registration fees	4.56	5.48	6.49	5.99	5.54	(-) 8
4.	Taxes and duties on electricity	0.03	0.04	0.03	0.03	0.03	Nil
5.	Taxes on vehicles	7.45	8.73	9.34	11.35	13.21	(+)16
6.	Taxes on goods and passengers	2.66	2.76	2.79	3.58	3.31	(-) 8
7.	Other taxes on income and expenditure, taxes on professions, trades, callings and employments, etc.	1.02	1.17	9.52	1.47	(-) 6.47	(-) 540
8.	Other taxes and duties on commodities and services	2.83	1.63	1.22	1.04	1.70	(+) 63
9.	Land revenue	0.29	0.33	5.58	2.12	0.50	(-) 76
Total		207.73	252.67	304.74	319.10	369.44	

The reasons for increase/decrease in 2008-09 over 2007-08 as furnished by the concerned departments are mentioned below:

Sales tax/VAT: The increase was attributed to more receipts under surcharge on sales tax, sale of crude oil, trade tax and other receipts.

State excise: The increase was attributed to more receipts under malt liquor.

Taxes on goods and passengers: The decrease was attributed to decrease in receipts from tolls on roads and passenger tax collection.

Land revenue: The decrease was attributed to decrease in receipt under land revenue tax and other receipts.

The other departments did not inform (February 2010) the reasons for variation, despite being requested (October 2009).

1.1.4 The following table presents the details of major non-tax revenue raised during the period 2004-05 to 2008-09:

Table 1.4

(Rupees in crore)

Sl. no.	Head of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+) or decrease (-) in 2008-09 over 2007-08
1.	Interest receipts	7.75	6.67	13.36	15.38	17.82	(+) 16
2.	Dairy development	1.25	0.79	0.13	0.04	0.04	Nil
3.	Forestry and wildlife	14.62	15.30	16.66	15.60	17.36	(+) 11
4.	Non-ferrous mining and metallurgical industries	90.26	97.56	109.03	123.66	132.73	(+) 7
5.	Miscellaneous general services (including lottery receipts)	4.22	7.92	17.96	18.98	24.13	(+)27
6.	Education, sports, arts and culture	0.45	0.55	0.91	0.53	0.93	(+)75
7.	Medical and public health	0.61	0.70	1.08	0.56	0.74	(+) 32
8.	Co-operation	0.56	0.57	0.38	0.93	0.09	(-) 90
9.	Public works	5.10	4.33	5.11	4.24	6.70	(+)58
10.	Police	2.26	3.65	3.54	1.48	1.59	(+) 7
11.	Other administrative services	0.75	1.21	8.91	3.58	13.53	(+)278
12.	Other agricultural programmes	0.49	0.61	0.82	0.34	1.10	(+)224
13.	Crop husbandry	1.76	1.99	2.21	2.38	3.22	(+)35
14.	Animal husbandry	1.22	1.32	1.56	1.47	1.37	(-)7
15.	Others	2.19	2.84	2.71	10.18	3.96	(-)61
Total		133.49	146.01	184.37	199.35	225.31	

The reasons for increase/decrease in 2008-09 over 2007-08 as furnished by the concerned departments are mentioned below:

Interest receipts: The increase was attributed to realisation of more interest from investment of cash balances and other receipts.

Non-ferrous mining and metallurgical industries: The increase was attributed to increase in receipts under mineral concession fees, rents and royalties and Mines Department.

Miscellaneous general services: The increase was attributed to more unclaimed deposits, State lotteries & other receipts.

Forestry and wildlife: The increase was attributed to increase in sale of timber and other forest produce.

The other departments did not inform (February 2010) the reasons for variation, despite being requested (October 2009).

1.2 Variations between the budget estimates and the actuals

The variations between the budget estimates and the actuals of revenue receipts for the year 2008-09 in respect of the principal heads of tax and non-tax revenue are mentioned below:

Table 1.5

(Rupees in crore)

Sl. no.	Head of revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
1.	Land revenue	0.39	0.50	(+) 0.11	28
2.	Sales tax/VAT	285.42	281.83	(-) 3.59	1
3.	State excise	71.57	69.79	(-) 1.78	2
4.	Stamps and registration fees	9.50	5.54	(-) 3.96	42
5.	Taxes and duties on electricity	0.05	0.03	(-) 0.02	40
6.	Taxes on vehicles	11.62	13.21	(+) 1.59	14
7.	Taxes on goods and passengers	3.39	3.31	(-) 0.08	2
8.	Forestry and wildlife	19.27	17.36	(-) 1.91	10
9.	Non-ferrous mining and metallurgical industries	135.69	132.73	(-) 2.96	2

The concerned departments did not inform (February 2010) the reasons for variations despite being requested (October 2009).

1.3 Cost of collection

The gross collection in respect of principal revenue receipt heads, expenditure incurred on collection and percentage of such expenditure to gross collection during the years 2006-07 to 2008-09 alongwith the all India average percentage of expenditure on collection for 2007-08 are mentioned below:

Table 1.6

Sl. no.	Head of revenue	Year	Collection (Rs. in crore)	Expenditure on collection of revenue (Rs. in crore)	Percentage of expenditure on collection	All India average percentage for the year 2007-08
1.	Sales Tax/VAT	2006-07	215.82	3.58	1.65	0.83
		2007-08	234.89	4.09	1.74	
		2008-09	281.83	4.46	1.58	
2.	State Excise ²	2006-07	53.96	3.95	7.32	3.27
		2007-08	58.62	4.42	7.54	
		2008-09	69.79	6.21	8.90	
3.	Taxes on vehicles	2006-07	9.34	2.41	25.80	2.58
		2007-08	11.35	6.57	57.89	
		2008-09	13.21	3.14	23.77	
4.	Stamps and registration fees ²	2006-07	6.49	0.54	8.32	2.09
		2007-08	5.99	0.60	10.02	
		2008-09	5.54	0.64	11.55	

Thus, the cost of collection for all the above heads of revenue is considerably higher than the all India average. The costs in the cases of Taxes on vehicles and Stamp duty and registration fees are abnormally high and need to be viewed with concern. **The Government needs to take immediate measures to bring down the cost of collection.**

1.4 Arrears in assessments

The details of assessments pending at the beginning of the year 2008-09, cases due for assessment during the year and cases disposed during the year and number of pending cases at the end of the year, as furnished by the department in respect of sales tax and taxes on motor spirits are mentioned below:

Table 1.7

Names of tax	Opening balance of cases pending assessment	Cases due for assessment during the year	Total assessment due	Cases finalised during the year	Balance cases pending at the end of the year	Percentage of column 5 to 4
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Sales tax / VAT MVAT Central sales tax/Luxury tax	2,77,800	19,031	2,96,831	6,787	2,90,044	2.29
Motor spirits tax	10,730	190	10,920	73	10,847	0.67
Total	2,88,530	19,221	3,07,751	6,860	3,00,891	2.23

Thus, the finalisation of pending cases during 2008-09 was very low. **The Government needs to take quick action to finalise the pending assessment cases.**

² No minor head showing collection charges in respect of these heads available in the Finance Accounts, hence the figures are as furnished by the department.

1.5 Arrears of revenue

The arrears of revenue as on 31 March 2009 in respect of some principal heads of revenue amounted to Rs. 89.82 crore of which Rs. 7.69 crore was outstanding for more than five years as mentioned below:

Table 1.8

(Rupees in crore)			
Sl. no.	Head of revenue	Amount outstanding as on 31 March 2009	Amount outstanding for more than five years as on 31 March 2009
1.	Sales tax	3.07	--
2.	Motor spirits	0.24	--
3.	Value added tax	0.30	--
4.	Central Sales Tax	38.48	--
6.	State excise	13.31	7.69
7.	State lottery	34.42	--
Total		89.82	7.69

The position of arrears of revenue at the end of 2008-09 in respect of land revenue, environment and forests, mining and geology and transport departments was not furnished (February 2010) by the concerned departments despite being requested (June 2009).

1.6 Failure to enforce accountability and protect interest of the Government

The Accountant General (Audit), Meghalaya, Shillong 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 Accountant General (Audit), Meghalaya, Shillong. A half yearly report regarding pending IRs is sent to the Secretaries of the concerned Government departments to facilitate monitoring and settlement of audit observations raised in these IRs through the intervention of the Government.

IRs issued upto December 2008 pertaining to the offices under sales tax, state excise, land revenue, motor vehicles tax, passengers and goods tax, other taxes, forest, stamps and registration, state lottery, geology and mining departments disclosed that 281 IRs involving money value of Rs. 979.91 crore remained unsettled at the end of June 2009. Of these, 120 IRs containing 220 observations involving money value of Rs. 109.66 crore had not been settled for more than five years.

In respect of 20 IRs involving money value of Rs. 257.81 crore issued upto March 2009, even the first reply required to be received from the departments/ Government has not been received (February 2010).

The report regarding position of old outstanding IRs/paragraphs was reported to the Government in July 2009; their reply has not been received (February 2010).

1.7 Response of the departments to draft 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.

Forty-five audit paragraphs and two reviews proposed to be included in the Report of the Comptroller and Auditor General of India for the year ended March 2009 were forwarded to the Secretaries of the respective departments between April 2009 and October 2009 through demi official letters. Out of these, replies were furnished to only twelve paragraphs and two reviews up to February 2010. The remaining 33 paragraphs have been included without the response of the Government.

1.8 Recovery of revenue of accepted cases

During the years 2003-09, the departments/Government accepted audit observations involving Rs. 1,786 crore of which only Rs. 4.60 crore had been recovered till October 2009 as mentioned below:

Table 1.9

(Rupees in crore)

Year of AR	Total money value	Accepted money value	Recovery made
2003-04	276.79	3.20	0.26
2004-05	83.32	23.02	0.24
2005-06	262.43	10.90	0.05
2006-07	6,847.81	736.18	3.98
2007-08	829.85	729.73	--
2008-09	1,265.10	282.97	0.07
Total	9,565.30	1,786.00	4.60

1.9 Follow up on Audit Report – 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 October 2009 on the paragraphs included in the Reports of the Comptroller and Auditor General of India disclosed that the departments of the State government had not submitted *suo motu* explanatory notes on 239 paragraphs of Audit Reports for the years from 1992-93 to 2007-08 in respect of revenue receipts as mentioned below:

Table 1.10

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	
		Para-graphs	Reviews	Para-graphs	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
Total		333	14	226	13

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 1.11

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.

1.10 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 AG.

In order to expedite clearance of the outstanding audit observations, it is necessary that the audit committees meet regularly. During the year 2008-09, no audit committee meeting was held, despite being requested. Thus, the concerned departments failed to take advantage of the arrangement of audit committees.

1.11 Results of audit

Test check of the records of sales tax, state excise, motor vehicles tax, other tax receipts, forest receipts and other non-tax receipts conducted during the year 2008-09 revealed underassessment/short/non-levy/loss of revenue amounting to Rs. 1,472.93 crore in 234³ cases. During the year, the departments accepted assessments/short/non levy/loss of revenue of Rs. 1109.48 crore in 30 cases pointed out in 2008-09 and earlier years, and recovered Rs. 30.81 lakh.

This Report contains 45 paragraphs and two reviews involving Rs. 1,175.55 crore. The departments/Government accepted audit observations involving Rs. 827.77 crore, of which Rs. 10.28 lakh had been recovered. Audit observations with a total revenue effect of Rs. 18.91 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 (February 2010). These are discussed in the succeeding chapters.

³ 232 paras money value = Rs. 649.99 crore
2 reviews money value = Rs. 822.94 crore