

CHAPTER – VI  
MINING & GEOLOGY  
DEPARTMENT





## CHAPTER-VI: MINING & GEOLOGY DEPARTMENT

### 6.1 Tax Administration

The Principal Secretary to the Government of Meghalaya, Mining and Geology (M&G) Department is in overall charge of the Department at the government level. The Director of Mineral Resources (DMR) is the administrative head of the Department. At the district level, the Divisional Mining Officers (DMOs) have been entrusted with the collection of royalty and cess on minerals and issuing of permits. The collection of tax is governed by the Mines & Minerals (Development & Regulation) Act, 1957, the Mineral Concession Rules, 1960 and the Meghalaya Minerals Cess Act, 1988.

### 6.2 Internal audit

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

### 6.3 Results of Audit

Test check of the records of two units relating to M&G Department during 2016-17 revealed short realisation of revenue and other irregularities involving ₹ 143.88 crore in 14 cases which fall under the following categories:

Table 6.1

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non/Short realisation of revenue	02	58.80
2.	Loss of revenue	04	85.08
3.	Other irregularities	08	--
<b>Total</b>		<b>14</b>	<b>143.88</b>

During the course of the year, the Department accepted under-assessments and other deficiencies amounting to ₹ 1.42 crore in one case. No recovery was intimated in any of the cases during the year 2016-17.

A few illustrative cases having financial impact of ₹ 103.44 crore in terms of short/non-realisation of revenue are discussed in the paragraphs 6.4 to 6.7.

**6.4 Short realisation of revenue due to under-reporting of coal exported to Bangladesh**

**Under-reporting of coal exported to Bangladesh resulted in short realisation of revenue of ₹ 46.41 crore.**

**[Director of Mineral Resources (DMR), Meghalaya & Divisional Mining Officer (DMO, Williamnagar; August 2016 & May 2017)]**

Section 9 (2) of the Mines and Minerals (Development and Regulation) (MMDR) Act, 1957 lays down that every licensee or permit holder or lessee shall pay the prescribed royalty in respect of minerals removed or consumed by him. In Meghalaya, royalty on coal was ₹ 675 per MT<sup>1</sup>. Further, penalty at 25 per cent of the royalty amount was additionally leviable for non-payment of royalty.

**6.4.1** It was observed from the records pertaining to export of minerals to Bangladesh between April 2014 and March 2016, the Borsora Land Custom Station (LCS), GoI recorded export of 6.29 lakh MT of coal. Cross-verification with the records of DMR revealed that during the same period, 2.58 lakh MT of coal was exported to Bangladesh through the Mining check gate located at Borsora.

**6.4.2** In DMO, Williamnagar it was observed that 0.82 lakh MT of coal was exported to Bangladesh through three Mining check gates<sup>2</sup> between April 2014 and May 2015. No coal export was recorded thereafter till March 2016. Cross-check of records of three LCS check gates at the same locations revealed that during the period from April 2014 to March 2016, 2.61 lakh MT of coal was exported to Bangladesh.

Audit observed that there was no system in place in the Mining Department to cross verify and reconcile the figures/data of the Mining check gates with the records of the LCSs. It, thereby led to under reporting of export of 5.50 lakh MT<sup>3</sup> of coal to Bangladesh by the Mining check gates. This resulted in short realisation of royalty amounting to ₹ 37.13 crore<sup>4</sup>; on which, penalty of ₹ 9.28 crore<sup>5</sup> was additionally leviable from exporters.

The Government may establish a mechanism to obtain information periodically from Customs Department, GoI so that it may act as an effective internal control to keep instances of under-reporting in check.

The case was reported to the Mining & Geology Department, Government of Meghalaya between August 2016 and May 2017 and reminded in July 2017 and January 2018; their reply had not been received (February 2018).

<sup>1</sup> vide a notification dated 22 June 2012.

<sup>2</sup> Gasuapara, Dalu and Baghmara checkgates.

<sup>3</sup> Export as per LCSs = 6.29 lakh MT + 2.61 lakh MT = 8.90 lakh MT  
Export as per Mining = 2.58 lakh MT + 0.82 lakh MT = 3.40 lakh MT  
Difference = 5.50 lakh MT

<sup>4</sup> 5.50 lakh MT x ₹ 675 = ₹ 37.13 crore.

<sup>5</sup> 25 per cent of ₹ 37.13 crore = ₹ 9.28 crore.

### 6.5 Outstanding royalty on assessed coal not realised

**The Mining & Geology Department failed to realise royalty amounting to ₹ 51.78 crore on 7.67 lakh MT of assessed coal.**

**[DMO, Jowai; March 2017]**

In Meghalaya, coal mining was banned by the National Green Tribunal (NGT) from April 2014<sup>6</sup>. The NGT, *inter alia*, constituted a committee to assess the actual quantity of coal extracted by the mine owners before the ban came into effect and also frame guidelines for transportation of the assessed coal. The committee accordingly framed the guidelines in September 2014 for transportation of the extracted coal. Thereafter, the Mining Department, GoM directed in November 2014 that payment of royalty on the declared/assessed coal should be made by the mine owners within 45 days from the date of issue of permits by the DMR.

It was observed during audit (March 2017) that there were 3394 mine owners in East and West Jaintia Hills districts under the jurisdiction of the DMO. The committee assessed coal at 40.38 lakh MT in respect of 2053 of the mine owners<sup>7</sup>. Thus, the royalty amounting to ₹ 272.57 crore<sup>8</sup> was realisable on this assessed quantity. Against which, the DMO realised royalty amounting to ₹ 220.79 crore<sup>9</sup> on 32.71 lakh MT, thereby resulting in non-realisation of royalty of ₹ 51.78 crore on 7.67 lakh MT of coal.

The information pertaining to assessed coal in respect of mine owners and details of royalty paid by the mine owners against such assessed coal was available in the case records. The DMO, however, did not take any action either to direct the mine owners to deposit the balance royalty or take action against the mine owners for non-payment of royalty on the balance quantity of coal. Thus, inaction of the DMO in realising the outstanding royalty from the mine owners led to non-realisation of royalty amounting to ₹ 51.78 crore on which penalty of ₹ 12.95 crore<sup>10</sup> was also leviable.

The case was reported to the Mining & Geology Department, Government of Meghalaya in May 2017 and reminded in July 2017 and January 2018; their reply had not been received (February 2018).

<sup>6</sup> Based on a petition filed by the Dimasa Students Union, Assam that unregulated coal mining in Meghalaya was polluting the downstream rivers in Assam.

<sup>7</sup> Upto March 2017.

<sup>8</sup> 40.38 lakh MT X ₹ 675 per MT = ₹ 272.57 crore.

<sup>9</sup> 32.71 lakh MT X ₹ 675 per MT = ₹ 220.79 crore.

<sup>10</sup> ₹ 272.57 crore - ₹ 220.79 crore = ₹ 51.78 crore.  
Penalty at 25 per cent of royalty = ₹ 12.95 crore.

### 6.6 Evasion of cess on limestone

**There was evasion of cess amounting to ₹ 1.92 crore by three cement companies on 4.80 lakh MT of limestone.**

**[DMO, Jowai; March 2017]**

Section 3 of the Meghalaya Mineral Cess Act, 1988 provides for levy of cess on limestone from any person who extracts or removes the minerals from any mine or quarry in the State. The rate of cess on limestone was revised to ₹ 40 per MT from 7 April 2015 and further revised to ₹ 60 per MT from 21 March 2016.

Audit examined the monthly reports submitted to the DMO pertaining to receipts and utilisation of limestone by cement companies. It revealed that between April 2015 and March 2016, two cement companies<sup>11</sup> failed to submit information pertaining to the quantity of limestone utilised and did not pay any cess thereon. Further another cement company<sup>12</sup> disclosed utilisation of 13809.93 MT of limestone during the period. Audit cross-checked this with the records of the Divisional Forest Officer, Jaintia Hills Territorial Division, Jowai. It revealed that during the same period, these cement companies actually utilised 4.94 lakh MT of limestone. Thus, due to absence of a proper system of periodic exchange of information between Mining and Forest Departments, the cement companies concealed information pertaining to utilisation of 4.80 lakh MT of limestone. It resulted in evasion of cess of ₹ 1.92 crore (*Annexure-XIV*).

The Government may direct the revenue departments to compulsorily share information with one another about suspected cases of tax/revenue evasion having revenue implication for other departments.

The case was reported to the Mining & Geology Department, Government of Meghalaya in May 2017 and reminded in July 2017 and January 2018; their reply had not been received (February 2018).

### 6.7 Short payment of cess on limestone

**There was short payment of cess amounting to ₹ 3.33 crore on 16.67 lakh MT of limestone utilised by nine lessees/ companies.**

**[DMO, Jowai; March 2017]**

Section 3 of the Meghalaya Mineral Cess Act, 1988 provides for levy of cess on limestone from any person who extracts or removes the minerals from any mine or quarry in the State. The rate of cess on limestone was revised from ₹ 20 per MT to ₹ 40 per MT from 7 April 2015 and further revised to ₹ 60 per MT from 21 March 2016.

<sup>11</sup> M/s Amrit Cement Ltd and M/s Green Valley Cements Ltd.

<sup>12</sup> M/s Hill Cements Ltd.

Audit examined the records pertaining to payment of cess by lessees/ companies under the DMO. It revealed that nine lessees/companies utilised 16.67 lakh MT of limestone between 7 April 2015 and 31 March 2016 (*Annexure-XV*). They were liable to pay cess of ₹ 8.10 crore at the revised rates of ₹ 40/ ₹ 60 per MT on that. Against which, the lessees/companies paid cess amounting to ₹ 4.77 crore at the pre-revised rates of ₹ 20/ ₹ 40 per MT even after the rates were revised. The DMO failed to take notice and realise the balance cess from the lessees/companies.

Inaction on the part of the DMO thereby resulted in short payment of cess amounting to ₹ 3.33 crore.

The case was reported to the Mining & Geology Department, Government of Meghalaya in May 2017 and reminded in July 2017 and January 2018; their reply had not been received (February 2018).



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Meghalaya

Shillong

The 16 March 2018

*Countersigned*



(RAJIV MEHRISHI)

Comptroller & Auditor General of India

New Delhi

The 19 March 2018

