

EXECUTIVE SUMMARY

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This Report contains a Performance Audit on “*Working of Mining Department*” and 22 Audit Paragraphs relating to Taxation, State Excise, Transport, Forest & Environment and Stamps & Registration departments. The major audit observations are given below:

Chapter-I: General

➤ During the year 2017-18, the revenues raised by the State Government (₹1816.73 crore) was 19.59 *per cent* of the total revenue receipts (₹9273.48 crore). The balance 80.41 *per cent* of receipts during 2017-18 comprised of State’s share of net proceeds of divisible Union taxes and duties amounting to ₹4323.14 crore and grants-in-aid from Government of India amounting to ₹3133.61 crore.

Paragraph 1.1

➤ Test check of the records of taxes on sale, trade *etc.*, state excise, motor vehicles tax, forest receipts and other non-tax receipts conducted during the year 2017-18 revealed under assessments, short/non-levy of taxes/duties and loss of revenue amounting to ₹925.62 crore in 252 cases. The departments accepted under assessments, short/non-levy of taxes/duties and loss of revenue of ₹392.42 crore in 127 cases pointed out during 2017-18 and recovered ₹14.21 crore.

Paragraph 1.9

Chapter-II: Taxation Department

➤ The Superintendent of Taxes failed to apply necessary checks while issuing the certificate of non-deduction of tax to a works contractor. The contractor evaded payment of tax amounting to ₹62.12 lakh on the strength of certificate on non-deduction of tax issued by the ST.

Paragraph 2.8

➤ Two dealers paid tax on turnover of ₹35.08 crore at old rate of 12.5/13.5 *per cent* instead of applicable rate of 14.5 *per cent* resulting in short payment of tax of ₹68.70 lakh which the Superintendents’ of Taxes failed to detect.

Paragraph 2.5

➤ Two petroleum dealers concealed stock of ₹7.65 crore of motor spirits/high speed diesel and evaded tax of ₹1.03 crore which was not detected by the Superintendents’ of Taxes during assessment.

Paragraph 2.11

➤ Failure of the Superintendent of Taxes to detect evasion of tax by a dealer who fraudulently claimed stock transfer of coal valued at ₹88.23 crore and evaded tax

amounting to ₹4.41 crore; on which penalty not exceeding ₹8.82 crore and interest of ₹2.28 crore were leviable.

Paragraph 2.3

- An automobile dealer did not pay tax amounting to ₹1.98 crore and paid tax amounting to ₹3.56 crore belatedly; on which interest of ₹1.03 crore was leviable. Another dealer paid tax amounting to ₹42.13 lakh against admitted tax liability of ₹67.30 lakh, which resulted in short payment of tax of ₹25.17 lakh on which interest of ₹14.40 lakh is also leviable. The concerned Superintendents' of Taxes failed to detect the same leading to short payment of tax and interest.

Paragraphs 2.4 and 2.7

- Superintendent of Taxes failed to detect short-payment of tax of ₹2.18 crore from an automobile dealer during scrutiny on which interest of ₹42.25 lakh was leviable.

Paragraph 2.6

- A dealer engaged in works contract concealed turnover and evaded payment of tax of ₹1.34 crore which was not detected by the Superintendent of Taxes.

Paragraph 2.9

Chapter-III: State Excise Department

- Failure of the Department to monitor the bonded warehouse resulted in non-realisation of revenue amounting to ₹3.86 crore.

Paragraph 3.3

- Systemic failure of the Excise Department in monitoring the activities of the bonded warehouse licensees resulted in evasion of excise duty amounting to ₹1.86 crore by the licensee of the bonded warehouse.

Paragraph 3.4

Chapter-IV: Transport Department

The State Government under the administrative control of Transport Department set-up weighbridges to be operated by private lessees on payment of annual license fee. Subsequently (January 2017 onwards), the State Government started incorporating revenue sharing provision for 50 *per cent* of weightment fee with the licensee in addition of annual licence fee by private parties.

Audit noticed the following:

- An amount of ₹1.73 crore was due from the lessees of four weighbridges, which were allowed to be operated even after expiry of agreement and default on payment of due license fees.

Paragraph 4.3

- The Department failed to detect under-reporting of the weighment figures of number of trucks by Ratacherra weighbridge lessee which resulted in short payment of weighment fee share amounting to ₹1.09 crore.

Paragraph 4.4

- Delay in taking over control of the weighbridge at Dawki resulted in non-realisation of weighment fee amounting to ₹2.18 crore.

Paragraph 4.5

Chapter-V: Forest & Environment Department

- The Divisional Forest Officers (DFOs) failed to detect under-reporting of export of 2.02 lakh metric tonnes of limestone by the forest check-gates under the control of the DFO, Khasi Hills and 1.05 lakh cubic meter of stone/boulders by forest checkgate at Dawki resulted in loss of revenue amounting to ₹6.72 crore.

Paragraphs 5.5 and 5.6

- In Meghalaya, the user departments (like Public Works Department) which utilize minerals for execution of works are responsible for deduction of royalty from the contractors' payment and depositing with the DFOs. The DFOs failed to monitor the utilization of minerals by three user departments, which resulted in short realization of revenue amounting to ₹2.52 crore.

Paragraph 5.4

- The DFO failed to realise minor mineral reclamation fund amounting to ₹36.12 crore from cement companies on utilization of limestone extracted from non-leased areas.

Paragraph 5.7

Chapter-VI: Mining & Geology Department

Coal and limestone are the primary minerals in the State. In respect of limestone mining, the function of the Mining Department includes granting the leases for mining, enforcing the provisions for scientific mining practices, collection of royalty and mineral cess. In respect of coal mining, the Mining Department had not granted any licence for mining of coal. Thus, the coal mining in the State was illegal during the audit coverage period 2013-14 to 2017-18 though the Department was collecting royalty and Meghalaya Environment Protection and Restoration Fund (MEPRF) on illegally extracted coal.

Major audit findings are highlighted below:

- Department failed to take action against the cement companies for non-payment of royalty and cess on limestone consumed. The arrears of revenue stood at ₹318.62 crore as on March 2018.

Paragraphs 6.3.10.1, 6.3.10.2, 6.3.11.1, 6.3.11.2 and 6.3.19.4

- Department irregularly allowed the lessees to carry out mining activities without obtaining mandatory environmental clearance, forest clearance, wildlife clearance and non-renewal of NOCs from Meghalaya Pollution Control Board.

Paragraph 6.3.12

- The National Green Tribunal (NGT) in its order (17 April 2014) observed the negative ramifications of unregulated coal mining and prohibited coal mining in the State of Meghalaya. The Tribunal allowed the transportation of coal extracted prior to its orders subject to assessment of the same. The quantity of coal extracted and lying on the surface as on 17 April 2014 was assessed as 94.04 lakh MT. In view of the last six years' trend of coal production in Meghalaya (around 50-70 lakh MT per annum), the coal stock of 94.04 lakh MT at any particular date was on higher side.

Paragraph 6.3.15.1

- In order to penalize the miners who had made false/over declarations of coal stock, the NGT ordered that the royalty was to be realised from the miners on declared/assessed quantity, whichever was higher, but transportation was to be limited to assessed quantity. The Department failed to comply with the NGT order, and allowed transportation of coal without collecting royalty amounting to ₹313.75 crore on such over-declarations.

Paragraph 6.3.15.2

- The Mining Department irregularly issued MTCs and allowed transportation of 54.50 thousand MT of coal against re-assessment conducted by the District Administration, East Jaintia Hills without concurrence of NGT, thereby encouraging transportation of illegally extracted coal.

Paragraph 6.3.15.3

- The inventory management of coal stock and record keeping in the Department was extremely poor. A total of 11.31 lakh Mineral Transport Challans were issued during the period from November 2014 to May 2018, which authorized transportation of 103.71 lakh MT of coal against the total assessed quantity of 94.04 lakh MT.

Paragraph 6.3.16.1

- Systemic failure of the officials posted at the check-gates in preventing illegal transportation of coal out of State had resulted in loss of revenue amounting to at least ₹296.82 crore during the period 2013-14 to 2017-18. It allowed transportation of at least 31.42 lakh MT unaccounted coal during the period from November 2014 to May 2018 in violation of NGT order. Vigilance squad constituted to carry out enforcement at check-gates remained on paper only.

Paragraphs 6.3.17.1 to 6.3.17.3

- Meghalaya Mines and Mineral Policy, 2012 stated that an Environment Management Plan should adequately provide for controlling the environment damage, restoration and reclamation of mining areas. However, no such plan was prepared. Further, the State Government had not finalized a comprehensive mining plan as per NGT's direction.

Paragraph 6.3.18

Chapter-VII: Stamps & Registration Department

- The District Registrar incorrectly calculated stamp duty in respect of a cement company resulting in short realisation of stamp duty and registration fee amounting to ₹12.91 crore.

Paragraph 7.3

- Failure of the District Registrar to correctly assess the value of property resulted in under-assessment of stamp duty and registration fee amounting to ₹8.72 lakh.

Paragraph 7.4

