

OVERVIEW

This Report contains 44 paragraphs and three Performance Audits relating to under assessments/non-realisation/short realisation of penalties, taxes, duties etc. The total money value involved is ₹ 268 crore. Some of the major findings are mentioned below:

I GENERAL

➤ During the year 2010-11, the total revenue raised by the State Government (₹ 873.14 crore) was 20.47 *per cent* of the total revenue receipts (₹ 4,266.02 crore). The balance 79.53 *per cent* of receipts during 2010-11 comprised of State's share of divisible taxes and duties amounting to ₹ 901.65 crore and grants-in-aid amounting to ₹ 2491.23 crore. The revenue raised by the State Government in 2010-11 as compared to 2009-10 was 21.37 *per cent* higher.

(Paragraph 1.1)

➤ Test check of the records of taxes on sale, trade etc, state excise, motor vehicles tax, other tax receipts, forest receipts and other non-tax receipts conducted during the year 2010-11 revealed underassessment / short / non-levy / loss of revenue amounting to ₹ 557.24 crore in 240 cases. During the year, the Departments accepted assessments / short / non levy of revenue of ₹ 1695.49 crore in 74 cases pointed out in 2010-11 and earlier years, and recovered ₹ 10.73 crore.

(Paragraph 1.5.1)

II TAXES ON SALE, TRADE/VAT ETC

A Performance Audit of "Cross verification of Declaration form in Inter-State Trade" and audit of Sales Tax Department revealed the following irregularities:

We found that the Department had not prepared any Budget Estimates and did not maintain a database of concessions/exemptions given under CST.

(Paragraph 2.9.6; 2.9.7)

We found that the online filing of application for declaration forms and their issue has not yet been introduced by the Department; the TINXSYS, site was not being used for verification purposes by the offices. Besides only the declaration form 'C'; were uploaded whereas 'F' form were not uploaded, forms were printed in excess of requirement and the Department was saddled with huge closing stock of 'C' and 'F' forms which was fraught with the risk of obsolete and damaged forms.

(Paragraph 2.9.9; 2.9.10)

We found that in four ST field offices 78 dealers submitted 2600 'C' forms after a delay ranging between 9 months and 40 months in violation of the CST Act. In STs, Nongpoh and Jowai, two dealers sold coal, iron and steel etc, valued at ₹ 2.57 crore in course of interstate trade to dealers of Assam and submitted the

portion marked 'DUPLICATE' to the ST instead of the portion marked 'ORIGINAL' which was incorrectly accepted by the assessing officers.

(Paragraph 2.9.13; 2.9.14)

We noticed in Shillong and Williamnagar that on reporting loss of four 'F' forms and closure of business by the dealer, the Department did not issue notices for declaring the forms as invalid/obsolete. We also found that though Taxation Department of Mizoram had notified 14 forms as obsolete the ST, Nongpoh Meghalaya accepted these forms incorrectly. The tax due under these forms was ₹ 19.55 lakh.

(Paragraph 2.9.16; 2.9.17)

We found that dealers under ST, Nongpoh Meghalaya sold taxable goods valued at ₹ 44.19 crore having a tax effect of ₹ 1.83 crore during the period 2004-05 to 2008-09 on declaration forms which were not printed/ not issued by the Commercial Taxes Department of Manipur, Assam and West Bengal States indicating that the forms were not genuine. Thus evasion of tax cannot be ruled out in these cases.

(Paragraph 2.9.18)

The declaration forms furnished by three dealers and accepted by the ST, Nongpoh for sales valued ₹ 47.35 lakh were found irregular on cross verification, since the purchasing dealers in Assam were not found registered for the goods they had purchased. In absence of cross verification such irregularities are not being detected by the Department.

(Paragraph 2.9.19.1)

We noticed that ST, Circle I, Shillong accepted 11 'F' forms in support of claim for exemption of tax and STs, Nongpoh and Jowai accepted 18 'C' forms from unregistered dealers of other states. The concession availed/exempted on these forms was ₹ 32.22 lakh which remain undetected for want of cross verification by the Department.

(Paragraph 2.9.19.3)

We found during cross verification that sale of goods valued at ₹ 11.11 crore was made in excess of the purchases depicted against the Declaration Forms. This escapement of turnover resulted in non levy of tax of ₹ 66.57 lakh.

(Paragraph 2.9.20.1)

We found eleven dealers in five circles concealed turnover of ₹ 1.91 crore and evaded tax of ₹ 23.88 lakh. Besides, penalty of ₹ 47.76 lakh is also leviable for wilful concealment of purchases.

(Paragraph 2.9.21.3)

We found that four dealers registered in ST, Nongpoh purchased goods valued at ₹ 62.38 lakh between 2006-07 and 2009-10 by utilising seven 'C' forms. However our cross-verification revealed that there was variation in nature of commodity purchased as such concessions allowed were incorrect.

(Paragraph 2.9.21.5)

TRANSACTION AUDIT

We notice that the Sales Tax Department detected 6,000 vehicles in which transporters carried taxable goods without proper particulars and levied/ collected composition money of ₹ 0.13 crore instead of ₹ Three crore thereby resulting in short levy/realisation of composition money of ₹ 2.87 crore.

(Paragraph 2.10.1)

Our cross verification of the records of a dealers with two cement manufacturing companies revealed that the dealer purchased cement valued at ₹ 15.84 crore. However, dealer was assessed for ₹ 86.61 lakh only. Thus the dealer, purchase turnover of ₹ 14.97 crore involving tax of ₹ 1.87 crore escaped assessment.

(Paragraph 2.12)

We notice during test check of Williamnagar that the Superintendent Taxes(ST) had not properly verified the records available with him at the time of making the assessments, leading to a concealment of turnover of ₹ 11.97 crore going unnoticed thereby resulting in evasion of tax of ₹ 47.87 lakh

(Paragraph 2.14)

We cross-verified the records of three ST circles with three Government organisations and found that they had not deducted tax at source while purchasing goods worth ₹ 3.12 crore from five dealers resulting in non levy of tax of ₹ 28 lakh

(Paragraph 2.21)

We noticed that a dealer incorrectly claimed deduction of ₹ 44.43 lakh as the value of boulders, stone and sand used in the execution of works contract. This deduction was allowed by the ST which was irregular and resulted in under assessment of tax of ₹ 5.53 lakh. Besides, interest of ₹ 3.55 lakh is also leviable.

(Paragraph 2.23)

We noticed during test check of records of ST, Circle I, Shillong that ST calculated tax at the rate of four *per cent* instead of 12.5 *per cent*. Thus, due to incorrect application of rate, there was short levy of tax of ₹ 17.20 lakh.

(Paragraph 2.28)

III STATE EXCISE

We noticed that laxity on the part of the Commissioner of Excise led to allowing manufacturing and sale IMFL without realisation of licence fee resulted in non-realisation of licence fee of ₹ 12.30 lakh.

(Paragraph 3.7)

IV MOTOR VEHICLE RECIEPTS

The Performance Audit on ‘**Computerisation of Motor Vehicle Department**’ revealed the following:

- We noticed that the Transport Department (TD) had not entered into any annual maintenance contract (AMC) for maintenance and repairing of hardware. Further, 67 per cent of the servers, 17 per cent of the slim PCs, 55 per cent of the printers, and 75 per cent of UPS with the Department were not functioning as on 30 August 2011.

(Paragraph 4.7.8.1).

- We noticed that out of the seven DTOs, four DTOs had not completed computerisation of backlog records of 12,150 registered vehicles. The backlog of records of 2.07 lakh driving licenses was not cleared in all the seven DTOs. Thus the State and National Register was incomplete to that extent.

(Paragraph 4.7.8.2, 4.7.10.4)

- We noticed that there was no fire detection equipment or fire extinguishers to fight any contingencies, in any of the three DTOs visited and the Office of the STA, housing the computer for the National Permit System.

(Paragraph 4.7.8.3)

- We noticed that in three DTOs the server were switched on and off on daily basis, while in one DTO, the server was switched off at varying intervals and on holidays and weekends. The Department has not laid down any guidelines laying down the necessity of switching on/off the servers. We also noticed that log files were deleted without conducting any analysis leading to loss of audit trail.

(Paragraph 4.7.8.9)

- We noticed that surcharge was not realised from 399 vehicles out of 19719 private vehicles registered in East Khasi Hills Division. The rates of surcharge could be altered manually as such manual intervention cannot be ruled out due to this.

(Paragraph 4.7.9.1)

- The data available in the system indicated that three vehicles shared same registration number and 1,308 vehicles shared 654 registration numbers, 1,277 vehicles shared the same set of engine numbers and 44 vehicles shared 22 chassis numbers. Out of these, 112 vehicles were registered after implementation of Vahan.

(Paragraph 4.7.9.3 and 4.7.9.8)

- 190 non-transport (NT) DLs were issued to 55 applicants authorising the licence holder to drive the same class of vehicle. We further noticed that

1,493 DLs¹ and 27 LLs² were issued by recording the name of the licence holder in abbreviation.

(Paragraph 4.7.10.2)

- We found abnormal delays ranging from 31 to 183 in issuing 453 learner licence (LLs). Similarly the delay in issuing 1,300 driving licence (DLs) ranged from 31 days to 461 days. There was no time limit had been set for issue of LLs and DLs.

(Paragraph 4.7.10.5)

VI FOREST RECEIPTS

A Performance Audit on “**Forest Receipts**” revealed the following:

- Revenue of ₹ 2.84 crore could not be earned during 2005-06 to 2010-11 due to non settlement of *mahals*.
(Paragraph 6.5.7)
- There were 162 illegal sawmills operating in the state as against 41 licensed sawmills.
(Paragraph 6.5.8)
- 26 *per cent* of reserved forests in Jaintia Hills Division (JHTD) were encroached as on March 2011 and not a single encroacher had been evicted by the DFOs. There was inadequate monitoring of the cases filed against encroachers.
(Paragraph 6.5.9)
- The Government had not revised royalties and export fees since November 1998 and October 1999 respectively resulting in foregoing of ₹ 16.99 crore.
(Paragraphs 6.5.10.1 and 6.5.10.2)
- All the six working plans/schemes of the State had not been prepared and submitted to the MOEF, despite creation of a separate office for processing the Working Plans.
(Paragraph 6.5.11.1)
- Failure to harvest the bamboos led to a revenue loss of ₹ 1.20 crore, though Bamboo was identified as the chief marketable product in the Garo Hills Territorial Division (GHTD).
(Paragraph 6.5.11.2)
- In GHTD and Khasi Hills Territorial Division, timber measuring 471.85 cum involving royalty of ₹ 26.76 lakh had been felled and removed illegally
(Paragraph 6.5.12.1)

¹ East Khasi Hills : 1453 DL, Jowai : 1 DL and Ri-Bhoi: 39 DL:

² East Khasi Hills: 25 LL and Ri-Bhoi: 2LL

- Our cross verification of records of the Taxation and Forest Department for the period 2005-06 to 2010-11 revealed non recovery of ₹ 6.63 crore on account of evasion of royalty and export fee by two firms.

(Paragraph 6.5.12.2)

- Non resolution of differential rates of royalty with District Councils led to charging of two rates for the same products such as *toko* leaves, bamboo and cane, encouraging unhealthy competition between the State and the District councils.

(Paragraph 6.5.12.3)

- Export fee of ₹ 3.95 crore on 13.16 lakh MT limestone extracted from KHTD and JHTD was not levied

(Paragraph 6.5.14)

- Cess of ₹ 4.33 crore on 39.14 lakh MT of limestone extracted during 2005-06 and 2010-11 was not realised by the Department.

(Paragraph 6.5.14.1)

- We found that eight cement factories were setup in Jaintia Hills District without forest clearance. Failure of the State Government in allowing setting up of cement factories without the approval of the Central Government and lack of will to keep their operation in abeyance, resulted in non-recovery of net present value of ₹ 43.45 crore.

(Paragraph 6.5.14.16)

VII MINING AND OTHER NON-TAX RECEIPTS

The delay of 24 months on the part of the Mining and Geology Department (MGD) to notify the revised rates of royalty on coal, led to a total loss of ₹ 147.71 crore to the State

(Paragraph 7.7.2)

We noticed that royalty was not realised by the DMO Williamnagar before despatch of the limestone. Thus, due to non-realisation of royalty, there was non-realisation of revenue of ₹ 54.32 lakh

(Paragraph 7.13)