

**CHAPTER-V**  
**FOREST RECEIPTS**



## CHAPTER-V: FOREST RECEIPTS

### 5.1 Tax Administration

The Principal Secretary to the Government of Meghalaya, Forests & Environment (F&E) Department is in overall charge of the Department at the Government level. The Principal Chief Conservator of Forests (PCCF) is the administrative head of the Department. He is assisted by Chief Conservators of Forests and Conservator of Forests. At the district level, the Divisional Forest Officers (DFOs) are entrusted with management of forests and wildlife through various divisions such as territorial, wildlife, social forestry *etc.* including levy of forest dues, wherever applicable. The collection of forest revenue is governed by the provisions of the Assam Forest Regulation, 1891.

### 5.2 Internal audit

The F&E Department has no separate Internal Audit Wing (IAW). Despite the same being pointed out by audit earlier, no action has been taken by the Department to create an IAW to monitor the working of the Department.

**Recommendation:** *The Department may look into the possibility of creating an Internal Audit Wing to effectively monitor the functioning of the Department.*

### 5.3 Results of Audit

Test check of the records of 17 units relating to the F&E Department during 2015-16 revealed under-assessment of tax and other irregularities involving ₹ 51.85 crore in 48 cases which fall under the following categories:

Table 5.1

(₹ in crore)			
Sl. No.	Category	Number of cases	Amount
1.	Non/Short realisation of revenue	14	14.81
2.	Loss of revenue	07	8.98
3.	Other irregularities	27	28.06
<b>Total</b>		<b>48</b>	<b>51.85</b>

During the course of audit, the Department accepted under assessments and other deficiencies of ₹ 26.26 crore in 27 cases. No recovery was intimated in any of the cases during the year 2015-16.

A few illustrative cases having financial impact of ₹ 30.54 crore in terms of short/non-realisation/evasion/loss of revenue are discussed in the paragraphs 5.4 to 5.8.

#### 5.4 Short realisation of revenue

#### Short realisation of revenue amounting to ₹ 12.99 crore by the user departments.

[DFOs, Territorial Divisions, Shillong, Jowai and Tura; July 2015 to January 2016]

In Meghalaya, all user departments<sup>1</sup> utilising minerals for execution of works contracts are responsible for deduction of royalty from the contractors and depositing the same to the concerned forest divisions. The F&E Department, Government of Meghalaya revised<sup>2</sup> (June 2014) the rates of royalty on sand, stone, earth and squared stone<sup>3</sup> to ₹ 90, ₹ 240, ₹ 100 and ₹ 280 per cubic metre (cu. m.) respectively.

From the records pertaining to payment of royalty by the user departments in three Territorial divisions under the F&E Department, Government of Meghalaya it was observed that 2,30,900.10 cu. m. of sand, 5,58,549.39 cu. m. of stone, 17,269.83 cu. m. of earth, 8,529.77 cu. m. of blindage<sup>4</sup> and 44,704.12 cu. m. of granular matter<sup>5</sup> were extracted and utilised for various works by the contractors of 29 different departments/Divisions (**Annexure XVII**) between July 2013 and July 2015 on which royalty amounting to ₹ 16.70 crore was realisable. However, the departments realised only ₹ 3.71 crore as royalty recovered from the contractors' bills and forwarded the same to the DFOs. Despite the information being available with the divisions, no steps were taken by the DFOs to direct the user departments/divisions to recover the balance royalty of ₹ 12.99 crore from the contractors and deposit the same to the concerned forest divisions thereby resulting in short realisation of royalty to that extent.

On this being pointed out (August 2015), the DFO, Khasi Hills Territorial Division, Shillong stated (December 2015) that the matter had been taken up with the concerned user departments for payment of the balance royalty. However, a report of recovery had not been received (December 2016). In respect of the other two divisions, no replies had been received from the F&E Department, Government of Meghalaya (December 2016).

<sup>1</sup> Works Departments like Public Works Department, Public Health Engineering Department, Soil Conservation Department, etc. which undertake works on behalf of the Government.

<sup>2</sup> The rates were revised with effect from 19 June 2014 as follows:

Mineral	From	To
Sand	₹ 30/ cu. m	₹ 90/ cu. m
Stone	₹ 80/ cu. m	₹ 240/ cu. m
Earth	₹ 32/ cu. m	₹ 100/ cu. m
Squared Stone	₹ 95/ cu. m	₹ 280/ cu. m

<sup>3</sup> Roughly dressed stone with rectangular faces.

<sup>4</sup> Sand when used for road construction is called blindage.

<sup>5</sup> Granular matter is crushed stone.

### 5.5 Evasion of royalty on limestone

**Due to lack of co-ordination between Government Departments, four cement companies concealed utilisation of 4.22 lakh MT of limestone resulting in evasion of royalty of ₹ 2.98 crore.**

[DFO, Territorial Division, Jowai; August 2015]

In Meghalaya, the F&E Department realises royalty on limestone from non-mining lease areas while the Mining & Geology (M&G) Department realises royalty from mining lease areas. The M&G Department, Government of Meghalaya fixed the royalty on limestone at ₹ 63 per MT upto 07 October 2014 and ₹ 80 per MT thereafter.

**5.5.1** It was observed from the records of the DFO pertaining to realisation of royalty for the period from April 2014 to March 2015 that three cement manufacturing companies<sup>6</sup> utilised 3.06 lakh MT of limestone from non-mining lease areas during the period and accordingly paid the admitted royalty to the DFO. However, cross-verification with the records of the Divisional Mining Officer (DMO), M&G Department, Jowai revealed that during the same period, the companies actually utilised 4.01 lakh MT of limestone from non-mining lease areas. Thus, due to absence of proper co-ordination/system of periodic exchange of information between Government departments, the cement companies concealed information pertaining to utilisation of 0.95 lakh MT of limestone resulting in evasion of royalty of ₹ 0.61 crore<sup>7</sup>.

**5.5.2** It was observed from the records of the DFO that a cement company<sup>8</sup> did not utilise any limestone from non-mining lease areas between April 2014 and March 2015. However, cross-verification with the records of the DMO, Jowai revealed that during the same period, the company actually utilised 3.27 lakh MT of limestone from non-mining lease areas. Thus, due to absence of proper co-ordination/system of periodic exchange of information between Government departments, the cement company concealed information pertaining to utilisation of 3.27 lakh MT of limestone thereby resulting in evasion of royalty of ₹ 2.37 crore<sup>9</sup>.

The cases was reported to the F&E Department, Government of Meghalaya in September 2015; their replies had not been received (December 2016).

<sup>6</sup> (i) Cement Manufacturing Co. Ltd (CMCL), (ii) Hills Cement Co. Ltd and (iii) Meghalaya Minerals and Mines Ltd.

<sup>7</sup> 88345.33 MT X ₹ 63 (1 April 2014 to 7 October 2014) = ₹ 5565756  
6577.06 MT X ₹ 80 (8 October 2014 to 31 March 2015) = ₹ 526165  
₹ 6091921

<sup>8</sup> Adhunik Cement Ltd.

<sup>9</sup> 141275.73 MT x ₹ 63 (1 April 2014 to 7 October 2014) = ₹ 8900371  
185399.09 MT x ₹ 80 (8 October 2014 to 31 March 2015) = ₹ 14831927  
₹ 23732298

### 5.6 Loss of revenue due to short realisation of royalty

**There was loss of revenue amounting to ₹ 0.33 crore due to short realisation of royalty on minor minerals.**

**[DFO, Territorial Division, Shillong; July 2015]**

The F&E Department, Government of Meghalaya revised (June 2014) the rates of royalty on sand, stone, earth and squared stone to ₹ 90, ₹ 240, ₹ 100 and ₹ 280 per cu. m. respectively.

Examination of the monthly revenue statements furnished by the Range/Beat offices to the DFO revealed that between July 2014 and September 2014, two ranges/beats issued permits for extraction of 423.80 cu. m. of sand, 32067.36 cu. m. of stone and 2350 cu. m. of earth on which royalty amounting to ₹ 0.78 crore was realisable at revised rates; against which, the range/beat officers realised ₹ 0.45 crore due to application of pre-revised rates. This resulted in short realisation of revenue of ₹ 0.33 crore<sup>10</sup>. Despite the information being available with the DFO, no action was taken by the DFO to direct the range/beat officers to realise revenue at revised rates. Inaction of the DFO to take action coupled with failure of the range/beat officers to realise royalty at prescribed rates, thus, resulted in short realisation of royalty and consequent loss of revenue to that extent as the chance of realising the forest royalty is non-existent.

On this being pointed out (August 2015), the DFO stated (December 2015) that the question of short realisation of royalty did not arise as the official notification was received by the Division in September 2014. The reply is not acceptable as delay in receipt of notification by three months is not acceptable and indicates weak internal controls in the Department leading to such communication gap and consequent delay in dissemination of information. Besides, there is no recourse to the revenue foregone.

**In order to ensure that all important Government orders and notifications are disseminated in a timely manner, the F&E department may consider the feasibility of sending mobile and web-based communications to all the concerned Divisions.**

No further reply has been received from the F&E Department, Government of Meghalaya (December 2016).

<sup>10</sup>

Mineral	Quantity (in MT)	Royalty realisable (₹)	Royalty realised (₹)	Short realisation (₹)
Sand	1353.80	121842	Mineral wise details not available	
Stone	31137.36	7472966		
Earth	2350.00	235000		
<b>Total</b>		<b>7829808</b>	<b>4489935</b>	<b>3339873</b>

**5.7 Short realisation of revenue due to under reporting of quantity of limestone exported**

**There was under-reporting of 1.85 lakh MT of limestone by the Umkiang Forest Checkgate resulting in short realisation of revenue of ₹ 1.29 crore.**

**[DFO, Territorial, Jowai; August 2015]**

The F&E Department, Government of Meghalaya has setup checkgates at all major exit points of the State in order to prevent unauthorised transport of forest minerals without payment of royalty. In Meghalaya, the royalty on limestone was ₹ 63 per MT upto 09 October 2014 and ₹ 80 per MT thereafter.

It was seen from the Forest Division's records pertaining to export of minerals outside the State that 0.17 lakh MT of limestone was exported to Assam and Tripura through Umkiang<sup>11</sup> Forest Checkgate between April 2014 and March 2015. Cross-verification with the records of the Divisional Mining Officer, Jowai (under the M&G Department) however, revealed that during the same period, 2.02 lakh MT of limestone was transported through the Umkiang M&G checkgate. The Forest checkgate thus under-reported transport of 1.85 lakh MT of limestone resulting in short realisation of revenue of ₹ 1.29 crore<sup>12</sup>. The under reporting was done due to absence of a system of periodic reconciliation between Government departments engaged in similar activities.

**The F&E department may ensure coordination with the check gates of the M&G Department to arrest the unauthorised transport of limestone and consequent loss of revenue to the State exchequer.**

The case was reported to the F&E Department, Government of Meghalaya in September 2015; their reply had not been received (December 2016).

**5.8 Revenue loss due to illegal felling and removal of timber**

**Failure of the DFO to contain illegal activities in the reserve forests resulted in illegal felling and removal of 408.31 cu. m. of timber amounting to ₹ 0.22 crore.**

**[DFO, Territorial Division, Tura; January 2015 and February 2016]**

Sections 24 and 25 of the Assam Forest Regulations, 1891 (as adapted by Meghalaya) provide that felling and removal of trees from a reserve forest without a valid pass constitutes a forest offence punishable with fine. To prevent such illegal removal of the forest produce, erection of forest check gates at all the vital points is the primary responsibility of the Forest Department. Accordingly, the F&E Department had set up

<sup>11</sup> Located in the National Highway 44 on the Assam-Meghalaya border in Jaintia Hills.

<sup>12</sup> 107014 MT x ₹ 63 = ₹ 6741882  
77270 MT x ₹ 80 = ₹ 6181600  
Total = ₹ 12923482

48 checkgates in the State; of which, 21 forest checkgates<sup>13</sup> are under the control of the DFO, Territorial Division, Tura.

Examination of offence case records in the Division revealed that 408.31 cu. m. of timber of mixed species valued at ₹ 0.22 crore<sup>14</sup> was illegally felled and the entire outturn was removed from the reserve forests under the Division by the miscreants between April 2013 and March 2015. Despite continued recurrence of cases of tree felling in the reserve forests under the Division, no records could be furnished to indicate that effective remedial measures had been taken by the DFO to thwart the same. Thus, inaction on the part of the DFO to effectively tackle the menace of illegal felling of trees resulted in loss of revenue of ₹ 0.22 crore besides damage to the environment.

The case was reported to the F&E Department, Government of Meghalaya between February 2015 and May 2016; their replies had not been received (December 2016).

### 5.9 Non/Short payment of royalty

**Seven cement manufacturing companies failed to deposit forest royalty amounting to ₹ 12.73 crore on account of consumption of 26.06 lakh MT of limestone.**

[DFO, Territorial, Jowai; August 2015]

Rule 2 of the Transit Rules framed under the Assam Forest Regulation, 1891 (as adapted by Meghalaya) stipulates that no forest produce shall be removed unless covered by a permit issued by the DFO in token of full payment of royalty on such forest produce. Further, Section 75 of the Forest Regulation provides that all money payable to the Government in respect of any forest produce may be recovered as arrears of land revenue.

It was observed from the records maintained at the DFO, Jowai pertaining to consumption of limestone that seven<sup>15</sup> cement manufacturing companies procured 26.06 MT of limestone between January 2014 and June 2015 on which royalty amounting to ₹ 18.60 crore was payable. Against this, the cement companies

<sup>13</sup> (1) Gaptoli (2) Kharkutta (3) Mahendraganj (4) Hollaidonga (5) Dainadubi (6) Adokgre (7) Rongjeng (8) Darugre (9) Naringre (10) Singkhama (11) Kherra (12) Williamnagar (13) Samanda (14) Nangbiram (15) Mendima (16) Nengpatchi (17) Pongsudam (18) Bangshi (19) Nameram (20) Gasuapara (21) Mandalgitok.

<sup>14</sup>

Species	Volume (in cu. m.)	Value (₹)
Teak	119.752	940806
Sal	249.710	1174527
Non-Sal	38.846	108338
<b>Total</b>	<b>408.308</b>	<b>2223671</b>

<sup>15</sup> (1) Meghalaya Power Ltd. (2) Cement Manufacturing Co. Ltd. (3) Meghalaya Cement Ltd. (4) Hill Cement Company Ltd. (5) Green Valley Industries Ltd. (6) Amrit Cement Ltd. (7) Meghalaya Minerals and Mines Ltd.

deposited only ₹ 5.87 crore resulting in short payment of royalty amounting to ₹ 12.73 crore (**Annexure XVIII**). Out of the seven companies, four<sup>16</sup> companies failed to make any payment on the quantity of limestone received.

Despite failure of the cement companies to make full payment of the royalty, no action was taken by the DFO to forward the cases for recovery as arrears of land revenue. Thus, lapse on the part of the DFO to ensure full payment of royalty before the limestone was utilised by the cement companies resulted in short realisation of revenue of ₹ 12.73 crore.

The case was forwarded to the F&E Department, Government of Meghalaya in September 2015; their reply had not been received (December 2016).

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<sup>16</sup> (1) Green Valley Industries Ltd. (2) Amrit Cement Ltd. (3) Meghalaya Minerals and Mines Ltd. (4) Hill Cement Ltd.

