

## CHAPTER VII: RECEIPTS FROM MINES AND MINERALS

### 7.1 Results of audit

Test check of the records relating to Geology and Mining Department during the year 2008-09 revealed non-realisation of duties, royalties etc., amounting to Rs. 18.58 crore in 14 cases which can be categorised as under:

(Rupees in crore)			
Sl. no.	Category	Number of cases	Amount
1.	Non-revision of royalty rate	01	10.09
2.	Loss of revenue on export	01	6.37
3.	Non-realisation of royalty	03	1.08
4.	Other irregularities	09	1.04
<b>Total</b>		<b>14</b>	<b>18.58</b>

During the year 2008-09, the department failed to respond to any of the irregularities brought to their notice. No recovery in respect of any of the cases was intimated to audit.

A few illustrative audit observations involving Rs. 41.12 crore are mentioned in the succeeding paragraphs.

## **7.2 Audit observations**

*Scrutiny of the records in the offices of Mines and Minerals Department indicated several cases of non-observation of the provisions of the Acts/Rules resulting in non/short levy/realisation of royalty/cess/dead rent and other cases as mentioned in the succeeding paragraphs in the chapter. These cases are illustrative and are based on the test check carried out in audit. Such omissions are pointed out in audit each year, but not, only do the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to consider directing the department to improve the internal control system so that such omissions can be avoided, detected and corrected.*

## **7.3 Non-realisation of cess on limestone extracted from forest area**

### **Lack of co-ordination between two departments led to non-realisation of revenue of Rs. 68.30 lakh**

Under the provision of the Meghalaya Mineral Cess Act, 1988 cess on limestone has been fixed at Rs. 5 per tonne with effect from April 1992. In Meghalaya, royalty on limestone is jointly realised by the Forest Divisions (for lime stone extracted from areas under the jurisdiction of forest division) and the Directorate of Mineral Resources (for remaining areas). The right to realise cess has, however, been vested with the Directorate of Mineral Resources (DMR).

Scrutiny of the records of the DMR, Meghalaya in March 2008 revealed that 13,65,992 MT of limestone was extracted and exported from areas under the jurisdiction of forest divisions during 2005-06 and 2006-07. Although royalty on the quantity exported was realised by the forest divisions, no cess was collected as the DMR was unaware of the aforesaid extraction and export. Thus, due to lack of co-ordination between the two departments, there was non-realisation of revenue of Rs. 68.30 lakh.

The cases were reported to the department/Government in April 2008; their reply has not been received (February 2010).

## **7.4 Non-realisation of dead rent**

### **Dead rent of Rs. 14.34 lakh including interest was not realised from four lessees**

Under Section 9A of the Mines and Minerals Development and Regulation (MMDR) Act, 1957, a lessee shall be liable to pay either the prescribed royalty on minerals removed or dead rent in respect of the leased area, whichever is higher. Rule 64 A of the Mines and Mineral Concession Rules, 1960 provides that if the dues payable by the lessees are not paid within the time specified for such payment, simple interest at the rate of 24 per cent per annum may be charged on the unpaid amount from the sixtieth day of the expiry of the date fixed for payment of such dues.

Scrutiny of the records of the DMR, Meghalaya, in March 2008 revealed that four lessees did not extract any minerals from the leased areas between January 2006 and January 2007 and were liable to pay dead rent of Rs. 12.36 lakh. The DMR, however, did not raise any demand for payment of dead rent. Besides, for non-payment of dead rent, interest of Rs. 1.98 lakh was also leviable but was not levied. This resulted in non-realisation of dead rent and interest of Rs. 14.34 lakh.

The cases were reported to the department/Government in April 2008; their reply has not been received (February 2010).

## **7.5 Short realisation of royalty**

### **Delay in implementation of revised rate of royalty led to loss of revenue of Rs. 20.38 crore**

In exercise of powers conferred under the MMDR Act, the Government of India (GOI), Ministry of Coal revised the rate of royalty per metric tonne (MT) of coal from Rs. 165 to Rs. 130 plus five *per cent* of pithead price of coal with effect from 1 August 2007. Further, in August 2007, the North East Coal Field Limited, Assam, informed the (DMR), Meghalaya, the pithead price of coal which varied from Rs. 1,320 to Rs. 1,888 per MT. Based on the minimum notified price of Rs. 1,320 per MT, the revised rate of royalty per MT of coal works out as Rs. 196.

Scrutiny of the records of the DMR, Meghalaya in March 2009 revealed that the revised rates circulated in August 2007 by the GOI had not been implemented till March 2009 by the Government of Meghalaya. Between February 2008 and February 2009, 65,71,756 MT of coal was despatched and royalty of Rs. 108.43 crore was realised at the pre-revised rate of Rs.165 per MT instead of Rs. 128.81 crore at the revised rate of Rs.196 per MT. Thus, inordinate delay on the part of the State government to implement the revised rate of the royalty resulted in loss of revenue of Rs. 20.38 crore.

After this was pointed out in April 2009 the Government stated in June 2009 that the DMR had taken up the matter with the Ministry of Coal, Government of India to ascertain the notified price of the Meghalaya coal in May 2008, but failed to elicit a response even after the lapse of 22 months from the date of notification. The reply is not tenable as the pithead price of different grades of coal was communicated by the North East Coal Fields Limited in August 2007. The Government was only required to calculate and notify the revised rates of royalty on different grades of coal as per the formula given by the GOI. Instead, the Government unnecessarily referred the matter to the GOI for clarification which not only led to loss of revenue to the State but also extended undue financial benefit to the miners. Further reply has not been received (February 2010).

## **7.6 Non-realisation of royalty on coal**

### **Failure of the Mines and Minerals Department to prevent unauthorised export of coal and limestone led to the loss of revenue of Rs. 13.73 crore**

The MMDR Act lays down that every licensee or permit holder or lessee shall pay the prescribed royalty in respect of the mineral removed or consumed by him. The DMR, Meghalaya notified in September 1995 that if any trader failed to pay the full royalty in advance on the quantity of mineral transported, penalty at the rate of 25 to 100 *per cent* should be collected at the mineral check gate in addition to the royalty. The royalty on coal was fixed at Rs. 165 per MT from 16 August 2002 and royalty on limestone was Rs. 45 per MT and cess was Rs. 5 per MT.

Scrutiny of the records of the DMR, Meghalaya in March 2009 revealed that permit holders exported 12.79 lakh MT of coal and 22.19 lakh MT of limestone during the period from April 2007 to March 2009 to Bangladesh through Borsora, Bholaganj and Shella land customs stations. Cross verification with the report of the Customs Department, however, revealed that the permit holders actually exported 17.20 lakh MT of coal and 31.48 lakh MT of limestone during the aforesaid period. The enforcement staff posted at the checkgates of the Mines and Minerals Department failed to detect export of 4.40 lakh MT of coal and 9.29 lakh MT of limestone to Bangladesh resulting in loss of revenue of Rs. 13.73 crore in the shape of royalty, cess and penalty.

The case was reported to the department/Government in April 2009; their reply has not been received (February 2010).

## **7.7 Short realisation of royalty and cess**

### **There was short realisation of royalty and cess on limestone of Rs. 6.18 crore**

Section 9(2) of the MMDR Act lays down that every licensee or permit holder or lessee shall pay the prescribed royalty in respect of any minerals removed or consumed by him from the mining area. The royalty on limestone was Rs. 45 per MT and cess Rs. 5 per MT.

Test check of the records of the DMR, Meghalaya, in March 2009 revealed that 32.57 lakh MT of limestone was extracted and removed by the permit holders between April 2005 and March 2007. Royalty and cess of Rs. 14.66 crore and Rs. 1.63 crore respectively was payable against which royalty of Rs. 8.69 crore and cess of Rs. 1.42 crore was realised. This resulted in short realisation of royalty of Rs. 5.97 crore and cess of Rs. 21 lakh.

The case was reported to the department/Government in April 2009; their reply has not been received (February 2010).

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