



**Report of the  
Comptroller and Auditor General of India  
Revenue Sector**

**For the year ended 31 March 2018**



**लोकहितार्थ सत्यनिष्ठा**  
Dedicated to Truth in Public Interest

**GOVERNMENT OF MEGHALAYA  
(REPORT NO. 2 OF 2019)**



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COMPTROLLER AND AUDITOR GENERAL OF  
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## Table of Contents

| Para Caption  | Reference |         |
|---|-----------|---------|
|   | Paragraph | Page(s) |
| Preface   |           | iii     |
| Executive Summary   |           | v       |
| <b>Chapter I- General</b>   |           |         |
| Trend of revenue receipts   | 1.1       | 1       |
| Analysis of arrears of revenue  | 1.2       | 4       |
| Arrears of assessments by Taxation Authorities  | 1.3       | 5       |
| Evasion of tax detected by departments  | 1.4       | 5       |
| Pendency of Refund Cases  | 1.5       | 6       |
| Response of the Government/departments towards audit  | 1.6       | 6       |
| Analysis of the mechanism for dealing with the issues raised by Audit                                     | 1.7       | 9       |
| Audit Planning  | 1.8       | 10      |
| Results of audit - Position of local audits conducted during the year 2017-18                             | 1.9       | 11      |
| Internal Control  | 1.10      | 11      |
| This Report   | 1.11      | 11      |
| <b>Chapter II- Taxation Department</b>  |           |         |
| Tax Administration  | 2.1       | 13      |
| Results of Audit  | 2.2       | 13      |
| Failure of the Superintendent of Taxes to detect evasion of tax through fraudulent stock transfer of coal | 2.3       | 14      |
| Superintendent of Taxes (ST) failed to detect short payment of tax  | 2.4       | 16      |
| Failure of the Superintendents of Taxes (SsT) to detect incorrect application of rate of tax              | 2.5       | 17      |
| Failure of the Superintendent of Taxes (ST) to detect short payment of tax                                | 2.6       | 18      |
| Short-payment of admitted tax not detected by the Superintendent of Taxes                                 | 2.7       | 20      |
| Failure of the Superintendent of Taxes (ST) to apply necessary check                                      | 2.8       | 21      |
| Superintendent of Taxes failed to detect concealment of turnover  | 2.9       | 23      |
| ST failed to detect evasion of tax on sale of Motor Spirits and High Speed Diesel                         | 2.10      | 24      |
| SsT failed to detect concealment of stock of Petroleum  | 2.11      | 26      |
| The ST failed to detect irregular claim of concessional rate of tax without declaration forms             | 2.12      | 27      |

| <b>Chapter III- State Excise Department</b>   |     |         |
|---|-----|---------|
| Administration  | 3.1 | 31      |
| Results of Audit  | 3.2 | 31      |
| Non-realisation of revenue due to lack of monitoring of liquor sale by bonded warehouse                               | 3.3 | 32      |
| Systemic issues resulting in loss of revenue  | 3.4 | 34      |
| <b>Chapter IV- Transport Department</b>   |     |         |
| Administration  | 4.1 | 39      |
| Results of Audit  | 4.2 | 39      |
| Irregularities in operation of weighbridge lessees  | 4.3 | 40      |
| Short realization of revenue due to under-reporting by Ratacherra Weighbridge   | 4.4 | 43      |
| Loss of revenue due to non-operation of Dawki weighbridge   | 4.5 | 44      |
| <b>Chapter V- Forest &amp; Environment Department</b>   |     |         |
| Administration  | 5.1 | 47      |
| Results of Audit  | 5.2 | 47      |
| Loss of revenue due to delay in implementation of revised rates by the PCCF   | 5.3 | 48      |
| Short realisation of revenue by user agencies   | 5.4 | 49      |
| Loss of revenue due to under reporting of export of limestone by forest check-gates                                   | 5.5 | 51      |
| Loss of revenue due to under reporting of export of boulders through Dawki forest check-gate                          | 5.6 | 53      |
| Non-realization of contribution to environmental reclamation fund on locally procured limestone by cement companies   | 5.7 | 54      |
| <b>Chapter VI- Mining &amp; Geology Department</b>  |     |         |
| Administration  | 6.1 | 59      |
| Results of Audit  | 6.2 | 59      |
| Performance Audit on “ <i>Working of Mining Department in Meghalaya</i> ”   | 6.3 | 60      |
| <b>Chapter VII- Stamps &amp; Registration Department</b>  |     |         |
| Administration  | 7.1 | 101     |
| Results of Audit  | 7.2 | 101     |
| Short realisation of stamp duty in mining leases due to incorrect calculation by the District Registrar               | 7.3 | 102     |
| Under assessment of stamp duty due to failure of the District Registrar to correctly assess the value of the property | 7.4 | 104     |
| <i>Appendices</i>   |     | 107-127 |
| <i>Glossary</i>   |     | 129-131 |

## PREFACE

*This Report of the Comptroller and Auditor General of India for the year ended 31 March 2018 has been prepared for submission to the Governor of Meghalaya under Article 151 of the Constitution of India for being laid on the floor of the State legislature for taking appropriate action.*

*This Report contains significant findings of audit of Receipts and Expenditure of major Revenue earning departments under Revenue Sector conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.*

*The instances mentioned in this Report are those which came to notice in the course of test audit during the year 2017-18 as well as those which came to notice in earlier years, but could not be included in the previous Audit Reports. Instances relating to the period subsequent to 2017-18 have also been included, wherever necessary.*

*The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.*



# EXECUTIVE SUMMARY



## EXECUTIVE SUMMARY

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 weighment 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*



# **CHAPTER – I**

## **GENERAL**





## CHAPTER-I: GENERAL

### 1.1 Trend of revenue receipts

1.1.1 The revenue receipts of the State comprised of:

- Tax and non-tax revenues raised by the Government of Meghalaya,
- State's share of net proceeds of divisible Union taxes and duties assigned to the State, and
- Grants-in-aid received from Government of India.

The details along with the corresponding figures for preceding four years have been depicted in *Table 1.1*.

**Table 1.1 Trend of Revenue Receipts**

(₹ in crore)

| Sl. No. | Particulars   | 2013-14        | 2014-15        | 2015-16        | 2016-17        | 2017-18        |
|---------|---|----------------|----------------|----------------|----------------|----------------|
| 1.      | <b>Revenues raised by the State Government</b>                  |                |                |                |                |                |
|         | Tax revenue   | 949.29         | 939.21         | 1056.82        | 1186.01        | 1450.10        |
|         | Non-tax revenue   | 598.15         | 343.29         | 228.60         | 685.24         | 366.63         |
|         | <b>Total</b>  | <b>1547.44</b> | <b>1282.50</b> | <b>1285.42</b> | <b>1871.25</b> | <b>1816.73</b> |
| 2.      | <b>Receipts from the Government of India</b>                    |                |                |                |                |                |
|         | Share of net proceeds of divisible Union taxes and duties       | 1301.96        | 1381.69        | 3276.46        | 3911.05        | 4323.14        |
|         | Grants-in-aid   | 3417.29        | 3764.08        | 2481.25        | 3156.65        | 3133.61        |
|         | <b>Total</b>  | <b>4719.25</b> | <b>5145.77</b> | <b>5757.71</b> | <b>7067.70</b> | <b>7456.75</b> |
| 3.      | <b>Total revenue receipts of the State Government (1 and 2)</b> | <b>6266.69</b> | <b>6428.27</b> | <b>7043.13</b> | <b>8938.95</b> | <b>9273.48</b> |
| 4.      | <b>Percentage of 1 to 3</b>                                     | <b>24.69</b>   | <b>19.95</b>   | <b>18.25</b>   | <b>20.93</b>   | <b>19.59</b>   |

(Source: Finance Accounts)

The above table indicates that during the year 2017-18, the revenue raised by the State Government (₹1816.73 crore) was 19.59 per cent of the total revenue receipts as against 20.93 per cent in the preceding year. The balance 80.41 per cent of receipts during 2017-18 were received from the Government of India.

Revenue receipts during the year increased by ₹334.53 crore (20 per cent) over the previous year. The increase was attributable to devolution of union taxes by ₹412.09 crore and Tax revenue by ₹264.09 crore. The increase was offset by decrease of ₹318 crore in Non-tax revenue and ₹23.04 crore under grant-in-aid.

**1.1.2** The following *Table 1.2* presents the details of Budget Estimates (BE) and actual tax revenues raised during the period 2013-14 to 2017-18:

**Table 1.2 Details of Tax revenue**

(₹ in crore)

| Sl. No.      | Head of revenue                 | 2013-14       |               | 2014-15        |               | 2015-16        |                | 2016-17        |                | 2017-18         |                | Percentage of increase (+) or decrease (-) in 2017-18 over 2016-17 |                 |
|--------------|---------------------------------|---------------|---------------|----------------|---------------|----------------|----------------|----------------|----------------|-----------------|----------------|--|-----------------|
|              |                                 | BE            | Actual        | BE             | Actual        | BE             | Actual         | BE             | Actual         | BE              | Actual         | BE   | Actual          |
| 1.           | Taxes on sales, trade etc.      | 622.83        | 723.65        | 914.90         | 726.20        | 766.36         | 811.79         | 940.47         | 931.06         | 1223.25         | 766.63         | (+)30.07   | (+)22.72        |
|              | Goods & Services Tax            | --            | --            | --             | --            | --             | --             | --             | --             | -- <sup>1</sup> | 376.00         |  |                 |
| 2.           | State Excise                    | 161.69        | 162.66        | 205.16         | 151.14        | 194.15         | 170.04         | 238.24         | 168.98         | 229.13          | 199.30         | (-)3.82  | (+)17.94        |
| 3.           | Motor Vehicles Tax              | 38.87         | 36.71         | 50.00          | 39.38         | 29.45          | 42.01          | 50.68          | 48.22          | 60.82           | 67.01          | (+)20.00   | (+)38.97        |
| 4.           | Stamp duty                      | 14.06         | 9.77          | 16.66          | 9.90          | 12.59          | 12.74          | 14.48          | 17.19          | 18.83           | 20.25          | (+)30.04   | (+)17.80        |
| 5.           | Land revenue                    | 4.02          | 3.47          | 4.22           | 0.08          | 4.77           | 3.18           | 5.49           | 1.27           | 5.60            | 2.08           | (+)2.00  | (+)63.78        |
| 6.           | Taxes and duties on electricity | 1.37          | 1.89          | 1.72           | 0.81          | 1.98           | 3.32           | 2.28           | 2.34           | 2.48            | 1.82           | (+)8.77  | (-)22.22        |
| 7.           | Others                          | 9.67          | 11.14         | 13.65          | 11.71         | 9.07           | 13.74          | 16.41          | 16.95          | 13.73           | 17.01          | (-)16.33   | (+)0.35         |
| <b>TOTAL</b> |                                 | <b>852.51</b> | <b>949.29</b> | <b>1206.31</b> | <b>939.22</b> | <b>1018.37</b> | <b>1056.82</b> | <b>1268.05</b> | <b>1186.01</b> | <b>1553.84</b>  | <b>1450.10</b> | <b>(+)22.54</b>  | <b>(+)22.27</b> |

(Source: Finance Accounts)

It appears from the above table that there were variation between the budget estimate and actual during 2017-18 under different heads of Tax revenue which indicated that the budget was not prepared on realistic basis.

Tax Revenue increased by ₹264 crore (22 per cent) in 2017-18 as compared to previous year, the increase was mainly contributed by 'Sales Tax' & 'State Goods and Services Tax' by ₹211.57 crore (22 per cent), Motor vehicle Tax ₹18.79 crore (39 per cent) and State Excise ₹30.32 crore (18 per cent).

The reasons for increase was due to introduction of GST in the State, revision of rates of tax on liquor, revision of licence fee/renewal fee, import pass fee and excise duty and revision of Motor vehicle licence fee, fitness fee etc.

<sup>1</sup> There was no separate budget provision for GST collection during the year 2017-18. It was included in the estimates under Taxes on sales, trade etc.

**1.1.3** The details of the BE and actual non-tax revenue raised during the period 2013-14 to 2017-18 are indicated in *Table 1.3*.

**Table 1.3 Non-Tax Revenue**

(₹ in crore)

| Sl. No. | Head of revenue                | 2013-14       |               | 2014-15       |               | 2015-16       |               | 2016-17       |               | 2017-18       |               | Percentage of increase (+) or decrease (-) in 2017-18 over 2016-17 |                 |
|---------|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|-----------------|
|         |                                | BE            | Actual        | BE   | Actual          |
| 1.      | Mining receipts                | 375.80        | 455.75        | 516.00        | 195.10        | 112.21        | 60.75         | 232.40        | 469.52        | 264.87        | 207.88        | (+)13.97   | (-)55.72        |
| 2.      | Interest receipts              | 27.45         | 33.57         | 31.61         | 37.73         | 34.77         | 39.33         | 39.99         | 46.25         | 43.27         | 52.50         | (+)8.20  | (+)13.51        |
| 3.      | Forestry and wildlife          | 35.51         | 60.12         | 40.83         | 71.99         | 68.44         | 72.08         | 81.85         | 103.99        | 112.55        | 55.61         | (+)37.51   | (-)46.52        |
| 4.      | Public works                   | 9.41          | 12.22         | 10.35         | 6.28          | 12.57         | 8.40          | 14.46         | 10.21         | 10.78         | 17.01         | (-)25.45   | (+)66.60        |
| 5.      | Miscellaneous general services | 14.93         | 1.05          | 16.53         | 0.02          | 18.75         | 0.12          | 21.56         | 1.06          | 14.50         | 0.94          | (-)32.75   | (-)11.32        |
| 6.      | Other administrative services  | 4.97          | 7.85          | 8.11          | 6.13          | 8.86          | 3.49          | 10.19         | 3.11          | 6.67          | 3.76          | (-)34.54   | (+)20.90        |
| 7.      | Police                         | 7.64          | 5.92          | 8.41          | 3.85          | 9.69          | 16.28         | 11.14         | 25.21         | 7.32          | 4.51          | (-)34.29   | (-)82.11        |
| 8.      | Medical and public health      | 1.62          | 1.99          | 1.98          | 2.72          | 2.12          | 1.55          | 2.44          | 1.58          | 1.96          | 2.04          | (-)19.67   | (+)29.11        |
| 9.      | Co-operation                   | 1.08          | 0.06          | 1.11          | 0.05          | 1.45          | 0.04          | 1.67          | 0.05          | 2.00          | 0.04          | (+)19.76   | (-)20.00        |
| 10.     | Other receipts                 | 38.18         | 19.62         | 44.53         | 19.42         | 43.31         | 26.60         | 50.46         | 24.26         | 10.26         | 22.34         | (-)79.67   | (-)7.9          |
|         | <b>TOTAL</b>                   | <b>516.59</b> | <b>598.15</b> | <b>679.46</b> | <b>343.29</b> | <b>312.17</b> | <b>228.60</b> | <b>466.16</b> | <b>685.24</b> | <b>474.18</b> | <b>366.63</b> | <b>(+)1.72</b>   | <b>(-)46.49</b> |

(Source: Finance Accounts)

It appears from the above table that there were variation between the budget estimate and actual during 2017-18 under different heads of Non-tax revenue which indicated that the budget was not prepared on realistic basis.

Non-Tax Revenue decreased by ₹318.61 crore (46 per cent) in 2017-18 over the previous year, the decrease was mainly under Mining receipts by ₹261.64 crore (56 per cent), Forestry and Wildlife by ₹48.38 crore (46 per cent) and Police by ₹20.7 crore (82 per cent). The decrease was partly offset by increase mainly under Public works by 6.80 crore (67 per cent).

The reason for decrease under 'Mining' and 'Forestry and Wildlife' was due to ban of mining activities in the State as per National Green Tribunal (NGT)'s order and judgement of Hon'ble High Court of Meghalaya. The reasons for decrease under 'Police' was due to less collection under police supplies to other government/other parties and less collection of fees, fines and forfeitures.

The increase in receipts under Public Works was due to increased sale proceeds of dead stock/waste paper and other articles.

## 1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2018 under some principal heads of revenue were ₹326.78 crore, of which arrears amounting to ₹68.88 crore were outstanding for more than five years as detailed in *Table 1.4*.

**Table 1.4 Details of arrears of revenue collection**

(₹ in crore)

| Sl. No.      | Head of revenue                                      | Total amount outstanding as on 31 March 2018 | Amount outstanding for more than 5 years as on 31 March 2018 | Department's reply  |
|--------------|--|--|--|---|
| 1.           | 0040-Taxes on Sale, Trade etc.                       | 93.17  | 22.50  | Reply not furnished   |
| 2.           | 0039- State Excise                                   | 0.31   | 0.31   | The arrear accumulation was due to non-payment of revenue share by the outstill <sup>2</sup> licencees.   |
| 3.           | 0029- Land Revenue                                   | 0.08   | 0.07   | Reply not furnished.  |
| 4.           | 0406-Forestry and Wildlife                           | 26.07  | 23.50  | The arrear accumulation was mainly due to non-payment of outstanding royalty by the cement companies and short payment of royalty by line departments (user agencies).<br>However, an amount of ₹25 lakh from the arrear revenue had been realised during the year 2017-18. |
| 5.           | 0853-Non-ferrous Mining and Metallurgical Industries | 207.15                                       | 22.50  | The arrears accrued primarily on account of non-payment of royalty on limestone extracted by the cement companies from their leases.  |
| <b>Total</b> |  | <b>326.78</b>                                | <b>68.88</b>   |   |

(Source: Information collected from the Departments during Audit)

It would be seen from the above *Table* that recovery of ₹326.78 crore was pending against five of the principal heads of revenue which was 17.97 per cent of the State's own revenue collection for 2017-18. Revenue amounting to ₹68.88 crore (21.08 per cent of the total revenue arrears) was pending for recovery for more than five years. It indicates that the chances of recovery are remote and also points to systemic weakness in the revenue recovery mechanism of the State Government.

<sup>2</sup> Outstills are vends for distillation and sale of country liquor.

### 1.3 Arrears of assessments by Taxation Authorities

The periodical tax returns filed by the dealers under Meghalaya Value Added Tax Act, 2003, are subject to assessment by the Taxation Authorities to verify and ascertain their correctness and completeness. The Taxation authorities may take recourse to best judgement assessment in case returns are not furnished by a registered dealer in the prescribed time limit.

The details of cases of Taxes on sales, trade *etc.*, pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and cases pending for finalisation at the end of the year are shown below in *Table 1.5*.

*Table 1.5 Arrears in assessments*

| Head of revenue                         | Opening balance as on 1 April 2017 | New cases due for assessment during 2017-18 | Total assessments due | Cases disposed of during 2017-18 | Balance at the end of the year | Percentage of disposal (Col. 5 to 4) |
|---|------------------------------------|---|-----------------------|----------------------------------|--------------------------------|--------------------------------------|
| (1)                                     | (2)                                | (3)   | (4)                   | (5)                              | (6)                            | (7)                                  |
| 0040- Taxes on sales, trade <i>etc.</i> | 62146                              | 48564                                       | 110710                | 64254                            | 46456                          | 58.04                                |

(Source: Information furnished by the Taxation Department)

It may be seen from the Table that during the year 2017-18, the number of cases disposed of was more than the new cases that became due during the year. However pending cases for assessments were still very high (42 *per cent*) and Government should put in place a mechanism to expedite the disposal of pending assessment cases.

### 1.4 Evasion of tax detected by departments

The details of cases of evasion of tax detected by the Taxation Department, cases finalised and demands for additional tax raised as reported by the Department during 2017-18 are given in *Table 1.6*.

*Table 1.6 Evasion of tax*

| Head of revenue | Cases pending as on 31 March 2017 | Cases detected during 2017-18 | Total | Number of cases in which assessment/investigation completed and additional demand with penalty <i>etc.</i> raised |                            | Number of cases pending for finalisation as on 31 March 2018 |
|-----------------|-----------------------------------|-------------------------------|-------|---|----------------------------|--|
|                 |                                   |                               |       | Cases   | Demand raised (₹ in crore) |  |
| 0040            | 604                               | 03                            | 607   | 233   | 46.08                      | 374  |

(Source: Information furnished by the Department)

There was significant improvement in the status of disposal of cases related to evasion of tax during the year 2017-18 by Taxation Department. The trend of disposal of old cases of evasion of tax needs to be maintained in coming years also.

### 1.5 Pendency of Refund Cases

The number of refund cases pending at the beginning of the year 2017-18, claims received during the year, refunds allowed during the year and the cases pending at the end of the year 2017-18, as reported by the Taxation Department is given in Table 1.7.

Table 1.7 Details of pendency of refund cases

| Sl. No. | Particulars                                     | Sales Tax/VAT |                     |
|---------|---|---------------|---------------------|
|         |   | No. of cases  | Amount (₹ in crore) |
| 1.      | Claims outstanding at the beginning of the year | 07            | 3.43                |
| 2.      | Claims received during the year                 | 03            | 2.58                |
| 3.      | Refunds made during the year                    | 03            | 2.58                |
| 4.      | Balance outstanding at the end of the year      | 07            | 3.43                |

It appears from the above table that outstanding cases at the beginning of the year were still pending at the end of the year. The Meghalaya Value Added Tax Act provides for the payment of interest at the rate of eight *per cent* per annum, if the amount is not refunded to the dealer within 90 days from the date of any order authorising such refund.

**Recommendation:** *The Department needs to put in place a mechanism to monitor pendency of refund cases to ensure that there is no delay in refund dues to avoid interest payments.*

### 1.6 Response of the Government/departments towards audit

The succeeding paragraphs 1.6.1 to 1.6.4 discuss the response of the Departments/Government to audit.

#### 1.6.1 Position of outstanding Inspection Reports

The Principal Accountant General (Pr. AG) (Audit), Meghalaya conducts periodical inspection of the Government Departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the Inspection Reports (IRs) incorporating irregularities detected during such inspections not settled on the spot. The IRs are issued to the heads of offices with copies forwarded to the next higher authorities for taking prompt corrective action. The heads of the offices/Government Departments are required to promptly respond to the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the Pr. AG (Audit) within one month from the date of issue of the IRs. Serious financial irregularities are separately reported to the heads of the departments and the

Government for eventual inclusion in the Report of the Comptroller and Auditor General (CAG) of India if not settled based on replies.

Review of IRs issued up to March 2018 disclosed that 1417 paragraphs involving money value of ₹1573.69 crore relating to 346 IRs remained outstanding at the end of June 2018 as mentioned in *Table 1.8*.

**Table 1.8 Position of outstanding IRs and Paragraphs**

| Year/Details                             | June 2015 | June 2016 | June 2017 | June 2018 |
|--|-----------|-----------|-----------|-----------|
| Number of outstanding IRs                | 254       | 264       | 308       | 346       |
| Number of outstanding audit observations | 999       | 1058      | 1403      | 1417      |
| Amount involved (₹ in crore)             | 1890      | 1125      | 1775      | 1573.69   |

Department-wise details of IRs, audit observations pending settlement as on 30 June 2018 and the amounts involved are mentioned in *Table 1.9*.

**Table 1.9 Department wise position of outstanding IRs and paragraphs**

| Sl. No.      | Name of the Department                  | Nature of receipts              | Number of outstanding IRs | Number of outstanding audit observations | Money value involved (₹ in crore) |
|--------------|---|---------------------------------|---------------------------|--|-----------------------------------|
| 1.           | Excise, Registration, Taxation & Stamps | (a) Taxes on sales, trade, etc. | 123                       | 614                                      | 872.98                            |
|              |   | (b) State Excise                | 58                        | 240                                      | 67.37                             |
|              |   | (c) Stamps & Registration       | 23                        | 44                                       | 9.93                              |
|              |   | (d) State Lotteries             | 01                        | 01                                       | 34.80                             |
| 2.           | Transport                               | Taxes on motor vehicles         | 81                        | 209                                      | 159.56                            |
| 3.           | Mines and Minerals                      | Mining receipts                 | 20                        | 75                                       | 173.26                            |
| 4.           | Environment and Forests                 | Forestry and Wild life          | 40                        | 234                                      | 255.79                            |
| <b>Total</b> |   |                                 | <b>346</b>                | <b>1417</b>                              | <b>1573.69</b>                    |

In respect of 12 IRs out of 38 IRs issued during 2017-18, even the first reply required to be received from the heads of offices within one month from the date of issue of the IRs, was not received (September 2018). Pendency of IRs due to non-receipt of the replies may be because the Heads of Office and Heads of the Department had not initiated any action to rectify the defects, omissions and irregularities pointed out by audit in the IRs.

**Recommendation:** *The Department should take action to clear all outstanding IRs/Paragraphs by furnishing replies within the prescribed time frame.*

**1.6.2 Summarised position of Inspection Reports**

The summarised position of IRs issued during the year 2017-18 including those of previous four years and their status as on 01 April 2018 are mentioned in *Table 1.10*.

**Table 1.10 Position of IRs**

(₹ in crore)

| Year    | Opening balance |             |             | Addition |             |             | Clearance |             |             | Closing balance |             |             |
|---------|-----------------|-------------|-------------|----------|-------------|-------------|-----------|-------------|-------------|-----------------|-------------|-------------|
|         | IRs             | Para-graphs | Money value | IRs      | Para-graphs | Money value | IRs       | Para-graphs | Money value | IRs             | Para-graphs | Money value |
| 2013-14 | 177             | 693         | 1239.79     | 50       | 265         | 644.90      | 13        | 183         | 198.13      | 214             | 775         | 1686.56     |
| 2014-15 | 214             | 775         | 1686.56     | 52       | 331         | 625.26      | 01        | 126         | 1274.67     | 265             | 980         | 1037.15     |
| 2015-16 | 265             | 980         | 1037.15     | 37       | 249         | 635.57      | 30        | 160         | 542.45      | 272             | 1069        | 1130.27     |
| 2016-17 | 272             | 1069        | 1130.27     | 49       | 397         | 877.87      | 04        | 49          | 203.64      | 317             | 1417        | 1804.50     |
| 2017-18 | 317             | 1417        | 1804.50     | 40       | 252         | 925.62      | 0         | 112         | 554.57      | 357             | 1557        | 2175.55     |

It would be seen from the above Table that number of outstanding IRs and audit observations had increased in 2017-18 over 2016-17, which shows that the departments had made little progress in settlement of the audit observations. As such, the departments need to take suitable action to settle the audit observations.

**1.6.3 Response of the departments to the draft audit paragraphs**

Draft paragraphs are forwarded to the Secretaries of the concerned departments through demi-official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the departments is invariably indicated at the end of each such paragraph included in the Audit Report of the CAG of India.

Twenty-nine draft audit paragraphs and a Performance Audit (PA) proposed to be included in the Report of the Comptroller and Auditor General of India (Revenue Sector) for the year ended 31 March 2018, Government of Meghalaya, were forwarded to the Secretaries of the departments concerned between July 2018 and November 2018. The departments furnished the replies in respect of all twenty-nine paragraphs. The draft report for the Performance Audit was discussed with the officers of the Mining Department during the Exit Meeting .However, the Department had not yet furnished any replies (February 2019). Based on the departmental replies, seven paragraphs were dropped. The remaining twenty-two paragraphs are included with departmental replies. The Performance Audit is included in this report without the replies of the Department.

### 1.6.4 Follow up on Audit Reports

The internal working system of the Public Accounts Committee (PAC), notified in December 2012, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments should initiate action on the audit paragraphs. The Government should, submit the action taken explanatory notes on audit paragraphs within three months of tabling of the Report, for consideration of the Committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed. Total 351 audit paragraphs (including Performance Audits) included in the Reports of the Comptroller and Auditor General of India (Revenue Sector), for the years ended 31 March 2009 to 2017, Government of Meghalaya were placed before the State Legislature between May 2010 and March 2018. The *suo-motu* explanatory notes from the Departments concerned were awaited in respect of 155 paragraphs which was 44 per cent of the total audit observations (June 2019).

The PAC discussed 42 selected paragraphs<sup>3</sup> between April 2011 and November 2018 and their recommendations on 14 paragraphs were incorporated in two PAC Reports (37<sup>th</sup> and 39<sup>th</sup> Reports) for the years 2008-09 and 2009-10. However, Action Taken Notes (ATNs) had not been received (June 2019) in respect of 14 recommendations made by the PAC from the Departments concerned as mentioned in *Table 1.11*.

*Table 1.11 Outstanding ATNs*

| Year         | Name of the Department  | Number of ATNs awaited |
|--------------|-------------------------|------------------------|
| 2008-09      | Sales Tax               | 11                     |
| 2009-10      | Sales Tax               | 02                     |
| 2009-10      | Stamps and Registration | 01                     |
| <b>Total</b> |                         | <b>14</b>              |

### 1.7 Analysis of the mechanism for dealing with the issues raised by Audit

In order to analyse the effectiveness of the departments/Government in addressing the issues highlighted in the IRs/Audit Reports, the action taken on the paragraphs and performance audits featured in the Audit Reports of the last five years by the Taxation Department has been evaluated. The results are included in this Audit Report.

#### 1.7.1 Position of Inspection Reports

The summarised position of IRs issued during the last five years, paragraphs included in these reports and their status in respect of Taxation Department as on September 2018 are shown in *Table 1.12*.

<sup>3</sup> Pertaining to the Audit Reports for the years 2008-09, 2009-10, 2013-14 and 2016-17.

**Table 1.12 Position of Inspection Reports**

(₹ in crore)

| Year    | Opening balance |       |             | Addition during the year |       |             | Clearance during the year |       |             | Closing balance during the year |       |             |
|---------|-----------------|-------|-------------|--------------------------|-------|-------------|---------------------------|-------|-------------|---------------------------------|-------|-------------|
|         | IRs             | Paras | Money value | IRs                      | Paras | Money value | IRs                       | Paras | Money value | IRs                             | Paras | Money value |
| 2013-14 | 48              | 195   | 246.90      | 18                       | 146   | 414.34      | 1                         | 53    | 159.45      | 65                              | 288   | 501.79      |
| 2014-15 | 65              | 288   | 501.79      | 17                       | 123   | 93.62       | 0                         | 61    | 248.54      | 82                              | 350   | 346.87      |
| 2015-16 | 82              | 350   | 346.87      | 11                       | 84    | 148.02      | 2                         | 55    | 198.65      | 91                              | 379   | 296.24      |
| 2016-17 | 91              | 379   | 296.24      | 19                       | 203   | 472.40      | 3                         | 39    | 72.92       | 107                             | 543   | 695.72      |
| 2017-18 | 107             | 543   | 695.72      | 16                       | 115   | 258.22      | 0                         | 30    | 42.70       | 123                             | 628   | 911.24      |

The clearance of IRs/Paras was insignificant which indicated that the Departments concerned were not taking necessary action for their disposal.

### 1.7.2 Recovery of accepted cases

The position of paragraphs pertaining to the Taxation Department included in the Audit Reports of the last five years, those accepted by the Department and the amount recovered during 2017-18 are mentioned in Table 1.13.

**Table 1.13 Status of recovery of accepted cases**

(₹ in crore)

| Year of Audit Report | Number of paragraphs included | Money value of the paragraphs | Number of paragraphs accepted | Money value of accepted paragraphs | Amount recovered during the year (2017-18) |
|----------------------|-------------------------------|-------------------------------|-------------------------------|------------------------------------|--|
| 2012-13              | 20                            | 97.81                         | 3                             | 3.36                               | -  |
| 2013-14              | 12                            | 46.56                         | 3                             | 1.89                               | -  |
| 2014-15              | 10                            | 55.96                         | 4                             | 24.08                              | 1.72                                       |
| 2015-16              | 11                            | 4.27                          | 3                             | 4.27                               | 1.07                                       |
| 2016-17              | 16                            | 37.21                         | 8                             | 9.94                               | 0.92                                       |
| <b>Total</b>         | <b>69</b>                     | <b>241.81</b>                 | <b>21</b>                     | <b>43.54</b>                       | <b>3.71</b>                                |

During the last five years, the Department accepted 21 out of the 69 audit paragraphs. Against the accepted cases involving money value of ₹43.54 crore, the Department recovered ₹3.71 crore only, which is a matter of concern.

### 1.8 Audit Planning

The unit offices under various departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter alia* includes critical issues in Government revenues and tax administration *i.e.* budget speech, white paper on State Finances, reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical

analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during past five years *etc.*

During the year 2017-18, out of 129 auditable units, 63 units were audited. Besides this, a performance audit on “*Working of Mining Department*” was also conducted.

### **1.9 Results of audit - Position of local audits conducted during the year 2017-18**

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/loss of revenue amounting to ₹925.62 crore in 252 cases. During the year, the departments accepted under-assessments/short/non-levy/loss of revenue of ₹392.42 crore in 127 cases pointed out in 2017-18 and recovered ₹14.21 crore.

### **1.10 Internal Control**

Audit noticed that the revenue earning departments had weak internal controls to detect under-assessment, short payment, evasion of taxes, fees, royalties and other irregularities. There was no system in place to actively exchange information and co-ordinate amongst the departments for cross verification of records to detect illegal transportation of minerals, evasion of VAT, royalties, excise duties *etc.*

### **1.11 This Report**

This Report contains twenty-two paragraphs (selected from the audit detections made during test audit in the year 2017-18). Paragraphs from earlier years, which could not be included in the previous Audit Reports, are also included. A Performance Audit on “*Working of Mining Department*” is also included in the Report. Cumulatively, these audit observations have revenue implication of ₹961.99 crore.

The Departments have accepted audit observations involving ₹81.73 crore and recovered ₹11.94 crore<sup>4</sup>. These audit paragraphs including the Performance Audit on “*Working of Mining Department*” are discussed in the succeeding Chapters.

<sup>4</sup> In respect of the six paragraphs of Taxation Department and one paragraph of Stamps & Registration Department.



**CHAPTER – II**  
**TAXATION DEPARTMENT**





## CHAPTER-II: TAXATION DEPARTMENT

### 2.1 Tax Administration

The Taxation Department is responsible for the administration of taxes on sales, trade *etc.*, in the State. The collection of tax is governed by the provisions of the Meghalaya Value Added Tax (MVAT) Act, 2003; the MVAT Rules, 2005; the Central Sales Tax (CST) Act, 1956; the CST Rules, 1957; the Meghalaya Sales of Petroleum and Petroleum Products (including Motor Spirit) and Lubricants Taxation (MSL) Act, *etc.* With the introduction of Goods & Services Tax on 01 July 2017, CST Act and MVAT Act have been repealed, except for the old cases.

The Additional Chief Secretary to the Government of Meghalaya, Excise, Registration, Taxation and Stamps (ERTS) Department is in overall charge of the Taxation Department at the government level. The Commissioner of Taxes (CoT) is the Head of the Department and responsible for administration of all taxation measures and for general control and supervision over the zonal and unit offices and the staff engaged in collection of taxes and to guard against evasion of taxes. He is also the authority for disposal of revision petitions under all taxation acts and laws besides providing clarifications under the Meghalaya Value Added Tax (MVAT) Act, 2003. The CoT is assisted by Joint Commissioner of Taxes (JCT), Assistant Commissioners of Taxes (ACTs), Superintendents of Taxes (SsT), Inspectors of Taxes both at the Headquarters and zonal/unit levels. At the district level, 17 Superintendents of Taxes (SsT) have been entrusted with the work of registration, scrutiny of returns, collection of taxes, levy of interest and penalty, issue of road permits/declaration forms, enforcement and supervision.

### 2.2 Results of Audit

Test check of the records of 16 units relating to VAT during 2017-18 revealed under-assessment of tax and other irregularities involving ₹258.22 crore in 115 cases which fall under the following categories:

*Table 2.1 Results of Audit*

| Sl. No.      | Category                | Number of cases | Amount        |
|--------------|-------------------------|-----------------|---------------|
| 1.           | Short collection of tax | 01              | 0.36          |
| 2.           | Evasion of tax          | 28              | 36.36         |
| 3.           | Concealment             | 03              | 62.49         |
| 4.           | Other irregularities    | 83              | 159.01        |
| <b>Total</b> |                         | <b>115</b>      | <b>258.22</b> |

(₹ in crore)

During the year, the Department accepted cases of under-assessments and other deficiencies of ₹112.27 crore in 78 cases. An amount of ₹5.83 crore was realised in 13 cases till January 2019.

A few cases having financial impact of ₹20.61 crore, in terms of under-assessment/short levy/non-levy of tax and other provisions of the Acts are discussed in the paragraphs 2.3 to 2.12.

**2.3 Failure of the Superintendent of Taxes (ST) to detect evasion of tax through fraudulent stock transfer of coal**

**Failure of the ST to detect evasion of tax by a dealer who fraudulently claimed stock transfer of coal and evaded payment of tax amounting to ₹4.41 crore out of which an amount of ₹1.25 crore was recovered.**

**[Superintendent of Taxes (ST), Jowai; September 2017]**

Under Section 6A(1) of the Central Sales Tax (CST) Act, 1956 read with Rule 12 of the CST (Registration & Turnover) Rules, 1957, any dealer who claims exemption from paying CST on inter-State movement of goods in consequence of stock transfer to his other place of business, such a claim has to be supported by production of 'F' forms<sup>1</sup>.

Under Section 8 of the CST Act read with Rule 12 of the CST Rules, inter-State sale of goods is taxable at the concessional rate of two *per cent* if such sale is made to any registered dealer, duly supported by declarations in Form 'C' from the purchasing dealer; else such sale is taxable at the local rate of tax. The provisions of the MVAT Act apply *mutatis mutandis* in case of assessments under the CST Act.

Further under Section 45 of the Meghalaya Value Added Tax (MVAT) Act, 2003 if the returns furnished by a dealer are incorrect, then the ST can assess him to the best of his judgement. Under Section 90 read with Section 96 of the Act *ibid*, if the dealer furnishes incorrect returns, then penalty not exceeding double the amount of tax is leviable. Further under Section 40 of the Act, simple interest at the rate of 2 *per cent* per month is leviable on the tax short paid. Section 107 of the MVAT Act provides that if the amount of tax, interest, penalty or other sum payable remain unpaid, it may be recovered as an arrear of land revenue.

In Meghalaya, coal is taxable at five *per cent*.

During the period between April 2015 and March 2016, a dealer *i.e.* M/s National Enterprise disclosed total turnover of ₹122.60 crore; of which, he claimed exemption from paying CST on account of stock transfer of coal valued at ₹88.23 crore to another dealer *i.e.* Bata India Limited (Coal Division) in West Bengal on production

<sup>1</sup> Form 'F' is issued to the importing dealer by the Taxation Authorities of that State to where the stock is being transferred. The importing dealer furnishes this 'F' form to the exporting dealer, who in turn submits the same to the Taxation Authorities of the (exporting) State for claiming tax exemption.

of six 'F' forms. The ST completed the assessments between September 2015 and December 2016.

Based on examination of the case records of the dealer audit observed as under:

- The Taxpayer Identification Number (TIN) of the dealer from West Bengal on the 'F' forms corresponded to a dealer with the trade name of 'M/s Bata India Limited' and not 'M/s Bata India Limited (Coal Division)' as provided in the 'F' forms.
- The 'F' forms were verified from the online<sup>2</sup> database and were found to have been issued to 'M/s Bata India Limited' and not 'M/s Bata India Limited (Coal Division)' as provided in the 'F' forms.
- No proof in support of stock transfer such as evidence of despatch of goods and receipt of the same by the dealer in West Bengal was furnished by the dealer.

In order to confirm the genuineness of stock transfer claim made by the dealer, Audit cross-verified (May 2018) the details of 'F' forms with the Taxation Department of West Bengal. The Taxation Department, West Bengal confirmed (July 2018) that the dealer of West Bengal (M/s Bata India Limited) had not entered into any agreement with the Meghalaya dealer (M/s National Enterprise) for stock transfer of coal and had not received any consignment of coal during the period as claimed by the dealer of Meghalaya.

It was, thus, observed that the dealer of Meghalaya submitted fraudulent 'F' forms with a view to evade tax. The ST failed to detect the fraudulent 'F' forms at the time of assessments under Section 45 of MVAT Act, as he failed to verify the genuineness of 'F' forms for stock transfer claimed by the dealer.

Thus, due to failure of the ST, the dealer evaded payment of tax amounting to ₹4.41 crore<sup>3</sup> on which interest of ₹2.28 crore<sup>4</sup> was also leviable. Additionally, penalty not exceeding ₹8.82 crore was also leviable for deliberate mis-representation of facts in the tax returns.

The case was referred to the Taxation Department, Government of Meghalaya in April 2018. The Department in its reply (January 2019) stated that the dealer's returns were reassessed to treat the stock transfer as 'sale to others'<sup>5</sup>. An amount of ₹1.25 crore had been recovered from the excess tax balance available with the dealer and the demand notice for the remaining amount of ₹3.16 crore had been served to the dealer. Also, the ST reported that the dealer had expired. The Department did not convey any further action taken to recover the dues as arrears of land revenue under Section 107 of MVAT Act. Further, the reasons as to why the ST did not levy the

<sup>2</sup> From the TINXSYS website. It is a centralised database containing details of all sales tax dealers throughout the country including declaration forms issued to them.

<sup>3</sup> @ 5 per cent on ₹88.23 crore.

<sup>4</sup> Calculated upto 31.03.2018.

<sup>5</sup> Sale to others is taxable at full rate of local taxation (5 per cent)

statutory interest due and penalty for submission of fraudulent documents with intention to evade tax was not communicated to Audit (June 2019).

Audit has noticed failure of the ST to detect evasion of tax by a dealer through fraudulent stock transfer of coal on verification of records of one unit out of 28 unit offices in the State. The Department should look into similar issues in other unit offices also to see whether such fraudulent claims had taken place.

***Recommendation: The Department should issue instructions to all STs to verify the genuineness of 'F' forms before allowing the dealer to claim concessional tax on stock transfer and the Department should initiate action to realise the balance amount of tax along with interest and penalty from the dealer under Section 107 of MVAT Act. The Department should also fix responsibility on the ST, Jowai for failure to detect the fraud of the dealer at the time of assessment under Section 45 of MVAT Act, 2003.***

#### **2.4 Superintendent of Taxes (ST) failed to detect short payment of tax**

**An automobile dealer did not pay tax amounting to ₹1.98 crore which was not detected due to failure of the ST to scrutinise the returns, out of which an amount of ₹ 16.35 lakh was recovered.**

**[ST, Circle-III, Shillong; December 2017]**

Under Section 35 of the MVAT Act, every registered dealer has to furnish quarterly tax returns duly supported by proof of payment of tax. If a dealer fails to pay the full amount of tax payable by due date, simple interest at the rate of two *per cent* per month from the first day of the quarter following the due date is leviable for the period of the default under Section 40 of the MVAT Act. Further, under Section 39 of the MVAT Act, each and every return furnished by a registered dealer is subject to scrutiny by the ST to *inter alia* verify the correctness of return and payment of tax thereon.

Audit examination of records of the ST, Circle III, Shillong revealed that an automobile dealer<sup>6</sup> submitted returns for the period from April 2014 to June 2017, wherein he disclosed sale of ₹36.93 crore, on which tax amounting to ₹5.54 crore at 13.5/14.5 *per cent*<sup>7</sup> was payable. The returns were not yet scrutinised by the ST. Audit observed that against the total tax liability of ₹5.54 crore, the dealer paid ₹3.56 crore belatedly with delays ranging between one day and 291 days. The dealer did not pay the balance tax amount of ₹1.98 crore (December 2017).

The ST's failure to ensure scrutiny of the returns of the dealer with such a high sales turnover resulted in non-realisation of tax amounting to ₹1.98 crore. Additionally,

<sup>6</sup> M/s R.P. Motors.

<sup>7</sup> Rate of tax increased from 13.5 to 14.5 *per cent* w.e.f.22<sup>nd</sup> January 2015.

interest amounting to ₹1.03 crore<sup>8</sup> was also leviable for delay in payment of tax and for failure to pay the balance tax.

The case was referred to the Taxation Department, Government of Meghalaya in July 2018. The Department in its reply (January 2019) stated that the dealer's returns were assessed and issued the demand notice to the dealer to pay the outstanding tax of ₹1.72 crore and interest of ₹1.12 crore. The ST further reported that tax amounting to ₹16.35 lakh had been recovered against the dealer's liability (January 2019). The reasons for issue of short demand notice for payment of tax of ₹10.00 lakh had not been intimated (June 2019).

No further communication in respect of status of recovery of balance amount of tax of ₹1.82 crore and interest was received from the Department (June 2019).

Audit has noticed failure of the ST to detect short payment of tax by a dealer on verification of records of one unit out of 28 unit offices in the State. The Department should internally look into the similar issues in other unit offices also.

***Recommendation: The Department should realise the balance amount of tax along with interest from the dealer. Further, the Department should also ask all SsT to prioritise the scrutiny of tax returns of high value dealers. Department should fix responsibility on the ST who failed to scrutinise the returns of the high value dealer.***

### ***2.5 Failure of the Superintendents of Taxes (SsT) to detect incorrect application of rate of tax***

**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 was not detected by the SsT.**

**[SsT, Circle-VII & XIII, Shillong; March 2018]**

Under Section 39 of the MVAT Act, each and every return furnished by a registered dealer is subject to scrutiny by the ST to *inter alia* verify the correctness of return and payment of tax thereon. Further, under Section 45 of the MVAT Act, if the returns furnished by a dealer are incorrect, the ST can assess to the best of his judgement the amount of tax due from the dealer. If a dealer furnishes incorrect returns, then interest at the rate of two *per cent* per month and penalty not exceeding twice the amount of tax is leviable under Sections 40 and 96 of the Act *ibid*.

In Meghalaya, items listed under Schedule-IV of the MVAT Act were taxable at 12.5 *per cent* up to February 2011; at 13.5 *per cent* from February 2011 to January 2015; and 14.5 *per cent* thereafter.

<sup>8</sup> Calculated upto 31.03.2018.

Two dealers<sup>9</sup> submitted quarterly tax returns for the period from April 2015 to June 2017, wherein they disclosed sale of Schedule-IV items amounting to ₹35.08 crore. They paid tax amounting to ₹4.40 crore calculated at old rate of 12.5/13.5 *per cent*.

Against their tax liability of ₹5.09 crore (at 14.5 *per cent*), the dealers paid tax of ₹4.40 crore, resulting in short payment of tax of ₹68.70 lakh. Further, an interest of ₹13.57 lakh<sup>10</sup> on tax payable and penalty not exceeding ₹1.38 crore for furnishing of incorrect returns were also leviable. The details are given in *Appendix I*.

Although the information was available in the case records of the dealers, the SsT did not verify the correctness of the returns furnished by the dealers as they failed to complete scrutiny of the returns which resulted in short payment of tax to that extent.

The cases were referred to the Taxation Department, Government of Meghalaya in July 2018. The Department in its reply (January 2019) stated that the dealers' tax returns were assessed and had issued the demand notices to the dealers accordingly. Status of recovery had not yet been intimated to Audit (June 2019).

Audit has noticed failure of the SsT to detect incorrect application of rate of tax by two dealers on verification of records of two units out of 28 unit offices in the State. The Department should internally look into the similar issues in other unit offices also.

***Recommendation: In case of revision of rate of tax in any (class of) commodity, the Department should instruct the SsT to mandatorily take up the assessment of tax returns of the dealers dealing in such commodities.***

## **2.6 Failure of the Superintendent of Taxes (ST) to detect short payment of tax**

**ST failed to detect short-payment of tax of ₹2.18 crore during scrutiny on which interest of ₹42.25 lakh and ₹0.71 lakh was leviable, out of which tax of ₹70.00 lakh and interest ₹3.92 lakh was paid by the dealer.**

### **[ST, Circle-III, Shillong; December 2017]**

Under Section 35 of the MVAT Act, every registered dealer has to furnish quarterly tax returns duly supported by proof of payment of tax. If a dealer fails to pay the full amount of tax payable by due date, simple interest at the rate of two *per cent* per month from the first day of the quarter following the due date is leviable for the period of the default under Section 40 of the MVAT Act. Further, under Section 39 of the MVAT Act, each and every return furnished by a registered dealer is subject to scrutiny by the ST to *inter alia* verify the correctness of return and payment of tax thereon. If a dealer furnishes incorrect returns, penalty not exceeding twice the amount of tax is additionally leviable under Section 96 of the Act *ibid*.

<sup>9</sup> **Circle-XIII:** M/s Airlife Wellness Products

**Circle-VII:** M/s Hindustan Steel Works Construction Limited.

<sup>10</sup> Calculated upto 31.03.2018.

It was observed during audit that an automobile dealer<sup>11</sup> submitted returns for the period from July 2015 to March 2017, wherein he disclosed sale of goods amounting to ₹40.66 crore, on which tax amounting to ₹5.90 crore<sup>12</sup> was payable. The dealer claimed in his returns that the entire tax amount of ₹5.90 crore was paid. Examination of records by Audit, however, revealed that the dealer actually paid tax amounting to ₹3.72 crore as per the *challans* furnished with the returns (December 2017).

The ST completed the scrutiny of tax returns up to September 2016 in July 2017. At the time of scrutiny, the dealer had outstanding tax liability of ₹1.12 crore<sup>13</sup> on which interest of ₹12.46 lakh was also leviable. The ST did not take any action to recover the tax amount. Further, the ST did not take up the scrutiny of tax returns for the period from October 2016 to March 2017.

Failure of the ST to detect the short payment of tax at the time of scrutiny and non-completion of scrutiny, thereby, resulted in short payment of tax amounting to ₹2.18 crore. For short payment of tax, interest of ₹42.25 lakh<sup>14</sup> was also leviable. Additionally, for furnishing incorrect returns, the dealer was also liable to pay penalty not exceeding ₹4.36 crore.

The case was referred to the Taxation Department, Government of Meghalaya in August 2018. The Department in its reply (January 2019) stated that dealer's tax returns were assessed and had issued the demand notice to the dealer for payment of tax amounting to ₹2.18 crore, interest of ₹0.71 crore and penalty of ₹4.36 crore. The dealer had paid tax of ₹70 lakh and interest of ₹3.92 lakh against the demand notice (January 2019).

The status of realisation of balance amount of tax of ₹1.48 crore and the interest of ₹0.67 crore due for delay in payment of tax were awaited (June 2019).

Audit noticed failure of the ST to detect short payment of tax during scrutiny on verification of records of one unit out of 28 unit offices in the State. The Department should look into similar issues in other unit offices also.

***Recommendation: The Department should fix responsibility of the ST for not completing the scrutiny and to recover tax of ₹1.48 crore.***

<sup>11</sup> M/s Syrpai Automotive.

<sup>12</sup> 14.5 per cent of ₹40.66 crore = ₹5.90 crore.

<sup>13</sup> For the period from July 2015 to September 2016.

<sup>14</sup> Calculated upto 31.03.2018.

**2.7 Short-payment of admitted tax not detected by the Superintendent of Taxes (ST)**

**ST failed to detect that a dealer paid tax amounting to ₹42.13 lakh against admitted tax liability of ₹67.30 lakh, resulting in short payment of tax of ₹25.17 lakh on which interest of ₹14.40 lakh is also leviable.**

**[ST, Nongpoh; October 2017]**

Under Section 45 of the MVAT Act, every registered dealer has to furnish quarterly tax returns duly supported by proof of payment of tax. Further if a dealer fails to pay the full amount of tax payable by due date, simple interest at the rate of two *per cent* per month from the first day of the quarter following the due date is leviable for the period of the default under Section 40 of the MVAT Act.

Scrutiny of records of Superintendent of Taxes, Nongpoh in October 2017 revealed that a Liquefied Petroleum Gas (LPG) dealer<sup>15</sup> submitted quarterly tax returns for the period from April 2014 to June 2017, wherein he disclosed sale of taxable goods<sup>16</sup> amounting to ₹4.77 crore. For the taxable sale, the dealer disclosed tax liability of ₹67.30 lakh<sup>17</sup>. However, against the total tax liability of ₹67.30 lakh, he paid tax amounting to ₹42.13 lakh only, resulting in short payment of tax of ₹25.17 lakh.

The ST failed to detect the same, which resulted in short payment of tax amounting to ₹25.17 lakh. Due to short payment of tax, interest of ₹14.40 lakh<sup>18</sup> was also leviable on the dealer.

The case was referred to the Taxation Department, Government of Meghalaya in August 2018. The Department in its reply (January 2019) stated that the dealer's tax returns were assessed and had issued the demand notice for payment of tax of ₹10.61 lakh and interest of ₹2.22 lakh to the dealer. The reply of the CoT was not acceptable as against the due tax of ₹25.17 lakh and interest of ₹14.40 lakh demand notice was issued for ₹10.61 lakh and ₹2.20 lakh respectively. Justification for short-levy of tax of ₹14.56 lakh and interest of ₹12.18 lakh to the dealer was not furnished. Further, the status of recovery of demanded tax and interest had not yet been intimated to Audit (June 2019).

Audit has noticed failure of the ST to detect short payment of admitted tax by a dealer on verification of records of one unit out of 28 unit offices in the State. The Department should look into the similar issues in other unit offices also.

***Recommendation: The Department should fix responsibility to the concerned Superintendent of Taxes for failure to detect short payment and to initiate recovery of the balance amount of tax along with interest from the dealer.***

<sup>15</sup> M/s Ribhoi Gas Agency

<sup>16</sup> Total sale of ₹8.56 crore out of which ₹3.79 crore for domestic LPG cylinders (tax exempted) and ₹4.77 crore commercial LPG cylinders (taxable at 13.5/14.5 *per cent*)

<sup>17</sup> Commercial LPG cylinder is taxable @ 13.5 *per cent* up to January 2015 and @ 14.5 *per cent* thereafter.

<sup>18</sup> Calculated upto 31.03.2018.

## 2.8 Failure of the Superintendent of Taxes (ST) to apply necessary check

**The ST failed to apply necessary checks while issuing the certificate of non-deduction of tax, which resulted in short payment of tax amounting to ₹62.12 lakh.**

### [ST, Circle-VIII, Shillong; March 2018]

Under Section 5(2)(c) of the MVAT Act, in case of work contracts, the actual charges towards labour, services *etc.* are deductible from the gross turnover to arrive at the taxable turnover. 25 per cent of gross turnover value is allowed to be deducted *in lieu* of labour charges *etc.* in cases where the amount of such charges is not ascertainable from the contract.

Section 106(1) of the MVAT Act stipulates that any Government Department responsible for making any payment on account of works contract shall deduct tax at source and credit the same to the Government account. However, the contractor can obtain from Taxation Authority a certificate for non-deduction of tax at source in Form 25A<sup>19</sup> under Rule 39(5)(c) of the MVAT Rules. The Taxation Authority shall issue the Form 25A on production of details of the works executed and proof of payment in respect of such work by the contractor.

Under Section 45 of the MVAT Act, if the returns furnished by a dealer are incorrect, the ST can assess to the best of his judgement the amount of tax due from the dealer. If a dealer fails to pay the full amount of tax payable by due date, simple interest at the rate of two per cent per month from the first day of the quarter following the due date is leviable under Section 40 of the MVAT Act. In addition, for non-payment of tax, penalty not exceeding twice the amount of tax involved is also leviable under Section 90 read with Section 96 of the Act *ibid.*

In Meghalaya, 'works contract' was taxable at 13.5 per cent<sup>20</sup> upto 22 January 2015.

A dealer<sup>21</sup> was issued a work contract by Public Works Division (Roads), Jowai valued at ₹7.00 crore in December 2012. The work was executed by the dealer and the turnover for the same was reflected in his quarterly tax return of December 2013<sup>22</sup>.

The dealer applied for and availed in Form 25A a certificate for non-deduction of tax at source on this work contract from the ST in January 2014. He disclosed to the ST in his application that the total work valued at ₹7.00 crore constituted of exempted value of ₹5.44 crore (towards labour *etc. i.e.*, 78 per cent) and gross taxable value of work of ₹1.56 crore<sup>23</sup>. However, the dealer did not give details of exempted value of works

<sup>19</sup> Form 25A is issued by Taxation Department on advance payment of tax.

<sup>20</sup> Rate of tax had been revised to 14.5 per cent *w.e.f.* January 2015.

<sup>21</sup> M/s Kee Pala.

<sup>22</sup> Submitted on 23 January 2014.

<sup>23</sup> Gross taxable sale (₹1.56 crore) was inclusive of taxes. It included ₹18.40 lakh (₹16.21 lakh goods *plus* ₹2.19 lakh) at 5 per cent. (₹ in crore)

| Total work value | Exemption claimed towards labour, <i>etc.</i> | Taxable turnover of work disclosed by the dealer | Tax paid | Taxable sales turnover determinable after allowing exemption | Tax payable by the dealer | Tax short paid |
|------------------|---|--|----------|--|---------------------------|----------------|
| 7.00             | 5.44  | 1.56   | 0.09     | 5.25   | 0.71                      | 0.62           |

done to the ST while applying for non-deduction of tax. Based on his application, the dealer disclosed total tax liability of ₹8.76 lakh and paid the admitted tax on 22 January 2014. The ST accordingly issued him a certificate of non-deduction of tax at source in Form 25A ignoring the details of works executed by the dealer.

Audit observed that against his gross turnover of ₹7.00 crore, the dealer was liable to pay tax of ₹70.92 lakh (being 13.5 per cent of the taxable sale of ₹5.25 crore<sup>24</sup>). Against this, the dealer paid only ₹8.76 lakh resulting in short payment of tax of ₹62.12 lakh.

The ST failed to detect the false declarations made by the dealer in his application for Form 25A. He instead issued him a certificate of non-deduction of tax at source which enabled the dealer to not pay due tax on payments made to him for the full value of the works to the PWD

Failure of the ST to apply necessary checks of details of the contract while issuing the non-deduction of tax certificate resulted in short payment of tax amounting to ₹62.12 lakh on which interest of ₹59.67 lakh<sup>25</sup> was leviable. Additionally, for short payment of tax penalty not exceeding ₹1.24 crore was also leviable.

The case was referred to the Taxation Department, Government of Meghalaya in August 2018. The Department in its reply (January 2019) stated that the ST had asked the dealer to produce the books of account for carrying out the reassessment, however the dealer had not yet complied.

No further replies had been received from the Taxation Department, Government of Meghalaya (June 2019).

Audit noticed failure of the ST to apply necessary checks while issuing non-deduction of tax certificate to a dealer resulting in short payment of tax on verification of records of one unit out of 28 unit offices in the State. The Department should look into the similar issues in other unit offices also.

***Recommendation: The Department should instruct the SsT to apply due diligence while issuing the certificate of non-deduction of tax to the works' dealers. The Issuing Authority should keep the documents/books in support of assessing the exempt sale in lieu of labour charges etc. on record in dealers' tax files. Responsibility should be fixed on the ST for issuing non-deduction of tax certificate without applying proper check.***

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<sup>24</sup> Taxable sale = 75 per cent of ₹70040000 = ₹52530000.

<sup>25</sup> Calculated upto 31.03.2018.

## 2.9 Superintendent of Taxes failed to detect concealment of turnover

**Superintendent of Taxes failed to detect concealment of turnover of ₹38.28 crore which resulted in evasion in tax to the tune of ₹1.34 crore.**

**[ST, Circle-VI, Shillong; March 2018]**

As per Section 86 of the MVAT Act, any dealer whose gross turnover during a year exceeds ₹40 lakh has to get his accounts audited by a Chartered Accountant and submit a report of such audit to the ST within six months from the end of that year. The Audited Accounts *inter alia* must be accompanied by certified statements of Balance Sheet and Profit & Loss Accounts.

In case of tax deducted at source for works contracts, Section 106(4) of the MVAT Act read with Rule 39(4) of the MVAT Rules provides that the dealer shall furnish copy of the certificate of tax deduction and the *challan* copy to tax authorities for adjustments of such deductions against his tax dues.

Further, under Section 45 of the MVAT Act, if the dealer fails to furnish returns or the returns furnished by a dealer are incorrect, then the ST can assess to the best of his judgement the amount of tax due from the dealer. If a dealer fails to pay the full amount of tax payable by due date, simple interest at the rate of two *per cent* per month from the first day of the quarter following the due date is leviable under Section 40 of the MVAT Act.

In Meghalaya 'works contract' is taxable at 14.5 *per cent* (*w.e.f.* from 22 January 2015) after making deductions towards labour charges *etc.* Under Section 5(2)(c) of MVAT Act, labour charges *etc.* allowed to be deducted from gross turnover is 25 *per cent* in the cases where the amount of such charges is not ascertainable from the contract.

During audit of ST, Circle VI, Shillong, it was observed that a dealer<sup>26</sup> disclosed sales turnover amounting to ₹1.26 crore in course of execution of work contracts during the period from April 2016 to March 2017. The dealer paid tax amounting to ₹18.30 lakh accordingly. No TDS *challans* were found on record as proof of payment of additional tax.

The ST completed the scrutiny of returns up to March 2017 and accepted the returns as correct.

Audit examination of the annual audited account for the year 2016-17 submitted by the dealer revealed that during the same period, the gross receipts shown by the dealer was ₹39.54 crore. The dealer thus concealed turnover of ₹38.28 crore and evaded tax of ₹4.16 crore<sup>27</sup>.

<sup>26</sup> M/s S. Marbaniang.

<sup>27</sup> Taxable sale under Section 5(2)(c) = 75 *per cent* of gross sale (₹38.28 crore) = ₹28.71 crore. Tax due = 14.5 *per cent* of taxable sale (₹28.71 crore) = ₹4.16 crore.

Thus, Audit observed that the ST, at the time of scrutiny, failed to detect the under-reporting of sale turnover even though the detailed audited accounts were available in the dealer's case records, thereby, resulting in short payment of tax of ₹4.16 crore. Additionally, penalty not exceeding ₹8.32 crore and interest amounting to minimum of ₹74.93 lakh<sup>28</sup> were also leviable for concealment of turnover.

The case was referred to the Taxation Department, Government of Meghalaya in August 2018. The Department in its reply (February 2019) stated that the ST had re-verified the dealer's case records for the period 2016-17 and assessed the taxable turnover as ₹12.28 crore on which tax of ₹1.34 crore was payable out of which ₹0.36 crore was paid by the dealer. The ST had issued demand notices to the dealer for the payment of balance tax amounting to ₹97.98 lakh. Inspection of the reassessment orders by Audit revealed that the ST had not levied interest for the delay in payment of tax and penalty for wilful concealment of turnover. The reasons for not levying the penalty and interest was not intimated to Audit.

No further replies had been received from the Taxation Department, Government of Meghalaya (June 2019).

Audit has noticed failure of the ST to detect concealment of turnover by a dealer on verification of records of one unit out of 28 unit offices in the State. The Department should internally look into the similar issues in other unit offices also.

***Recommendation: The Department should instruct the SsT to take into account all relevant records and books of accounts including annual audited accounts while taking up scrutiny of the returns submitted by the dealer. In cases where there is a discrepancy between the returns submitted and the annual audited accounts and no additional tax demand is raised, reasons for the same should be recorded.***

***Responsibility of ST, Circle VI, Shillong should be fixed for failure to perform his duties.***

***2.10 ST failed to detect evasion of tax on sale of Motor Spirits and High Speed Diesel***

**The ST did not take up assessment of the returns of a dealer resulting in evasion/non- realisation of tax amounting to ₹2.18 crore.**

**[ST, Circle-IV, Shillong; December 2017]**

Under Section 11(4) of the Assam (Sales of Petroleum *etc.*) Taxation Act, 1955 (as adapted by Meghalaya), if a dealer fails to furnish return or if the ST is not satisfied with the correctness of returns furnished by a dealer, then the ST can assess to the best of his judgement the amount of tax due from the dealer.

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<sup>28</sup> Calculated upto 31.03.2018

Under Section 16(1) of the Act, if the dealer fails to furnish return or has concealed particulars of his turnover, then the dealer is liable to pay as penalty, in addition to the tax payable, a sum not exceeding one and half times the tax payable.

Under Section 20A of the Act *ibid*, interest on tax payable is to be levied at the rate of 12 *per cent* per annum for first 60 days and at 24 *per cent* per annum beyond that. The due date for tax payment is the end of the month following the quarter.

A dealer<sup>29</sup> disclosed combined sale of 'Motor Spirits' (MS) and 'High Speed Diesel' (HSD) valued at ₹11.26 crore for the period between January 2015 and September 2016 in his tax returns and paid the admitted tax accordingly. The dealer did not submit any returns after September 2016.

The ST did not complete the assessment of the dealer's returns at the time of Audit (December 2017).

Audit examined the purchase statements and details of 'C' forms utilised by the dealer and observed the following:

- During the period between January 2015 and September 2016, for which the dealer furnished his tax returns, the dealer actually purchased MS/HSD valued at ₹16.77 crore. Thus, the dealer concealed stock of MS/HSD worth ₹5.51 crore in his returns. It resulted in evasion of minimum tax amounting to ₹74.39 lakh<sup>30</sup>.
- During the period between October 2016 and June 2017, the dealer paid tax amounting to ₹69 lakh. The dealer did not furnish the tax returns for this period. The ST, however, continued to issue 'C' forms to the dealer for inter-State purchase of MS/HSD for sale within the State. Audit examination of the 'C' forms issued to the dealer revealed that during the aforesaid period, the dealer purchased petroleum products amounting to ₹15.75 crore having a minimum<sup>31</sup> tax value of ₹2.13 crore against which the dealer paid tax of ₹69 lakh. It resulted in short payment of tax amounting to ₹1.44 crore.

Despite non-submission of returns, the ST failed to issue notice to the dealer or complete assessments of dealer's returns between January 2016 and September 2017 the dealer concealed the turnover. Further, the ST continued to issue 'C' forms to the dealer facilitating him to continue with his business.

Thus, the ST facilitated the dealer in concealment of sale and evasion of tax thereon to the extent of ₹2.18 crore. For concealment of sale and non-furnishing of returns the dealer was liable to pay penalty of ₹3.27 crore and interest of ₹0.58 crore<sup>32</sup>

<sup>29</sup> M/s D. Mercy Filling Station

<sup>30</sup> Tax calculated at the minimum rate of 13.5 *per cent* as applicable to High Speed Diesel. For Motor Spirits, rate of tax is 22 *per cent*. Tax amount evaded = 13.5 *per cent* of ₹5.51 crore = ₹74.39 lakh.

<sup>31</sup> Tax calculated at the uniform rate of 13.5 *per cent* as applicable to High Speed Diesel. For Motor Spirits, rate of tax is 22 *per cent* but the same has not been considered.

<sup>32</sup> Calculated upto 31.03.2018.

The case was referred to the Taxation Department, Government of Meghalaya in July 2018. The ST, Circle IV, Shillong stated (September 2018) that the case records of the dealer had been transferred to another Taxation Circle (Circle III, Shillong) since the dealer shifted his office under the jurisdiction of ST, Circle-III, Shillong. The ST (Circle III, Shillong) had informed (June 2019) that the dealer's returns were assessed and demand for payment of tax amounting to ₹83.93 lakh only and interest of ₹37.46 lakh was issued to the dealer. The dealer paid ₹52.11 lakh. The reasons for issue of short demand notice for payment of tax by ₹1.34 crore and interest of ₹0.21 crore was not intimated (June 2019).

Audit noticed failure of the ST to detect concealment of turnover by a dealer on verification of records of one unit out of 28 unit offices in the State. The Department should look into the similar issues in other unit offices also.

**Recommendation:** *The Department should instruct the SsT to issue notices to the dealers for non-submission of returns on time.*

### **2.11 SsT failed to detect concealment of stock of Petroleum**

**Two 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 SsT during assessment, out of which the dealers paid tax of ₹55.83 lakh.**

#### **[SsT, Circles-IV, Shillong and Jowai; September and December 2017]**

Under Section 11(4) of the Assam (Sales of Petroleum *etc.*) Taxation Act, 1955 (as adapted by Meghalaya), if a dealer fails to furnish return or if the ST is not satisfied with the correctness of returns furnished by a dealer, then the ST can assess to the best of his judgement the amount of tax due from the dealer.

Under Section 16(1) of the Act, if the dealer fails to furnish return or has concealed particulars of his turnover, then the dealer is liable to pay as penalty, in addition to the tax payable, a sum not exceeding one and half times the tax payable.

Under Section 20A of the Act *ibid*, interest on tax payable is to be levied at the rate of 12 *per cent* per annum for first 60 days and at 24 *per cent* per annum beyond that. The due date for tax payment is the end of the month following the quarter.

Audit scrutiny of the SsT, Circle IV, Shillong and Jowai revealed that two dealers<sup>33</sup> disclosed combined sale of 'Motor Spirits' (MS) and 'High Speed Diesel' (HSD) at ₹22.41 crore<sup>34</sup> for the period between April 2016 and March 2017. The SsT accepted the same during assessment between August 2016 and April 2017. However, audit examination of the purchase statements of the dealers and details of 'C' forms utilization revealed that during the same period, the dealers actually purchased MS/HSD valued at ₹30.06 crore<sup>35</sup>.

<sup>33</sup> M/s Star Energy Point, Ratacherra under tax jurisdiction of ST Circle-IV, Shillong and M/s Heimon Service Station under ST, Jowai

<sup>34</sup> M/s Star Energy Point - ₹15.50 crore; M/s Heimon Service Station - ₹6.91 crore.

<sup>35</sup> M/s Star Energy Point - ₹20.75 crore; M/s Heimon Service Station - ₹9.31: crore

The SsT did not take into account these related records about purchases made by the dealers while completing the assessments. The SsT failed to detect the concealment of stock of MS/HSD worth ₹7.65 crore, resulting in evasion of minimum tax amounting to ₹1.03 crore<sup>36</sup>. Additionally, penalty not exceeding ₹1.55 crore under Section 16(1) for concealment of turnover and interest of ₹29.65 lakh<sup>37</sup> under Section 20A were also leviable.

The cases were referred to the Taxation Department, Government of Meghalaya in July 2018. The Department in its reply (January 2019) stated that the SsT had completed the re-assessment of the dealers' tax returns and had issued the demand notices to the dealers for payment of tax of ₹84.96 lakh accordingly. The SsT further stated that the dealers had paid ₹55.83 lakh against the demand notices (January 2019). Examination of the reassessment orders by Audit revealed that the ST, Circle-IV, Shillong raised a demand notice to the dealer (M/S Star Energy Point) for ₹50.23 lakh and the dealer paid the amount accordingly. The ST, Jowai raised the demand notice to the dealer (M/s Heimon Service Station) for ₹34.73 lakh, out of which the dealer paid ₹5.60 lakh only. Justification for short assessment of tax of ₹0.21 crore by ST Circle-IV, Shillong (M/S Star Energy Point) was not furnished to Audit. Further, it was also noticed that the SsT had not levied interest for the delay in payment of tax and penalty for wilful concealment of turnover. The reasons for not levying the penalty and interest was not intimated to Audit.

No further replies had been received from the Taxation Department, Government of Meghalaya (June 2019).

Audit noticed failure of the SsT to detect evasion of tax by two dealers by concealing the stock of petroleum on verification of records of two units out of 28 unit offices in the State. The Department should look into the similar issues in other unit offices also.

***Recommendation: The Department should instruct the SsT to apply due diligence in respect of purchase records of the petroleum dealers at the time of assessment and also initiate action against the SsT for laxity in duty.***

### ***2.12 The ST failed to detect irregular claim of concessional rate of tax without declaration forms***

**Acceptance of claim of concessional rate of tax on sale/stock transfer of goods worth ₹2.34 crore without declaration forms by the ST resulted in short payment of tax amounting to ₹33.93 lakh.**

**[ST, Nongpoh; October 2017]**

Under Section 6A(1) of the Central Sales Tax (CST) Act, 1956 read with Rule 12 of the CST (Registration & Turnover) Rules, 1957, any dealer who claims exemption

<sup>36</sup> Tax calculated at 13.5 per cent (on HSD). M/s Star Energy Point- 0.71 crore (13.5 per cent on ₹5.25 crore) and M/s Heimon Service Station-₹0.32 crore (13.5 per cent on ₹2.40 crore)

<sup>37</sup> Calculated upto 31.03.2018

from paying CST on inter-State movement of goods in consequence of stock transfer to his other place of business, such a claim has to be supported by production of 'F' forms<sup>38</sup>. In absence of such proof, the transaction will be treated as sale for all purposes of CST Act.

Under Section 8 of the CST Act read with Rule 12 of the CST Rules, inter-State sale of goods is taxable at the concessional rate of two *per cent* if such sale is made to any registered dealer duly supported by declarations in Form 'C' from the purchasing dealer; else such sale is taxable at the local rate of tax. The provisions of the MVAT Act apply *mutatis mutandis* in case of assessments under the CST Act.

Under Section 45 of the MVAT Act, if the returns furnished by a dealer are incorrect, the ST can assess to the best of his judgement the amount of tax due from the dealer. Further, if a dealer furnishes incorrect returns, then interest at the rate of two *per cent* per month and penalty not exceeding twice the amount of tax is leviable under Sections 40 and 96 of the Act *ibid*.

As per Rule 12 of the CST (R&T) Rules 1957, Form 'F' and 'C' should be furnished to the prescribed authority by the dealer within three months after the end of the period to which the declaration or certificates relates.

In Meghalaya, food items are taxable at the rate of 14.5 *per cent*.

During audit of ST, Nongpoh, it was noticed that a dealer<sup>39</sup>, dealing in manufacture and sale of food items and noodles, disclosed (tax exempted) stock transfer of goods amounting to ₹2.70 crore and inter-State sale amounting to ₹1.89 crore at concessional rate of 2 *per cent* and accordingly, paid tax amounting to ₹3.78 lakh on such inter-State sale during the period between January 2016 and September 2016.

Further examination of records of ST, Nongpoh (October 2017) by Audit however revealed that the dealer did not furnish the Form 'F' or 'C' in support of his claim of stock transfer/concessional sale which were required to be submitted within three months after the end of the period to which the declaration or certificates relates as per Rule 12 of the CST (R&T) Rules 1957. The ST failed to notice the same as the returns of the dealer were not scrutinized. The dealer stopped all trade related activities<sup>40</sup> after September 2016.

The dealer, thus, falsely declared interstate turnover of ₹4.59 crore as stock transfer/concessional sale without any proof in support of his claim resulting in short payment of tax amounting to ₹62.76 lakh<sup>41</sup>; on which penalty not exceeding ₹1.26 crore and interest of ₹24.28 lakh<sup>42</sup> were additionally leviable.

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<sup>38</sup> Form 'F' and 'C' are issued to the importing dealer by the Taxation Authorities of that State to where the stock is being transferred.

<sup>39</sup> M/s AA Nutritions.

<sup>40</sup> The dealer stopped applying for road permits and declaration forms.

<sup>41</sup> Tax on stock transfer = 14.5 *per cent* of ₹2.70 crore = ₹39.13 lakh

Tax on concessional sale = (14.5-2 = 12.5) *per cent* of ₹1.89 crore = ₹23.63 lakh

Total = ₹62.76 lakh

<sup>42</sup> Calculated upto 31.03.2018.

The ST did not initiate any action to ascertain the status of business activities of the dealer or assess the dealer on best judgement basis despite submission of incorrect returns. This resulted in short payment of tax to that extent.

The case was referred to the Taxation Department, Government of Meghalaya in September 2018. The Department in its reply (January 2019) stated that the dealer had submitted all the relevant 'C' and 'F' forms. However, further audit scrutiny revealed that the dealer had furnished the declarations in 'C' forms for inter-state sale amounting to ₹87.35 lakh and 'F' forms for interstate stock transfer amounting to ₹1.38 crore only. Thus, the interstate turnover of ₹2.34 crore (₹1.32 crore as stock transfer and ₹1.02 crore as concessional sale) was not covered by 'C' and 'F' form but concessional/exemption of tax was allowed, which resulted in short payment of tax of ₹33.93 lakh by the dealer. Due to short payment of tax the dealer is liable to pay penalty of ₹67.86 lakh on which interest of ₹10 lakh was also leviable to the dealer.

No further replies had been received from the Taxation Department, Government of Meghalaya (June 2019).

Audit noticed failure of the ST to detect irregular claim of concessional rate of tax without declaration forms on verification of records of one unit out of 28 unit offices in the State. The Department should look into the similar issues in other unit offices also.

***Recommendation: Department should initiate action against the ST for his failure to scrutinize the returns to ascertain the false declaration made by the dealer and to recover the amount of due tax from the dealer.***



**CHAPTER – III**  
**STATE EXCISE DEPARTMENT**





## CHAPTER-III: STATE EXCISE DEPARTMENT

### 3.1 Administration

The State Excise Department is responsible for collection of revenue under Assam Excise Act, 1910 (as adapted by Meghalaya), the Assam Excise Rules, 1945 (as adapted), the Assam Distillery Rules, 1945 (as adapted) and the Assam Bonded Warehouses Rules, 1965 (as adapted) and enforcement of Excise laws. Source of excise revenue comes from ad-valorem levy, establishment charges, various kinds of licence fees on foreign liquor/beer, country spirit, rectified spirit, *etc.* Further, import pass fee, export pass fee, transport pass fee, under bond pass fee, brand and label registration/renewal fee also generate revenue for the Government exchequer.

The Additional Chief Secretary to the Government of Meghalaya, Excise, Registration, Taxation & Stamps (ERTS) Department is in overall charge of the State Excise Department at the Government level. The Commissioner of Excise (CoE) is the administrative head of the Department. He is assisted by a Joint Commissioner of Excise and Deputy/Assistant Commissioners of Excise (DCEs/ACEs). At the district level, the Superintendents of Excise (SsE) have been entrusted with the work of levy of excise duties and other dues from the licencees such as bonded warehouses, bottling plants, distilleries and retailer shops.

### 3.2 Results of Audit

Test check of the records of four units during 2017-18 revealed non-realisation of duties, fees, *etc.* involving ₹10.78 crore in 31 cases which fall under the following categories:

*Table 3.1 Results of Audit*

| (₹ in crore) |  |                 |              |
|--------------|--|-----------------|--------------|
| Sl. No.      | Category                                       | Number of cases | Amount       |
| 1.           | Non/Short realisation of duties<br><i>etc.</i> | 05              | 0.60         |
| 2.           | Loss of revenue                                | 10              | 5.53         |
| 3.           | Other irregularities                           | 16              | 4.65         |
| <b>Total</b> |  | <b>31</b>       | <b>10.78</b> |

During the course of the year, the Department accepted under-assessments and other deficiencies of ₹6.70 crore in 10 cases. An amount of ₹2.70 lakh was realised in one case till January 2019.

A few illustrative cases having financial impact of ₹5.72 crore in terms of under-assessment/short levy/non-levy of tax and other provisions of the Acts are discussed in the paragraphs 3.3 to 3.4.

**3.3 Non-realisation of revenue due to lack of monitoring of liquor sale by bonded warehouse**

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

**[Superintendent of Excise (SE), Khliehriat; December 2017]**

The Assam Excise Act, 1910 (as adopted by Meghalaya) and rules made thereunder stipulate that:

- Correct accounts of all liquors shall be maintained by the licensee in such forms as shall be prescribed by the Commissioner of Excise (CoE) (Rule 71);
- The receipt and removal of spirits from bonded warehouse shall be done only on the basis of transit passes issued from the officer-in-charge of the distillery or of the bonded warehouse from where they have been transferred or by a special pass issued by an authorized officer (Rule 114);
- The officer-in-charge of the warehouse shall take stock of all spirits in the warehouse on the last day of March, June, September and December in each year and the licensee shall pay excise duty to the Government on shortage in excess of an allowance (Rule 125);
- All excise revenues, including any loss that may accrue in consequence of default, may be recovered from the licensee as arrears of land revenue (Section 35).

Audit test-checked (December 2017) the records of the SE, Khliehriat and noticed that the SE conducted (August 2015) a physical inspection of a bonded warehouse<sup>1</sup> and found 10591 cases in his stock against the 104971 cases as per warehouse stock register. The SE directed the licensee (February 2016) to make payment of excise duty amounting to ₹3.93 crore on 94380 cases of liquor/beer of short stock.

The licensee made a representation to the CoE for payment of due excise duty on instalment basis. Based on the licensee's representation (March 2016), the CoE allowed (May 2016) payment of due excise duty on instalment basis at ₹5 lakh per month and further directing the SE to ensure that the payments were made regularly. The licensee cleared the first instalment in June 2016 and again requested (July 2016) for reduction in instalment to ₹2 lakh per month citing loss in business which was accepted by the CoE. The licensee, thereafter, paid an additional ₹2 lakh in two

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<sup>1</sup> SS Bonded Warehouse.

instalments (November 2016) of ₹1 lakh each, thus totalling the payment to ₹7 lakh. No further payments have been made (May 2018).

In this connection, Audit observed as under:

- The officer-in-charge of the bonded warehouse failed to keep a check on the liquor stock in the warehouse and report to the SE on irregularities in the supply of liquor/beer by the bonded warehouse to the retail licensees without payment of excise duty and export passes in violation of Rule 114.
- The Act and Rules *ibid* do not provide for payment of Government revenue in instalments. The CoE, however, allowed payment in instalments to the defaulting licensee and reduced the instalment amount subsequently which was not in order. The instalment amount was set to ₹2 lakh per month which translated to impractical period of more than 16 years to recover ₹3.93 crore of due excise duty. The Excise Act does not provide for levy of interest. Thus, the decision of the CoE in allowing payment of excise duty in instalment was arbitrary as it was against the provision of the Act, which calls for fixing of his responsibility.
- The SE took up the issue of irregular/non-payment of instalments with the licensee and forwarded the same to the CoE (November 2016). The CoE did not initiate any action against the licensee to recover the dues as per Section 35.

Audit further observed that no physical inspections of the bonded warehouse were carried out prior to or after August 2015 as mandated under Rule 125. The licensee disclosed his total sale turnover of ₹2.20 lakh only to the SE for the year 2015-16. No further returns were found on record for the year 2016-17. The licensee subsequently, had not renewed the bonded warehouse license for the period 2017-18 (May 2018), which indicated the closure of business. The SE did not conduct any assessment of the closing stock available in the bonded warehouse. No efforts were made to recover the dues by seizing the liquor stock available in the warehouse<sup>2</sup>.

Thus, failure of the Department to monitor the activities of the licensee as well as the lenient approach adopted in recovery of dues resulted in non-realisation of revenue amounting to ₹3.86 crore.

The case was referred to the State Excise Department, Government of Meghalaya in March 2017 and October 2017. The Department in its reply (January 2019) reiterated the facts of the case and stated that the SE, Khliehriat had been directed (July 2018 and December 2018) to initiate legal action against the bonded warehouse licensee. No further progress about the action taken by the Department to recover the dues under Section 35 of Assam Excise Act was intimated to Audit (June 2019).

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<sup>2</sup> At the time of physical inspection (August 2015), the stock worth minimum of ₹1.53 crore was available in the bonded warehouse.

Audit noticed failure of the SE to monitor the Bonded Warehouse resulting in non-realisation of revenue on verification of records related to one bonded warehouse out of 36 bonded warehouses in the State. The Department should look into the similar issues in other bonded warehouses also.

***Recommendation: The Government should fix responsibility on the officials posted in the bonded warehouse for negligence of duty under Rule 114 of the Assam Excise Rule, which allowed the licensee to evade the excise duty. The Government should also look into the reasons for delay in taking action against the licensee and for allowing payment of excise duty in instalments, which was not allowed under excise rules and which led to loss of revenue to the extent of ₹3.86 crore.***

### **3.4 Systemic issues resulting in loss of revenue**

**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.**

**[CE, Meghalaya & SE, Khliehriat; December 2017]**

During audit of records of SE, Khliehriat, it was observed that Deputy Superintendent of Excise (DSE) carried out physical inspection of a bonded warehouse<sup>3</sup> on 20 April 2015, wherein the DSE detected huge shortage of Indian Made Foreign Liquor (IMFL)/beer in stock of the bonded warehouse. The DSE detected only 93744 bottles in stock of the warehouse as against 914425 bottles as per stock register. Thus, the licensee had sold 820681 bottles of liquor without payment of excise duty. The shortage of liquor found during inspection was 90 *per cent*. The minimum excise duty evaded by the licensee of the bonded warehouse stood at ₹1.86 crore. The failure of the Department to detect the evasion of excise duty are discussed in subsequent paragraphs:

#### **3.4.1 Failure of internal controls resulting in evasion of excise duty**

Rule 56 of the Assam Excise Rules provides that the CoE may decide on appointment of staff in the bonded warehouse/distillery for proper supervision of the operations of the warehouse. Rules 71, 85 and 329 of the Assam Excise Rules stipulate that the licensee of a bonded warehouse shall maintain correct accounts of liquor in the warehouse. The accounts shall remain in the custody of the excise officer-in-charge of the warehouse who shall check them at the end of each day. Further Rule 125 of the Excise Rules provides that the SE (or in his absence, the officer-in-charge of the warehouse) shall take stock of all liquor in the warehouse on the last day of each quarter.

Rule 40 of the Excise Rules *ibid* provides that the officer-in-charge of the bonded warehouse shall grant an export pass authorising removal of liquor from the

<sup>3</sup> M/s Banicia Bonded Warehouse.

warehouse only after satisfying himself that proper excise duty has been paid. Further Rule 27 of the Assam Bonded Warehouse Rules provides that no liquor shall be removed from any bonded warehouse except under an export pass issued by the officer-in-charge of the warehouse.

Audit noticed that based on the DSE's report, the Deputy Commissioner<sup>4</sup> (DC), Khliehriat issued a demand notice (7 August 2015) to the licensee for payment of the excise duty by 31 August 2015. In response, the licensee submitted to the DC (31 August 2015) that she had stopped operating the bonded warehouse since March 2013 and petitioned for exemption from payment of excise duty. The DC sought (10 September 2015) clarification from the SE in response to the petition and the SE submitted a detailed reply (17 September 2015). The DC, thereafter, ordered a magisterial inquiry (29 September 2015) into the activities of the licensee including inspection/verification of the records of the SE's office. Accordingly, the Magistrate carried out an inquiry in October 2015 and submitted an inquiry report (16 November 2015) to the DC.

The magisterial inquiry carried out in October 2015 in response to DC's orders stated that the SE misused his official capacity and violated the provisions of the Excise Act and rules. Also, the bonded warehouse was being operated by another individual<sup>5</sup>, who was not linked/related to the licensee.

Audit examination of the case records of the bonded warehouse revealed that:

- The warehouse licensee had been filing the quarterly returns stock of all liquor in the warehouse to the SE upto March 2013. The last export permit issued to the licensee was in February 2015 against the claim that the licensee stopped operating the bonded warehouse in March 2013.
- The licensee had removed liquor from the warehouse without payment of excise duty and also without export passes. This was in violation of the Excise Rules and the fact that the officer-in-charge allowed such export of liquor from the warehouse without payment of duty and without issuing passes clearly indicated connivance of the excise officials in the whole matter.
- The officer-in-charge (and the SE) failed to report the illegal removal of liquor. The officer-in-charge also failed to report to the CoE that the warehouse was being operated by other individuals as mentioned in the enquiry report of the DC.

Thus, the failure of the SE, Khliehriat to ensure proper check on the functioning of the bonded warehouse resulted in sale of 820681 bottles of IMFL without payment of excise duty. Further, Officer-in-charge of the bonded warehouse failed to keep proper stock of spirit and carry out regular inspection to ensure that there was no loss of excise duty to the Government under Rule 125 of the Assam Excise Rules which resulted in IMFL being removed from the bonded warehouse without passes as

<sup>4</sup> In districts, the Deputy Commissioner holds the charge of Excise Department as per Section 3 (6) of the Assam Excise Act, 1910.

<sup>5</sup> Shri Shail Kumar.

mandated under Rule 114 of the Assam Excise Rules. The officer-in-charge of the warehouse and the SE failed in due observance of the provisions of the Act and the Rules which enabled the licensee to remove liquor from the warehouse and sell it to retail outlets without prior payment of excise duty. This resulted in illegal enrichment of the licensee at the cost of the Government exchequer due to negligence of duty and connivance by Excise officials.

#### ***3.4.2 Delay in taking action against the licensee to recover the excise duty***

Section 35 read with Rule 132 of the Assam Excise Act and Rules made thereunder stipulate that all excise revenues, including any loss which may occur in consequence of default may be recovered from the licensee by sale of his moveable property or as arrears of land revenue, including sale of stock of liquor.

Based on the DSE's report, the SE reported the matter to the CoE in April 2015. No further action was taken by the CoE to fix responsibility on the officials responsible for pilferage of government revenue. Audit also verified from the records of the DC and observed that no further action to file a suit in civil court had been taken by the DC on the inquiry report (December 2017). After a lapse of more than three years since the incident, no action had been initiated by the CoE against the officers concerned also.

Audit observed that at the time of physical verification, the DSE had reported actual stock of 93744 bottles of liquor in the warehouse. Calculated at the minimum rate of ex-bond price and excise duty for each category of IMFL/beer, the stock in hand could have fetched the Government a minimum of ₹64.32 lakh (*Appendix II*). However, the CoE did not take any action to dispose the stock till date (July 2018). Thus, he also failed in his supervisory role as head of the Department. It may be mentioned that with the passage of time, the chances of revenue realisation may become remote due to sedimentation of liquor.

#### ***3.4.3 Irregular grant of license***

As per Rule 273 of the Assam Excise Rules, an application for bonded warehouse is to be made to the CoE in prescribed proforma supported by proof of age and educational qualifications. It transpired during magisterial inquiry under the supervision of the DC that the licensee of the bonded warehouse was a minor<sup>6</sup> at the time of issue of license. Hence, the application forwarded to the CoE was required to be summarily rejected. However, the CoE forwarded the application to the Government without exercising due checks and based on his recommendation, the license was granted for operation of the bonded warehouse in January 2011.

Thus, systemic deficiencies in monitoring the operation of the bonded warehouse by the Excise Department, thereby, resulted in evasion of minimum excise duty amounting to ₹1.86 crore.

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<sup>6</sup> As per the deposition submitted by the licensee, she was only 14 years old when the license was granted in her name.

The case was referred to the State Excise Department, Government of Meghalaya in December 2017. The CoE in his reply (January 2019) stated that he had requested (October 2018 and November 2018) the SE to present his views on the report on the magisterial inquiry report. No recovery of the dues for excise duty was reported to Audit (June 2019). In respect of granting the license to operate bonded warehouse to a minor, the CoE stated that the onus of checking the correctness of the license application rested with the officer conducting the initial enquiry, however the CoE did not communicate the action taken against the official concerned for failure to perform his duties (June 2019).

Audit noticed failure of the CE and SE to monitor the activities of the Bonded Warehouse resulting in evasion of excise duty by the licensee on verification of records related to one bonded warehouse out of 36 bonded warehouses in the State. The Department should look into the similar issues in the other 35 bonded warehouses also.

***Recommendation: The Government should initiate inquiry to fix responsibility on the***

- (i) Official posted in the Bonded Warehouse, who allowed removal of liquor without export passes and payment of excise duty;***
- (ii) SE, Khliehriat, who failed to control illegal operation of the Bonded Warehouse and movement of stock from the Bonded Warehouse without payment of excise duty;***
- (iii) the CoE for failing to take action against the SE, whose involvement in illegal operation of the Bonded Warehouse was established in the enquiry conducted by the Magistrate. The CoE also failed to take action for recovery of revenue from the owner of the Bonded Warehouse.***

***Department should ensure that licence should be granted on verification proof of age and educational qualification of the applicant as per rule 273 of Assam Excise Rules.***

***The Government should also start the process to recover the dues from the licensee as per the Section 35.***



**CHAPTER – IV**  
**TRANSPORT DEPARTMENT**





## CHAPTER-IV: TRANSPORT DEPARTMENT

### 4.1 Administration

The collection of road tax is governed by the provisions of the Motor Vehicles Act, 1988 and Rules made thereunder and the Assam Motor Vehicle Taxation Act, 1936. The Transport Department is responsible for collection of taxes, fees and fines on motor vehicles in Meghalaya. Motor vehicle tax is realised primarily from all vehicles registered in the State and One Time Tax of 15 years is realised in case of private vehicles. For commercial vehicles, motor vehicle tax is realised every year and the vehicle owner has the option to pay it quarterly, half yearly or annually. Besides, composite fee in lieu of motor vehicle tax is also collected from commercial vehicles bearing national permit/tourist permit of other States plying in the State. Further, there is provision for levy and collection of fines for various offences which are imposed under the respective Acts and Rules.

The Additional Chief Secretary to the Government of Meghalaya, Transport Department is in overall charge of the Transport Department at the government level. The Commissioner of Transport (CT) is the administrative head of the Department. He is assisted by an Assistant Commissioner of Transport and the Secretary, State Transport Authority. At the district level, the District Transport Officers (DTOs) have been entrusted with the registration of vehicles, issuance of permits including collection of duties.

### 4.2 Results of Audit

Test check of the records of seven units relating to the Transport Department during 2017-18 revealed non-realisation of taxes, fees and fines, *etc.* involving ₹171.72 crore in 33 cases which fall under the following categories:

*Table 4.1 Results of Audit*

(₹ in crore)

| Sl. No.      | Category                         | Number of cases | Amount        |
|--------------|----------------------------------|-----------------|---------------|
| 1.           | Non/Short realisation of revenue | 09              | 0.74          |
| 2.           | Loss of revenue                  | 09              | 17.63         |
| 3.           | Other irregularities             | 15              | 153.35        |
| <b>Total</b> |                                  | <b>33</b>       | <b>171.72</b> |

During the course of the year, the Department accepted under assessments and other deficiencies of ₹45 lakh in seven cases. No recovery was intimated in any of the cases till January 2019.

A few illustrative cases having financial impact of ₹5 crore in terms of under-assessment/short levy/non-levy of tax and other provisions of the Acts are discussed in the paragraphs 4.3 to 4.5.

### **Management of Transport weighbridges**

Section 138(2)(b) of the Motor Vehicles Act, 1988 empowers State Governments to make rules for establishment and use of weighing devices to detect overloading of goods laden vehicles. The Government of Meghalaya laid down (11 September 2003) the procedures to be followed in the matter of installation and operation of weighbridges in Meghalaya pending finalisation of the rules. Subsequently, the Government introduced the Meghalaya Installation, Regulation, Maintenance and Operation of Weighbridge (MIRMOW) Rules, 2009 under which private parties were allowed to operate weighbridges on behalf of the Transport Department on payment of lump sum annual license fee.

The Weighbridge lessees were allowed to levy weighment fee in lieu of weighing of passing trucks. The weighment fee was ₹30 per truck which was revised to ₹50 per truck in January 2010 and to ₹200 per truck in January 2015. Subsequently (January 2017 onwards), the State Government started incorporating revenue sharing provision for 50 per cent of weighment fee with the licensees in addition to the payment of annual license fee by private weighbridge operators.

During the period between July 2007 and February 2018, the Transport Department notified 19 weighbridges throughout the State. The findings of Audit examination in respect of the four (21 per cent) weighbridges namely Ratacherra, Dawki, Borsora and Nongdomprut are discussed in Paragraphs 4.4, 4.5, and 4.6.

#### **4.3 Irregularities in operation of weighbridge lessees**

**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.**

[Commissioner of Transport, Meghalaya, Shillong, April 2018]

The Transport Department entered into agreements with four lessees for operation of weighbridges at Ratacherra, Dawki, Nongdomprut and Borsora on payment of annual license fee between 23 January 2015 and 22 September 2016. As per the agreement, the license fee had to be paid in monthly/quarterly installments within the seventh day of the succeeding months. In the event of failure to make timely payment, penalty of two per cent of the amount due would be levied. In case of further delay in payment of dues, the contract would be terminated.

Audit noticed that the license agreements in respect of three weighbridges (Ratacherra, Dawki and Borsora) expired in January 2016 and for the fourth weighbridge (Nongdomprut) expired in September 2017. The lessees were allowed to continue operations of the weighbridges for an additional period of 3-4 months even after expiry of the contracts. The details of the date of agreement, expiry date and proportionate annual licence fee realisable are as follows:

**Table 4.2 Proportionate license fee due from the lessees**

(₹ in lakh)

| Name of Weighbridge | Date of agreement |           | Date upto which operation allowed | Nos of additional days | Annual licence fee (₹) | Proportionate licence fee (₹) |
|---------------------|-------------------|-----------|-----------------------------------|------------------------|------------------------|-------------------------------|
|                     | Commencement      | Expiry    |                                   |                        |                        |                               |
| Ratacherra          | 23-Jan-15         | 22-Jan-16 | 07-Jun-16                         | 137                    | 180.00                 | 67.56                         |
| Nongdomprut         | 22-Sep-16         | 21-Sep-17 | 14-Dec-17                         | 84                     | 10.10                  | 2.32                          |
| Dawki               | 27-Jan-15         | 26-Jan-16 | 07-Jun-16                         | 133                    | 61.25                  | 22.32                         |
| Borsora             | 28-Jan-15         | 27-Jan-16 | 07-Jun-16                         | 132                    | 87.50                  | 31.64                         |
| <b>Total</b>        |                   |           |                                   |                        |                        | <b>123.84</b>                 |

Further, Audit also noticed that the licensees of Nongdomprut and Dawki had paid less licence fee. Against the total licence fee of ₹71.35 lakh payable by the lessees they actually paid ₹22.90 lakh only. Thus, there was a short payment of ₹48.45 lakh<sup>1</sup>. However, the lessee of Borsora had paid to the Government the entire amount of licence fee due.

Due to non-payment of licence fee, the Transport Department took control of weighbridges at Dawki on 8 June 2016 and Nongdomprut weighbridge on 14 December 2017. The licensee for Ratacherra weighbridge cleared the dues for the annual license fee by paying a sum of ₹1.82 crore<sup>2</sup> on various dates between 31 January 2015 and 6 December 2016. The lessee again applied for renewal of lease agreement with the department and the agreement was renewed on 9 January 2017 for additional one year on annual licence fee of ₹1.80 crore. The agreement was again renewed with the lessee of Ratacherra weighbridge on 9 January 2018 for a period of three years on an annual licence fee of ₹1.80 crore.

Demand notices for payment of outstanding licence fee were issued to the lessee of Dawki Weighbridge in August 2015 and November 2016. The lessee for Dawki weighbridge expressed her inability to clear the pending dues (February 2017) due to huge financial loss in running the weighbridge. The Commissioner of Transport (CT) brought this to the notice of the State Government in March 2017. The Government directed the CT (May 2017) to file a civil suit against the lessee. The action taken by the CT was not found on record.

<sup>1</sup> The annual licence fee of Nongdomprut and Dawki weighbridges were ₹ 10.10 lakh and ₹ 61.25 lakh respectively. However, lessee of Nongdomprut paid ₹ 4.04 lakh and lessee of Dawki paid ₹ 18.86 lakh only.

<sup>2</sup> Annual license fee of ₹ 1.80 crore plus ₹ 1.5 lakh as penalty for delay.

Action taken by the Department against the lessee for Nongdomprut weighbridge was not found on record.

Thus, due to delay in taking action for operation of weighbridges beyond the agreement period, the Department extended undue benefit to the private weighbridge lessees. The cases of operation of weighbridges after expiry of licence period was reported to the Transport Department, Government of Meghalaya in October 2018. The CT in his reply stated (January 2019) that the weighbridges could not have been taken over by the Department on expiry of the licenses, since the weighbridges were required to keep a check on permissible load by the truckers. The CT further stated that the license fee payable for the interim period was accounted during the renewal of the weighbridge licenses.

The argument that weighbridges could not have been taken over by the Department on expiry of the license period was not tenable, as the weighbridges were eventually taken over by the Department and operated departmentally. As regards payment of proportional license fee for the interim period at the time of renewal, the licenses in respect of two weighbridges were not renewed subsequently. No action to calculate the liability of the licensees for the proportional license fee or the proof, that it had been collected, was communicated to Audit by the CT (June 2019).

The case was referred to the Transport Department, Government of Meghalaya in October 2018. The Department in its reply (January 2019) confirmed the outstanding amount for the weighbridge lessees. However, the action taken by the CT to recover the due amount was not communicated to Audit (June 2019).

Thus the lessees of the Ratacherra, Nongdomprut and Dawki weighbridges were liable to pay licence fee of ₹ 1.73 crore<sup>3</sup> to the Government.

Audit noticed failure of the CT to detect irregularities in operation of four weighbridge lessees out of 19 weighbridges in the State on verification of records. The Department should look into similar issues in respect of other weighbridge also.

***Recommendation: The Government should fix the responsibility on the official concerned for extending the undue financial benefits to the lessees of the weighbridges and to initiate action to recover the licence fee along with the interest from the lessees.***

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<sup>3</sup> Proportionate licence fee of ₹ 1.24 crore and less payment of licence fee of ₹ 0.49 crore.

#### 4.4 Short realization of revenue due to under-reporting by Ratacherra Weighbridge

**Under-reporting of trucks by Ratacherra weighbridge lessee resulted in short payment of weighment fee share amounting to ₹1.09 crore.**

[Commissioner of Transport, Meghalaya, Shillong, April 2018]

As per the agreement for Ratacherra weighbridge (20 January 2017<sup>4</sup>) the lessee was required to pay to the Government 50 *per cent* of the weighment fee realized in addition to the annual license fee. To ensure revenue sharing arrangement, Clause 6 of the agreement stipulated that the lessee should maintain audited accounts of weighment fee collected and should furnish a copy of the audited account to the Department every month within 30 days of the following month.

Audit observed that there was under-reporting of collection of weighment fee collected by the lessee. As per the records of Mining Department, during the period of operation of agreement, 200182 trucks passed through the weighbridge against which the weighbridge lessee reported 91806 trucks. The lessee paid ₹91.81 lakh<sup>5</sup> to the Government as 50 *per cent* of the weighment fee between January 2018 and March 2018. The lessee did not submit audited accounts as mandated under the agreement. The CT accepted that the lessee had cleared the dues. It means 91806 vehicles passed through the weighbridge during the period from 20 January 2017 to 19 January 2018 as per lessee's declaration. Thus, there was under reporting of movement of 108376 trucks by the lessee. Due to under reporting by the lessee the Government suffered a revenue loss of ₹1.08 crore<sup>6</sup>.

Audit noticed that the DTO, Khliehriat (May 2017) informed the CT regarding under reporting of movement of 21342 trucks only during the period of January 2017 to April 2017 by the lessee. Audit did not find any efforts made by the CT on record to verify the correctness of the figures furnished by the lessee or the action taken on the report of the DTO. The agreement for weighbridge operation was renewed again on 20 January 2018 for another period of three years. During the period from 22 January 2018 to 21 March 2018 (59 days), Audit observed that the transport weighbridge at the exit point of Meghalaya (Ratacherra), registered movement of only 17 coal trucks. Deputy Commissioner, Cachar District<sup>7</sup>, Assam on receiving complaints from the residents and media reports about overloaded coal trucks coming from Meghalaya, constituted an inspection team (18 January 2018). The inspection team detected 1373 coal trucks exiting from Meghalaya. Thus, there was minimum revenue loss of ₹1.36 lakh<sup>8</sup>.

<sup>4</sup> The agreement was extended on 9 January 2018 for a further period of three years.

<sup>5</sup> 91806 trucks x 50 % of ₹200=91806x100= ₹91,80,600

<sup>6</sup> 200182 trucks- 91806 trucks=108376 trucksx50% of ₹200=108376 trucksx100= ₹1,08,37,600

<sup>7</sup> Cachar District in Assam borders Meghalaya. Coal trucks from Jaintia Hills, Meghalaya exit to Assam through Cachar District.

<sup>8</sup> 1373 trucks-17 trucks=1356 trucksx50% of ₹200= ₹1,36,600

Audit observed (January 2019) that the under reporting (around 111 *per cent*) communicated by the DTO was only for four months of operation (January 2017 – April 2017). Audit had pointed out evidences from other Government Departments, which reveal a greater picture of the persistent issue of under-reporting by the weighbridges. The Transport Department's lack of responsiveness in acting on the information in timely manner would only embolden the weighbridge licensees to continue with their unscrupulous practices.

Thus, the deliberate under-reporting of weighment figures by the lessee and lack of controls over the functioning of the weighbridge by the CT resulted in short-payment of weighment fee amounting to ₹1.09 crore. Further, the objective to set up weighbridges to detect overloaded goods laden vehicles was defeated as the officials posted in the weighbridge failed to detect overloaded trucks exiting from Meghalaya which were detected by the District Administration of Assam as mentioned above. The integrity of the officials of weighbridge was therefore questionable which calls for fixing their responsibility.

The case was referred to the Transport Department, Government of Meghalaya in October 2018. The CT in his reply (January 2019) stated that the Department was contemplating to send the demand notice to the weighbridge licensee for under-reporting by the weighbridge lessee as pointed out by the DTO, Khliehriat (May 2017).

Audit noticed failure of the CT to detect under reporting of trucks by a weighbridge lessee on verification of records related to one weighbridge out of 19 weighbridges in the State. The Department should look into similar issues respect of other weighbridges also.

***Recommendation: The Department is advised to strengthen its enforcement mechanism to keep a check on the operations of the weighbridges under its control. Vigilance enquiry should be initiated to fix the responsibility of the officials posted at the weighbridge.***

#### **4.5 Loss of revenue due to non-operation of Dawki weighbridge**

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

[Commissioner of Transport, Meghalaya, Shillong, April 2018]

The Transport Department entered into an agreement for operation of a weighbridge at Dawki for a period of one year from 27 January 2015. The agreement expired on 26 January 2016 and the lessee was allowed to continue operations up to 07 June 2016 despite not paying the license fee (*paragraph 4.3 proportionate licence fee ₹22.31 lakh up to June 2016*). The Government ordered to take over the control of the weighbridge on 08 June 2016.

Audit observed from the records that the DTO, Jowai that the DTO actually took over the control of the weighbridge on 28 October 2016. No reason for the delay was found on record. Thus, during the intervening period from 08 June 2016 to 27 October 2016, there was no monitoring of the movement of goods trucks by the Transport Department and consequently no revenue could be realized by the Department, either from weighment fee or by way of realizing fines for overloading based on weighment slips.

During the period from February 2016 to October 2016, Audit observed that 109118 trucks carrying stone/boulder, limestone, etc., passed through the Land Customs Station (under Customs Department) onwards to Bangladesh. Thus, due to failure of the DTO, Jowai to take over the control of the weighbridge on time and making it operational, the State Government suffered a revenue loss of ₹2.18 crore<sup>9</sup> as weighment fees.

The case was referred to the Transport Department, Government of Meghalaya in October 2018. However, no specific reply was received (June 2019) about reasons for not operating the weighbridge till October 2016, when it was taken over by Department in June 2016, which led to the loss of State revenue.

Audit noticed failure of the CT to detect irregularities in operation of one weighbridge on verification of records related to one weighbridge out of 19 weighbridges in the State. The Department should look into similar issues in respect of other weighbridges also.

***Recommendation: The Department should fix responsibility to the official concerned for not taking timely action to take over the control of the weighbridge on time which resulted in loss of Government revenue.***

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<sup>9</sup> 109118 trucks x ₹200 per truck = ₹12712800.



**CHAPTER – V**  
**FOREST & ENVIRONMENT**  
**DEPARTMENT**





## CHAPTER-V: FOREST & ENVIRONMENT DEPARTMENT

### 5.1 Administration

About 77 per cent area of the State of Meghalaya is covered under forests. Unlike the rest of the country where forests are mostly owned by the State and managed by the State Forest Department, in Meghalaya, substantial forest areas are under the unclassified category and are owned by private individuals, clans, village councils, district councils and other traditional community institutions. The recorded forest area is 9496 sq. km. out of which 1125 sq. km. (12 per cent) comprising Reserved Forests and Protected Forests is under the direct control of the Forest Department. The remaining unclassified forests covering 8371 sq. km. (88 per cent) are managed and administered by three Autonomous District Councils. The collection of forest revenue is governed by the provisions of the Assam Forest Regulation Act, 1891.

The Principal Secretary (Forest and Environment) is the administrative head of the Department. Principal Chief Conservator of Forests (PCCF) is the head of the Department and is responsible for all forestry, wildlife and allied activities. The PCCF is assisted by Chief Conservators of Forests (CCFs) and Conservators of Forests (CFs). The Department is divided into four circles viz. Territorial, Wildlife, Social Forestry & Environment and Research & Training. At the field level, there are 18 Divisions each headed by a Divisional Forest Officer (DFO). DFOs are responsible for general administration, enforcement of the Forest Acts and Regulations, implementation of various schemes and monitoring of all forest activities. DFOs are assisted by Range Officers (ROs).

### 5.2 Results of Audit

Test check of the records of six units out of 27 unit offices relating to the F&E Department during 2017-18 revealed under-assessment of tax and other irregularities involving ₹128.90 crore in 40 cases which fall under the following categories:

*Table 5.1 Results of Audit*

(₹ in crore)

| Sl. No.      | Category                         | Number of cases | Amount        |
|--------------|----------------------------------|-----------------|---------------|
| 1.           | Non/Short realisation of revenue | 10              | 77.63         |
| 2.           | Loss of revenue                  | 07              | 50.59         |
| 3.           | Other irregularities             | 23              | 0.68          |
| <b>Total</b> |                                  | <b>40</b>       | <b>128.90</b> |

During the course of audit, the Department accepted under-assessments and other deficiencies involving ₹127.13 crore in 18 cases. No recovery was intimated in any of the cases till January 2019.

A few illustrative cases having financial impact of ₹45.48 crore in terms of under-assessment/short levy/non-levy and other provisions of the Acts are discussed in the paragraphs 5.3 to 5.7.

**5.3 Loss of revenue due to delay in implementation of revised rates by the PCCF**

**Delay in revision of entry rates to a park by the PCCF resulted in loss of revenue amounting to ₹11.90 lakh.**

**[Principal Chief Conservator of Forests & Divisional Forest Officer (Wildlife), Shillong]**

The Divisional Forest Officer (Wildlife), Shillong Division manages Lady Hydari Park at Shillong, which is a children’s park cum mini zoo. The park is a major tourist attraction and a source of revenue for the Forest Department.

Audit observed from the records (January 2018) that the DFO, Shillong sent a proposal (April 2014) to the Chief Conservator of Forests (CCF) for enhancement of entry fee in respect of the Park. The DFO stated that the entry fee for the Park was last revised in May 1995 and the cost of maintenance for the Park has increased substantially with the passage of time. The proposed revised rates for entry fee were as under:

*Table 5.2 Proposed revised rates for entry fee*

| Particulars                    | Existing Rate (in ₹) | New Rate (in ₹) |
|--------------------------------|----------------------|-----------------|
| Adult tickets                  | 5                    | 10              |
| Minor tickets (up to 12 years) | 2                    | 5               |

The CCF forwarded (June 2014) the proposal for enhancement of fee to the Principal Chief Conservator of Forests (PCCF), Meghalaya. The PCCF sought (July 2014) further justification for the same from the DFO. Based on DFO’s justification (August 2014), the PCCF forwarded (September 2014) the proposal to the Government for approval. The Government approved the proposal in September 2014. The PCCF forwarded the approval to the Wildlife Division in June 2015 and the Wildlife division accordingly forwarded the same to the DFO in July 2015 and subsequently, the DFO implemented the revised rates from August 2015.

Audit observed that the PCCF forwarded the approval to the Division after a lapse of more than nine months. Reasons for the delay were not available on record. Between October 2014 and July 2015, the park authorities recorded sale of 2,12,351 adult

tickets and 42,888 minor tickets. Thus, delay in implementing the revised rates resulted in loss of revenue amounting to ₹11.90 lakh<sup>1</sup>.

The case was referred to the Forest & Environment Department, Government of Meghalaya in April 2018. Though the Department admitted the audit observation, however no specific reply was furnished for the delay by PCCF in communicating the approval for revised fee to the authority concerned for ensuring collection of entry fee at revised rates with effect from October 2014. Thus, the delay on the part of the PCCF to convey the application of revised entry ticket rates led to loss of government revenue which call for fixing of his responsibility.

Audit has noticed failure of the PCCF to implement the revised rates in time leading to loss of revenue on verification of the records of two units out of 27 unit offices in the State. The Department should internally look into the similar issues in other unit offices also.

*Recommendation: The Government should take steps to ensure that there is timely and proper dissemination of information from the Apex level to field offices to avoid delays in implementation of executive orders. The Government should also fix responsibility in cases where there is loss of revenue to the State due to administrative delays.*

#### 5.4 Short realisation of revenue by user agencies

**There was short realisation of revenue amounting to ₹2.52 crore by three user agencies.**

##### **[DFOs (Territorial), Tura & Williamnagar; January 2018 and May 2018]**

In Meghalaya, all works departments<sup>2</sup> also known as user agencies, utilising minerals for execution of works contracts are responsible for deduction of royalty at the rate fixed by the Forest department from the contractors and depositing the same to the forest divisions concerned. The user agencies submit monthly abstract of the quantity of sand, stone and other minor minerals utilised by the contractors for their works and the royalty deducted from the bills of the contractor to the DFOs. The DFO is to ensure that the user agencies deduct royalty from the contractors' bills at the notified rates. In case of any short realisation the DFO has to take action to realise the same.

The Forest & Environment Department fixed (June 2014) the rates of royalty on sand and stone at ₹90 per cubic metre and ₹240 per cubic metre (cu. m) respectively.

**5.4.1** Audit observed from records of DFO (Territorial), Tura Division that 33 contractors under two user agencies<sup>3</sup> utilised 27193 cu. m of sand and 58148 cu. m

<sup>1</sup> 212351 adult tickets x (₹10 - ₹5) plus 42888 minor tickets x (₹5 - ₹2) = ₹1190419

<sup>2</sup> Works Departments like Public Works Department, Public Health Engineering Department, etc. which undertake works on behalf of the Government.

<sup>3</sup> Executive Engineer (TC), PWD Roads Cum-DPIU, PGMSY West Garo Hills, Tura and Executive Engineer (PHE), Ampati Division, Ampati

of stone between April 2017 and September 2017 (**Appendix III**). Against the royalty payable amounting to ₹1.64 crore, the user agencies realised only ₹40.03 lakh from the contractors and forwarded the same to the DFO. The DFO, Tura failed to verify correctness of the royalty deducted from the contractors' bills from the monthly abstract of the quantity of sand, stone and other minor minerals utilised by the contractors submitted by the user agencies. This resulted in short realisation of revenue amounting to ₹1.24 crore.

The DFO, Tura did not take any action to realise the balance royalty of ₹1.24 crore from the user agencies. This resulted in short realisation of revenue to that extent.

**5.4.2** Audit observed from records of DFO (Territorial), Williamnagar Division that 22 contractors under one user agency<sup>4</sup> utilised 23145 cu. m of sand and 70706 cu. m of stone between July 2017 and February 2018 (**Appendix IV**). Against the royalty payable amounting to ₹1.91 crore, the user agency realised only ₹62.62 lakh from the contractors and forwarded the same to the DFO. The DFO, (Territorial), Williamnagar Division failed to verify correctness of the royalty deducted from the contractors' bills from the monthly abstract of the quantity of sand, stone and other minor minerals utilised by the contractors submitted by the user agencies. This resulted in short realisation of revenue amounting to ₹1.28 crore.

The DFO, Williamnagar had issued demand notices (January 2018 to March 2018) to the user agency for realisation of outstanding royalty amounting to ₹48.32 lakh in respect of 12 contractors. Action taken in respect of remaining 10 contractors for recovery of the balance royalty of ₹79.58 lakh was not found on record.

The user agencies submit the account of quantity of sand, stone *etc.* utilised and royalty collected by them to the DFOs on monthly basis. Thus, failure of the DFOs to check the statements of royalty collection from the contractors submitted by the user agencies, resulted in short collection of royalty amounting to ₹2.52 crore.

The case was referred to the Forest & Environment Department, Government of Meghalaya between July 2018 and August 2018. The Department in its reply (January 2019) stated that the DFOs had issued (March 2018 – December 2018) demand notices to user agencies for recovery of balance royalty. The status of recovery had not yet been intimated. (January 2019) The Department should put in place a mechanism to verify the monthly account of quantity submitted by the user agencies, ascertain the quantity used and royalty paid to the DFOs.

Audit noticed short realisation of revenue by two DFOs on verification of the records of two units out of 27 unit offices in the State. The Department should look into the similar issues in other unit offices also.

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<sup>4</sup> Executive Engineer (TC), PWD (Roads), Williamnagar Circle cum DPIU, PMGSY, East Garo Hills, Williamnagar

**Recommendation:** The Department should actively follow-up with the user agencies about the issue of timely submission of accounts for the minerals utilized and realisation of the balance amount of royalty from the contractors.

**5.5 Loss of revenue due to under-reporting of export of limestone by forest check-gates.**

**Under-reporting of export of 2.02 lakh MT of limestone through the forest check-gates under the control of the DFO, Khasi Hills resulted in loss of revenue amounting to ₹2.83 crore.**

**[DFO (Territorial), Khasi Hills Division, Shillong; November 2017]**

The High Court of Meghalaya in its judgement dated 30 June 2015 held that mining of coal and limestone in the State had caused environmental damage and regulation of mining activities by the State was essential to safeguard the environment and ecological balance. The court prohibited all mining activities in the State without obtaining necessary clearance and instructed to create a fund for reclamation in the interest of sustainable development. The court later (26 November 2015) allowed the transportation of extracted minerals prior to the prohibition (30 June 2015) and directed the State Government to make assessment of already extracted limestone. Accordingly, the Principal Chief Conservator of Forests (PCCF) directed (December 2015) the DFOs in all territorial divisions to assess the actual quantity of limestone already extracted under their respective jurisdictions.

Based on the court judgement, the State Government directed (December 2015) the PCCF to create Meghalaya Minor Mineral Reclamation Fund (MMMRF). The DFOs were to realize royalty on limestone for deposit in the MMMRF at the rate of 10 *per cent* of the sale proceeds<sup>5</sup> of minor minerals. In case of exports, sale value would be determined as per the Letter of Credit. Collection of contribution for MMMRF was to be done at the time of collection of royalty.

Further, as per Section 40 of the Meghalaya Forest Regulation (Application and Amendment) Act 1973 read with Rules 2(a)(iii) of the Transit Rules under the Act *ibid*, no forest produce shall be removed unless covered by a transit pass issued by a forest officer, in token of full payment of royalty. In Meghalaya, the rate of royalty for limestone is ₹80 per MT.

Audit observed from the records that the DFO, Shillong assessed (December 2015) a total quantity of 9.42 lakh MT of limestone under Khasi Hills (T) Division. Based on the assessment report submitted by the DFO in December 2015 and again in February 2016, the State Government allowed (February 2016) the transportation of the limestone. Audit further observed that against the total assessed quantity of

<sup>5</sup> Sale value for limestone was decided \$10 per MT as per letter of credit issued by the importers in Bangladesh. Thus, the contribution to MMMRF was \$1 per MT (10 *per cent* of sale value). For calculation purpose, the exchange rate has been taken as \$1 = ₹60.

9.42 lakh MT, five<sup>6</sup> forest check-gates under Khasi Hills (T) Division reported export of 10.98 lakh MT of limestone to Bangladesh during the period from March 2016 to March 2017.

Audit cross-checked with the records of the three<sup>7</sup> Land Custom Stations (LCSs) under the Customs Department, Government of India situated near the forest check-gates at the exit points towards Bangladesh and observed that during the same period, 13.00 lakh MT of limestone was actually transported through the LCSs to Bangladesh.

In the absence of suitable control and monitoring mechanism, the forest check-gates thereby under-reported transportation of 2.02 lakh MT<sup>8</sup> of limestone which resulted in loss of revenue to the tune of ₹1.62 crore<sup>9</sup>. Additionally, contribution to MMMRF of ₹1.21 crore<sup>10</sup> was also not realized. Further, the source of additional quantity of 3.58 lakh MT<sup>11</sup> of limestone reported by the LCSs was not available in the records and also could not be explained to Audit.

The case was also referred to the Forest and Environment Department, Government of Meghalaya in May 2018. The DFO, Khasi Hills in its reply stated (January 2019) that he had approached (October 2018) the Customs Department to obtain the list of limestone exporters. However, no further progress on status of recovery or action taken against the check-gate officials responsible for under-reporting was intimated (January 2019).

Audit has noticed loss of revenue due to under-reporting of export of limestone by forest check-gates on verification of the records of one unit out of 27 unit offices in the State. The Department should internally look into the similar issues in other unit offices also.

**Recommendation:** *The Department should strengthen the system of recording of minerals transported from the check-gates and should fix responsibility on the erring officials for the revenue leakage. The department should initiate vigilance enquiry for fixing the responsibility of officials responsible for such losses. There should also be periodic reconciliation of figures of transport permits issued and validated at Forest check-gates and Land Custom Stations.*

<sup>6</sup> (i) Majai-Bholaganj (ii) Cherra-Mawsynram (iii) Mawlong-Ichamati (iv) Shella (v) Bagli

<sup>7</sup> Bholaganj, Bagli and Borsora.

| <sup>8</sup> Period | Quantity reported by Forest Check-gate (in lakh MT) | Quantity reported by LCS (in lakh MT) | Quantity under reported by Forest check-gate (in lakh MT) | Royalty not realised (₹ in crore) | MMMRF not realised (₹ in crore) |
|---------------------|---|---------------------------------------|---|-----------------------------------|---------------------------------|
| 3/16 to 3/17        | 10.98   | 13.00                                 | 2.02  | 1.62                              | 1.21                            |

<sup>9</sup> 2.02 lakh MT x ₹80 per MT = ₹1.62 crore.

<sup>10</sup> 2.02 lakh MT x ₹60 per MT = ₹1.21 crore.

<sup>11</sup> 13.00 lakh MT transported against available (assessed) stock of 9.42 lakh MT.

### 5.6 Loss of revenue due to under-reporting of export of boulders through Dawki forest check-gate

**The Forest check-gate at Dawki under-reported the quantity of stone/boulders exported to Bangladesh which resulted in loss of revenue amounting to ₹3.89 crore.**

**[DFO (T) Jowai; October 2017; DFO (T), Shillong; November 2017]**

The Forest Department issues transit passes for transporting the extracted stone/boulders on the basis of pre-payment of royalty. Further, Section 40 of the Meghalaya Forest Regulation (Application and Amendment) Act 1973 read in conjunction with Rule 2(a)(iii) of the Transit Rules under the Act *ibid* states that, no forest produce shall be removed unless covered by a transit pass issued by a forest officer, in token of full payment of royalty. The DFO was required to collect an additional amount of 10 per cent of the sale value as contribution to Meghalaya Minor Mineral Reclamation Fund (MMRF) at the time of issuing the transit pass under the orders<sup>12</sup> of the High Court of Meghalaya.

In Meghalaya, the rate of royalty for boulders is ₹240 per cu.m and contribution to MMRF<sup>13</sup> is ₹130 per cu.m.

Audit observed from the records<sup>14</sup> of the two DFOs (October 2017 and November 2017) out of 27 DFOs in the State that a total quantity of 1.13 lakh cu.m. of stone/boulder was exported to Bangladesh during the year 2016-17 under Jaintia Hills Territorial Division and Khasi Hills Territorial Division through the forest check-gate at Dawki. Audit cross-checked with the records of the Land Custom Station under the Customs Department, Government of India situated at Dawki and observed that a total quantity of 2.18 lakh cu.m. of boulders was exported to Bangladesh through the LCS at Dawki during the aforementioned period.

Thus, due to lack of monitoring of the check-gates by the DFOs/Department, the forest check-gate at Dawki under-reported 1.05 lakh<sup>15</sup>cu.m quantity of boulders exported to Bangladesh. This resulted in non-collection of royalty amounting to ₹2.52 crore<sup>16</sup> and consequent unauthorized transportation of boulders to that extent. Besides, it also resulted in non-realisation of MMRF of ₹1.37 crore<sup>17</sup>.

<sup>12</sup> Meghalaya High Court Judgement dated 30.06.15

<sup>13</sup> Based on sale price of ₹1300 per cu.m as per the Meghalaya Public Works Department Schedule of Rates 2015-16 as communicated by Forest Department.

<sup>14</sup> Audit called for details of royalty realised from export of minerals and observed the details from the registers maintained by the DFO for this purpose.

| <sup>15</sup> Period | Quantity reported by Dawki Forest Check-gate (in lakh MT) | Quantity reported by LCS (in lakh MT) | Quantity under reported by Forest check-gate (in lakh MT) | Royalty not realised (₹ in crore) | MMRF not realised (₹ in crore) |
|----------------------|---|---------------------------------------|---|-----------------------------------|--------------------------------|
| 2016-17              | 1.13  | 2.18                                  | 1.05  | 2.52                              | 1.37                           |

<sup>16</sup> 1.05 lakh MT x ₹240 per MT = ₹2.52 crore.

<sup>17</sup> 10 per cent of 1.05 lakh MT x ₹1300 per MT = ₹1.37 crore.

Failure of the DFOs to monitor the activities of the forest check-gate at Dawki under their jurisdiction, thus, allowed the check-gate officials to under-report the quantity of boulders actually transported through the check-gate which led to the revenue loss of ₹3.89 crore.

The case was reported to the Forest and Environment Department, Government of Meghalaya in November 2018. The Department in its reply stated (January 2019) that the DFO(T), Jaintia Hills Division had started the process of reconciliation of quantity of boulders exported with the Customs Department. However, results of such reconciliation and recovery made by the Department in respect of the audit observation were not intimated (January 2019).

Audit has noticed loss of revenue due to under-reporting of export of stone boulders by forest check-gates on verification of the records of two units out of 27 unit offices in the State. The Department should internally examine similar issues in other unit offices also.

***Recommendation: The Government should strengthen the monitoring mechanism of functioning of forest check-gates and initiate vigilance enquiry to fix responsibility on the officials posted at the check-gates for dereliction of duties which resulted in loss of revenue to the exchequer. Also the Department should conduct periodical reconciliation of the quantity of minerals actually exported as reported by Forest check-gates and LCSs.***

**5.7 Non-realization of contribution to environmental reclamation fund on locally procured limestone by cement companies**

**An amount of ₹36.12 crore being contribution to Meghalaya Minor Mineral Reclamation Fund (MMMRF) on utilization of limestone from non-leased areas was not realised from cement companies.**

**[DFO (Territorial) Jowai; October 2017]**

Limestone is listed as a Second Schedule mineral in the Mines and Minerals Development and Regulation Act, 1957 (MMDR) and the rate of royalty is fixed by the Central Government. In Meghalaya, limestone is listed as a minor forest produce also and is regulated as per the Assam Forest Regulation Act, 1891. Therefore, royalty on limestone is collected by Forest Department and Mining Department both. The Forest Department collected royalty on limestone removed from forest areas (non-leased), whereas the Mining Department collected royalty on limestone from non-forest (leased) areas.

After the amendment to the Mines and Minerals (Development & Regulation) Act<sup>18</sup>, limestone was included in the list of notified minerals. Subsequently, the Meghalaya Minor Mineral Concession Rules, 2016 (MMMCR) were framed under Section 15 of the MMDR Act, which defined limestone as minor mineral based on its consumption

<sup>18</sup> In September 2015.

in industries (other than cement industry) and entrusted the power to grant lease for limestone mining for end-use in industries other than cement industry to the Forest Department. Thus, system of dual administration on collection of royalty on limestone continues.

Further, the High Court of Meghalaya in its judgement dated 30 June 2015 prohibited all mining activities in the State and instructed to create a fund for reclamation in the interest of sustainable development. The purpose of this reclamation fund would be to undertake activities directed towards rectifying the damage caused to the environment due to mining activities. In compliance, the State Government notified Meghalaya Minor Mineral Reclamation Fund (MMMRF). The amount to be credited in the MMMRF would be 10 *per cent* of the sale proceeds<sup>19</sup>. Collection of money for MMMRF was to be done at the time of collection of royalty by the DFO. Further, as per Government's directives, the Forest Department is responsible for collection of MMMRF contribution on limestone.

The records of the State Mining Department showed that out of 15 cement companies operating in the State, 12 cement companies had leases for limestone from leased areas. Three<sup>20</sup> other cement companies, however, did not have any leases for limestone mining and were entirely dependent on limestone procured from local suppliers.

**5.7.1** Audit observed from the records available in the Directorate of Mineral Resources that eight cement companies procured 34.26 lakh MT of limestone from local suppliers between July 2015 and March 2018 on which contribution to MMMRF amounting to ₹20.56 crore<sup>21</sup> was payable.

The companies did not submit this information on the quantity of limestone procured from local suppliers (non-leased areas) to the Forest Department. The DFO also did not obtain periodic information from the cement companies on purchase of limestone and did not issue demand notice for realisation of the mandated MMMRF fund.

Thus, in absence of a proper mechanism for periodic exchange of information between the Forest and Mining departments, the cement companies evaded payment of MMMRF on locally procured limestone. Consequently, contribution to MMMRF amounting to ₹20.56 crore remained unrealised (*Appendix V*).

**5.7.2** Audit observed from the records of the Mining Department that two<sup>22</sup> cement companies submitted to the Mining Department (May 2017 and July 2017) that they had encountered the limestone stocks during the site development for cement plants. The Mining Department allowed the companies (July 2017 and May 2018) to utilize

<sup>19</sup> Sale value for limestone was decided \$10 per MT by Forest Department. Thus, the contribution to MMMRF was \$1 per MT (10 *per cent* of sale value).

<sup>20</sup> Amrit Cement Ltd., Goldstone Cement Ltd. and Green Valley Industries Ltd.

<sup>21</sup> Calculated at minimum rate of MMMRF @ ₹60 (\$ 1) per MT.

<sup>22</sup> M/s Goldstone Cement Ltd. and M/s Green Valley Industries Ltd.

this limestone (25.93 lakh MT) on payment of royalty<sup>23</sup> with a further instruction not to carry on such mining in future without obtaining prior concurrence.

Audit observed that the permission granted to cement companies for extraction of limestone for utilisation was in violation of the Meghalaya High Court judgement. Further, since the extraction of limestone took place in the areas, where the Mining Department had not granted the lease for limestone mining, the necessary approval should have been obtained from the Forest Department. However, based on the end-use of such limestone extracted in cement plants, the Forest Department did not take any action.

Thus, MMMRF contribution of ₹15.56 crore on this quantity of limestone, ‘incidentally mined<sup>24</sup>’, by the two cement companies from non-leased areas, was not collected by the Forest Department.

Therefore, due to lack of clarity on the part of the Government in issuing instructions to both Forest and Mining departments and in absence of mechanism for coordination between these departments, the MMMRF amounting to ₹36.12 crore, in respect of limestone extracted from non-leased areas was not collected from the cement companies.

The cases were reported to the Forest and Environment Department, Government of Meghalaya between November 2017 and November 2018. The DFO, Jowai in his reply (January 2019) for the audit observation at *Paragraph 5.7.1*, stated that he had asked the cement companies to furnish the details of quantity of limestone procured from local suppliers. Further for the audit observation at *Paragraph 5.7.2*, in respect of one company<sup>25</sup>, he stated that the matter was referred to Divisional Mining Officer (DMO) Jowai, since such extracted limestone was to be consumed in cement plants (thus a major mineral). However, the approval in this regard and status of payment of royalty was not intimated by the DMO to the DFO. In respect of the other company<sup>26</sup>, the DFO had sought the details of status of assessment from the DMO and the company. However, detailed status of assessment was yet to be received by the DFO.

In this regard, Audit observed that the Mining Department while granting permission to the cement companies to utilize limestone had instructed the companies to pay the royalty only, no instructions were issued to remit the due MMMRF also. Even the royalty was not paid by the cement companies to the DMO (August 2018). Thus, due to duality of administrative control on limestone mining, the revenue in the form of MMMRF could not be realized (January 2019).

Audit has noticed non-realization of contribution to environmental reclamation fund on locally procured limestone by cement companies on verification of the records of

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<sup>23</sup> Royalty has not been paid by the cement companies (August 2018).

<sup>24</sup> Any extraction or discovery of mineral during any non- mining activity like site development for setting up of factories, earth cutting for road works etc

<sup>25</sup> M/s Green Valley Industries Ltd.

<sup>26</sup> M/s Goldstone Cement Ltd.

one unit out of 27 unit offices in the State. The Department should internally examine similar issues in other unit offices also.

*Recommendation: The Mining Department and Forest Department should periodically exchange information of the extracted quantity of minerals from their respective area of jurisdiction to avoid any scope of leakage of revenue. The Government of Meghalaya should issue clear instructions to this effect.*



**CHAPTER – VI**  
**MINING & GEOLOGY**  
**DEPARTMENT**





## CHAPTER-VI: MINING & GEOLOGY DEPARTMENT

### 6.1 Administration

The Mining and Geology Department, Meghalaya is entrusted with management and regulatory tasks for mining and mineral development in the State, conservation of resources and environment, safety and health of workers, restoration of mine degraded areas and rehabilitation of affected people. Coal and limestone are the major minerals of the State. The major source of mining receipts is collected from mining of these minerals in the form of royalty, application fee, dead rent, fines/penalties, etc. from the lessees. 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.

The Principal Secretary to the Government of Meghalaya, Mining and Geology Department is overall in 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.

### 6.2 Results of Audit

Test check of the records of three units relating to Mining Department during 2017-18 revealed short realisation of revenue and other irregularities involving ₹342.14 crore in 23 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 | 14              | 280.97        |
| 2.           | Loss of revenue                  | 03              | 56.77         |
| 3.           | Other irregularities             | 06              | 4.40          |
| <b>Total</b> |                                  | <b>23</b>       | <b>342.14</b> |

The Department accepted under-assessments and other deficiencies amounting to ₹132.87 crore in eight cases. No recovery was intimated in any of the cases during the year 2017-18.

A Performance Audit on “Working of Mining Department” having financial impact of ₹872.28 crore is discussed in paragraph 6.3.

### **6.3 Performance Audit on “Working of Mining Department in Meghalaya”**

#### **Highlights**

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 authorised 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*

### **6.3.1 Introduction**

Minerals are a finite and non-renewable natural resource. As such, these are required to be exploited wisely in the larger interest of the State. It is imperative to conserve the available mineral resources through scientific exploration and mining to ensure availability of minerals for industrial production *etc.*, in the long run. Meghalaya is endowed with sizeable deposits of a number of valuable minerals. Coal and limestone are the primary minerals in the State. In respect of coal mining, the role of the Mining Department was limited to collection of royalty from lessees on account of extraction of coal and monitoring of transportation of coal and to ensure that there was no environmental damage due to coal mining in the State.

In respect of limestone mining in the State, the function of the Mining Department includes granting the leases for mining, transportation of limestone, enforcing the provisions for scientific mining practices, collection of royalty and mineral cess.

The revenue receipts in the form of royalty on extraction of these minerals is one of the major source of revenue for the State.

### **6.3.2 Legal framework for administration of mining sector**

The responsibility of management of minerals is shared<sup>1</sup> between Central and State Governments. The Mines and Minerals (Development and Regulation) (MMDR) Act, 1957, Government of India (GOI) lays down the legal framework for the regulation of mines and development of the minerals<sup>2</sup>. The Mineral Concession Rules, 1960 (MCR) framed by Government of India (GOI) and the Mineral Conservation and Development Rules, 1988 (MCDR) were enacted by GOI under MMDR Act. They stipulate guidelines for ensuring mining on a scientific basis, while conserving the environment at the same time.

Minerals are classified as major minerals (coal, iron *etc.*) and minor minerals (granite, building stone *etc.*). The Central Government has delegated the power to states to frame the rules for grant and regulation in respect of minor minerals. States are also enabled to prescribe the method for grant of mineral concessions, rates of royalty, contribution to DMF *etc.* for these minerals. Accordingly, Meghalaya has notified Meghalaya Minor Mineral Concession Rules, 2016.

### **6.3.3 Organisational set-up**

The Principal Secretary (Mining and Geology Department) is the administrative head of the Department and is controlling authority for granting the mining licenses in the State and overall administration of the department. Director of Mineral Resources (DMR) is the functional head of the Department and is responsible for administration in respect of major minerals, preparation of mining plans, collection of royalty and other important activities carried out by the department.

The Department of Mining and Geology is divided into two main sections *viz.* Geology Section which pertains to investigation of mineral deposits by mapping, surveying, drilling, chemical analysis *etc.* and Mining Section which handles the administration of mines and minerals, collection of cess/royalty, issue of challans for transportation of minerals within and outside the State. At the field level, there are two Divisions in Jowai and Williamnagar each headed by a Divisional Mining Officer (DMO). In addition, two new DMR field offices at Tura and Nongstoin had also been established, which report to DMR directly. The departmental check-gates functioning at the exit routes of the State also report to the respective DMOs/DMR.

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<sup>1</sup> Although mineral wealth vests with the constituent States of the Union, yet the subject of regulation of mines and mineral development is covered by entry 54 of the Union List under seventh schedule of the Constitution of India.

<sup>2</sup> all minerals other than petroleum and natural gas.

### 6.3.4 Audit Objectives

The Performance Audit (PA) was carried out with a view to assess whether:

- Provisions for levy, assessment and collection of mineral receipts and other levies were properly enforced to safeguard revenue of the State,
- Government was able to ensure compliance of directions of various Courts about mining activities,
- Monitoring mechanism was adequate and effective in implementation of mining activities, sustainability of mining process including prevention of illegal excavation and transportation of minerals,
- State Government had taken follow up action on audit observations pointed out in previous Audit Report<sup>3</sup>.

### 6.3.5 Audit Scope and Methodology

The Audit was conducted during May 2018 to August 2018 covering the period from 2013-14 to 2017-18. The scope of audit was limited to the management of major mineral resources which are under the direct control of the Department.

To assess the performance of the Department, scrutiny of records at both the divisional offices<sup>4</sup> and both the DMR field offices<sup>5</sup> along with Secretariat and Directorate level was carried out. Further, all 13 mining check-gates were also checked.

Scrutiny of records of all the units was carried out by test check, which included interaction with the auditee personnel, issuance of audit queries and discussion of audit findings with the Management. Information from other government departments was also collected and compared with the records furnished by the Department. Besides, the audit team conducted field inspections along with the departmental officials.

An Entry Conference was held with the Secretary, Mining Department to discuss the audit objectives, criteria and scope on 29 May 2018. The draft Performance Audit Report was issued to the Government on 08 October 2018, with a request to forward their comments to the audit observations within six weeks.

The Exit Conference for discussing the draft PA Report was held with Commissioner and Secretary, Mining and Geology Department and Director of Mineral Resources on 13 December 2018, wherein the Commissioner and Secretary stated that the comments to the draft Report would be furnished to Audit by 15 January 2019. The Commissioner & Secretary, however, failed to give written replies to the PA. Moreover, he also failed to give any specific reply to audit observations even during exit conference held on 13 December 2018.

<sup>3</sup> A Performance Audit on “Controls and System for Mining in Meghalaya” which had featured in Audit Report for the year ended 31 March 2013.

<sup>4</sup> DMO, Jowai and DMO Williamnagar

<sup>5</sup> Officer-in-charge at Tura and Nongstoin

It is pertinent to mention that the Commissioner and Secretary was again reminded on 18 January 2019 to submit comments on Audit Report by 25 January 2019 failing which it would be presumed that the Government had no comments to offer. Since, the Government had not communicated any comments to the draft Audit Report (June 2019), the Audit Report was finalised after including the comments made by the representatives of Government / Department during the Exit Conference.

### **6.3.6 Audit Criteria**

The following Acts/Rules were used as sources of Audit Criteria for carrying out the Performance Audit:

1. Mines and Minerals (Development and Regulations) (MMDR) Act, 1957 enacted by Government of India, Mineral Concession Rules, 1960, and Mineral Conservation and Development Rules (MCDR), 1988; Mines and Minerals (Contribution to District Mineral Foundation) Rules (MMCR), 2015.
2. Mines Act, 1952 and Mines Rules, 1955;
3. Coal Mines (Conservation and Development) Act, 1974 and Coal Mines Regulations, 1957;
4. Meghalaya Mineral Cess Act, 1988;
5. Assam Forest Regulation, 1891 as adopted by Meghalaya;
6. Forest Conservation Act, 1980 and Environment (Protection) Act, 1986;
7. National Mineral Policy, 1993 and 2008 and Meghalaya Mineral Policy, 2012;
8. NGT Orders and Guidelines, orders, instructions, standards issued by Government, Hon'ble Supreme Court and High Court *etc.* from time to time.

### **6.3.7 Acknowledgement**

The Indian Audit and Accounts Department acknowledges the co-operation extended by the Mining and Geology Department during conduct of this Performance Audit (PA).

### **Audit findings**

The Performance Audit Report has been prepared in three parts. The irregularities noticed in the functioning of the Department in respect of limestone mining in *Part -I*, coal mining in *Part – II* and internal control mechanism in *Part – III*.

## **Part I –Limestone Mining**

### **6.3.8 Role of the Department in limestone mining**

One of the main objectives of Mining Department is to examine and accord approvals for implementation of plans / schemes / policies related to the administration of mines and minerals. This entails enforcement of mineral laws and rules, collection of royalty

and cess to generate revenue and to ensure scientific mining, safety and welfare measures for mining workers and inhabitants residing in and around mining areas.

In respect of limestone mining in the State, the role and responsibility of the Department starts with approval of mining lease. The applications for obtaining mining leases are required to be submitted to Deputy Commissioner, who after applying preliminary checks<sup>6</sup> prescribed in the Mineral Concession Rules, 1960, forwards the application to the Mining Department. The Department is required to conduct extensive assessment that the applications are complete in all respects besides ensuring that these applications were accompanied by clearances from Pollution Control Board, Forest & Environment Department and Labour Department. Further, Directorate of Mineral Resources was required to approve Mining Plans submitted by the applicants, which would include list of equipment proposed to be used, quantum of limestone to be mined, safety standards to be maintained, arrangements for storage of mined minerals, and preventive measures to be undertaken to ensure that water bodies / sources in the vicinity do not get polluted *etc.* All the documents concerned are required to be verified after which ground level inspection is to be undertaken by the departmental officials.

The limestone mining is done mainly by cement companies for using limestone in the manufacture of cement and traders for export of limestone to other states and outside India.

The cement companies operating in the State submit their monthly utilisation return of the limestone extracted from the leased areas for manufacture of cement. The Mining Department collects royalty and mineral cess due on such limestone utilized. The Department also issues the Mineral Cess Challans (MCCs) on payment of mineral cess for permitting transportation of limestone. These MCCs are checked and validated by the departmental check-gates at exit points of the State (Assam/Bangladesh).

In Meghalaya, the State Government has also empowered the Forest Department to grant and administer limestone mining leases falling in forest areas and collects royalty and cess.

Audit observations about limestone mining in the State have been discussed in the succeeding paragraphs.

#### **6.3.8.1 Revenue collection system**

Under Section 9 of the MMDR Act, 1957, the holder of a mining lease shall pay royalty in respect of any mineral removed or consumed at the rate specified in respect of that mineral. Rule 64 A of the Mineral Concession Rules (MCR), 1960 provides that if any amounts payable by the licensees 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

<sup>6</sup> Preliminary checks inter alia includes land is free from all encumbrances, no mining operation within 50 meters of public work, not to cut or injure trees in reserved forests, *etc.*

the said amount from the sixtieth day of the date fixed for payment of such dues. Further, as per Rule 45 of the MCR, 1960, if the lessee makes any default in payment of royalty, the lessor shall give notice to the lessee requiring him to pay the royalty within sixty days from the date of the receipt of the notice and if the royalty is not paid within such period, the lessor may cancel the lease.

The rate of royalty on limestone was ₹63 per MT up to October 2014 and ₹80 per MT thereafter. In addition, mineral cess is also payable at the rate of ₹20 per MT which was revised to ₹40 per MT from 7 April 2015 and to ₹60 per MT from 21 March 2016. The Department fixed the date for payment of royalty in respect of mining lease holders as shown in the following *Table 6.2*.

**Table 6.2 Due date for payment of royalty**

| <b>Extraction during half yearly ending</b> | <b>Due date for royalty payment</b> |
|---|-------------------------------------|
| 30 June                                     | 31 July                             |
| 31 December                                 | 31 January                          |

### **6.3.9 Compliance with mining Acts and Rules**

The mining administration is governed as per the provisions of Mines and Minerals (Development and Regulation) Act, 1957 (MMDR), Mineral Concession Rules, 1960 (MCR) and the Mineral Conservation and Development Rules, 1988 (MCDR).

#### **6.3.9.1 Operation of mines without approved scheme of mining**

Before carrying out mining operations in a leased area, the lessees are required to submit a perspective plan of five years indicating the manner and methodology of extraction of the mineral to be mined. The mining plan includes measures for pollution control, waste management, afforestation plan *etc.*, in addition to the forecasts of annual extraction.

Under Rule 11 of Mineral Conservation and Development Rules (MCDR), 2017<sup>7</sup>, no mining lease holder shall carry out mining operations except in accordance with the approved mining plan. Further, the mining plan would be subject to review and updation after every five years. The lessees have to submit mining plans to the competent authority, *i.e.* Indian Bureau of Mines, for review at least six months before the expiry of five years' period. Further, Rule 62 of the MCDR stipulates that whoever contravenes these rules, shall be punishable with imprisonment for a term which may extend up to two years, or with fine extending to five lakh rupees or with both, and in the case of continuing contravention with an additional fine, which may extend up to fifty thousand rupees for every day during which such contravention continues.

<sup>7</sup> Similar provisions existed in the MCDR, 1988 also. Refer to Rule 12(2), Rule 13(1) and Rule 58.

There were 19 mining leases for limestone in Meghalaya as on 31 March 2018. During audit, it was observed that three<sup>8</sup> lessees did not have approved mining plans for the period 2013-14 to 2017-18. Further, mining plans in respect of the three lessees<sup>9</sup> were approved with delays<sup>10</sup> (one to two years).

The six lessees continued to carry out mining without approved mining plans in violation of the MCDR. These lessees extracted 17.64 lakh MT of limestone during the years 2013-14 to 2017-18 for which no mining plan was approved (**Appendix VI**). The Mining Department was aware that these lessees extracted limestone without approved mining plans since the lessees submitted monthly returns on quantity of limestone extracted to the Department. However, no action was taken by the Department to enforce the provisions as stated in MCDR.

### **6.3.10 Duality of control on collection of royalty on limestone**

Limestone is listed as a Second Schedule mineral in the MMDR Act, 1957 and the rate of royalty is fixed by the Central Government. In Meghalaya, limestone was listed as a minor forest produce and was regulated as per the Assam Forest Regulation Act, 1891 (as adopted by Government of Meghalaya). Therefore, royalty on limestone was collected by both Forest Department and Mining Department. The Forest Department collects royalty on limestone extracted from forest areas, whereas the Mining Department collects royalty on limestone from non-forest (leased) areas. Additionally, the Mining Department realised mineral concession cess on limestone under the provisions of the Meghalaya Mineral Cess Act.

After the amendment of MMDR Act (September 2015), limestone was included in the list of notified minerals. Subsequently, the Meghalaya Minor Mineral Concession Rules, 2016 (MMMCR) were framed under Section 15 of the MMDR Act. It further defined limestone as minor mineral based on its consumption in industries other than cement industry. Further, subsequent to the enactment of Meghalaya Minor Mineral Concession Rules (September 2016), the limestone extraction from non-leased areas was stopped, hence classification of leased and non-leased areas was voided. However, the power to grant lease for limestone mining with end-use of limestone in industries other than cement industry was entrusted to Forest Department and for end-use in cement industry to Mining Department. Thus, system of dual administration on collection of royalty on limestone was continuing. This peculiar situation had resulted in avenues for limestone being extracted without detection, thus causing loss of revenue to the State as explained in the succeeding paragraphs.

<sup>8</sup> (i) M/s Meghalaya Cement (ii) M/s Komorrah Limestone Mining (iii) M/s Mawmluh Cherra Cement.

<sup>9</sup> (i) M/s Hill Cement Co. Ltd, (ii) M/s Adhunik Cement Ltd, (Umsoo Mootang Limestone Mine, Thangskai, Block-I), (iii) M/s Adhunik Cement Ltd, (Umsoo Mootang Limestone Mine, Thangskai, Block-II).

<sup>10</sup> Mining plan was not approved with retrospective effect. IBM approved the mining plan for the remaining period out of the five years' plan.

**6.3.10.1 Non-collection of royalty on limestone extracted from leased areas**

During audit, DMR records showed that five out of 12 mining lease holders<sup>11</sup> extracted 24.46 lakh MT of limestone from their respective mining lease areas between April 2013 and March 2018 on which royalty of ₹18.61 crore and cess of ₹10.31 crore was payable. However, the Department failed to collect the due royalty amount. All these five lessees had cement plants in the State and they continued to carry out their operations.

The DMR stated in the exit conference (December 2018) that demand notices had been issued to the five cement companies for clearing their dues. However, status of recovery was not intimated to Audit. Despite non-payment/delay in payment of outstanding arrears, no further action was taken by the DMO/DMR to invoke the provisions of the MMDR Act and cancel the leases of the defaulting cement companies.

Thus, 24.46 lakh MT of limestone was extracted from the leased area without payment of royalty and cess. This resulted in arrears of collection of royalty and cess amounting to ₹28.92 crore. Additionally, the lessees were liable to pay interest on royalty amounting to ₹8.33 crore<sup>12</sup> (*Appendix VII*).

During the exit conference (December 2018), the Commissioner & Secretary stated that steps would be taken to realise the arrears from the cement companies. The status of recovery of arrears had not been intimated (June 2019).

**6.3.10.2 Non-collection of royalty on limestone purchased from local suppliers**

Audit scrutiny of records of Director of Mineral Resources, Shillong, revealed that four out of 12 cement companies<sup>13</sup> disclosed purchase of 15.21 lakh MT of limestone from local suppliers during the period from September 2015 to March 2018. The DMR records showed that royalty on these local purchases had been paid to the Forest Department as reported by the cement companies. However, it was noticed from the records available with the Divisional Forest Officer (DFO) (Territorial), Jowai that no such royalty had been paid by the cement companies to the Forest Department. The DFO had issued demand notices in February 2016 to four cement companies for payment of royalty on limestone purchased from local suppliers up to the month of August 2015. The DFO did not maintain any records of the quantity of limestone consumed by cement companies and also failed to realise any royalty from the cement companies. During discussion of the Performance Audit<sup>14</sup> of Forest Department, the Forest Department stated (November 2017), that after the amendment to MMDR Act (September 2015), the limestone consumed by cement companies would be

<sup>11</sup> M/s JUD Cement, M/s Hills Cement, M/s Meghalaya Minerals and Mines, M/s Komorrah Mining and M/s Mawmluh Cherra Cement

<sup>12</sup> Interest calculated upto 31.08.18.

<sup>13</sup> M/s Amrit Cement, M/s Green Valley Cement, M/s Star Cement and M/s Adhunik Cement

<sup>14</sup> CAG Audit Report for the State of Meghalaya (Revenue Sector) for the year 2016-17

considered to be a major mineral and such royalty would have to be collected by the Mining Department.

Thus, on account of overlapping administrative control of collection of royalty on limestone, the cement companies managed to evade payment of royalty amounting to ₹12.17 crore. Additionally, an interest of ₹4.92 crore was leviable due to the delay in payment (*Appendix VIII*).

### **6.3.11 Cess on limestone**

Forest and Mining Departments realise royalty from transporters and issue MTCs (as proof of payment of royalty). Besides, the Mining Department issues Mineral Cess Challans as proof of payment of cess. These challans are then verified at check-gates and penalty/additional royalty/cess is realised subject to non-production of challans or excess carriage of limestone. Both the departments were required to set up check-gates at exit points in the State in order to ensure collection of royalty and cess on mineral being exported out of the State. Forest check-gates monitor movement of limestone trucks supported by valid transit passes<sup>15</sup>, whereas the Mining check-gates check if the trucks are accompanied with Mineral Cess Challans as proof of payment of cess. Similarly, the Customs Department has Land Customs Stations (LCSs) at the international border to check the movement of goods to and from Bangladesh.

#### **6.3.11.1 Short collection of Mineral Cess on limestone**

Audit observed that the Mining Department did not have check-gates at four exit points<sup>16</sup> at India-Bangladesh border. Out of these, Bholaganj is a major transit route for limestone trade with Bangladesh. Forest Department had three<sup>17</sup> check-gates on the routes leading to LCS at Bholaganj. During the period between 2013-14 and 2017-18, these forest check-gates reported that 15.80 lakh MT limestone valued ₹94.80 crore<sup>18</sup> was exported to Bangladesh through Bholaganj LCS. Thus, due to absence of Mining check-gate at Bholaganj, collection of mineral cess of ₹7.95 crore was doubtful (*Appendix IX*).

Further, there was serious under-reporting of quantity of limestone being exported by Mining check-gates. Mining check-gate at Dawki reported export of 7.65 lakh MT limestone during 2013-14 to 2017-18. However, the Forest check-gate<sup>19</sup> on the same route reported movement of 18.51 lakh MT limestone. Similarly, Forest check-gates<sup>20</sup> leading to Borsora LCS reported export of 3.65 lakh MT of limestone. The Mining check-gate at Borsora showed no limestone export during the same period. Both the check-gates failed to record actual quantity of limestone transported from these

<sup>15</sup> Transit Passes are issued by DFO to transporters on payment of royalty.

<sup>16</sup> Bholaganj, Shella bazar, Baghmara and Mahendraganj

<sup>17</sup> Majai-Bhloaganj, Mawlong – Ichamati and Shella

<sup>18</sup> Sale value of limestone was decided \$10 per MT by Forest Department, Thus, average value ₹ 600 per MT limestone was considered for calculating value of the limestone.

<sup>19</sup> Dawki

<sup>20</sup> Cherra-Mawsynram and Bagli

check-gates. Thus, there was short collection of mineral cess amounting to ₹7.64 crore by these Mining check-gates (**Appendix IX**).

Audit further observed that Forest check-gates also under-reported the extent of exported limestone. The LCSs at Dawki, Borsora and Bholaganj reported export of 65.66 lakh MT limestone between 2013-14 and 2017-18. The corresponding six<sup>21</sup> forest check-gates, showed export of 37.96 lakh MT only during the same period. Thus 27.70 lakh MT of limestone valuing ₹166.21 crore was under-reported by the six forest check-gates. This under-reporting by Forest check-gates has revenue implication of ₹19.70 crore in form of royalty for Forest Department and ₹6.52 crore as mineral cess for Mining Department (**Appendix X**).

**Recommendation:** *The State Government should strengthen the system of recording of minerals transported through these check-gates and should fix responsibility on the erring officials for the revenue leakage. System should be in place for periodic reconciliation of figures of transport permits issued and validated at both Forest and Mining check-gates after ascertaining the reported figures of LCSs.*

#### **6.3.11.2 Non-payment of cess on limestone purchased by cement companies**

During the period from April 2013 to March 2018, four cement companies<sup>22</sup> purchased 44.84 lakh MT of limestone from local suppliers, on which mineral cess of ₹15.33 crore was payable. However, the cement companies did not pay the due cess and the Department also failed to collect the same although the monthly returns on utilisation of limestone were available with the Department (**Appendix XI**).

The Department issued demand notices (December 2014, July 2015, August 2017 and June 2018) to the cement companies for payment of cess. However, the demand notices evoked no response from the cement companies and the cess remained unrealised (June 2019).

Despite non-payment of cess and not responding to the demand notices by the cement companies no further action in accordance with MMDR Act was initiated by the Department.

**Recommendation:** *The Mining Department should take stringent action against the cement companies for non-payment of arrears in accordance with MMDR Act.*

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<sup>21</sup> Majai-Bhloaganj, Mawlong – Ichamatim, Shella, Dawki, Cherra-Mawsynram and Bagli

<sup>22</sup> M/s Amrit Cement, M/s Green Valley Cement, M/s Star Cement and M/s Hill Cement

### **6.3.12 Mining activities allowed without mandatory environmental clearances**

For carrying out mining operations in leased areas, the following environmental clearances are mandatory:

1. Environmental Clearance (as per the provisions of the Environment Protection Act, 1986) from the Ministry of Environment and Forests, (MoEF) Government of India (GoI).
2. Forest Clearance (as per the provisions of the Forest Conservation Act, 1980) from the MoEF, GoI.
3. Wildlife Clearance (as per the provisions of Wildlife Protection Act, 1972) from the MoEF, GoI.
4. No Objection Certificate (NOC) from the State Pollution Control Board along with Consent to Operate which has to be renewed every year from the respective Board.

Further, under section 19 of the MMDR Act, any mining lease granted, renewed or acquired in contravention of the provisions of the Act or any rules or orders made thereunder shall be void and of no effect.

If the lessee fails to get these clearances, the mining lease is required to be cancelled. Audit noticed that the mining lease holders continued to operate their mining leases without obtaining the mandatory clearances (*Appendix XII*), however the Mining Department did not take any action to either direct the lessees to obtain the clearances or cancel the leases thus allowing the lessees to carry out limestone mining which was also violation of Meghalaya High Court judgement.

DMR records in respect of all 19 limestone lessees in Meghalaya showed the following:

- 14 lessees did not obtain Environmental Clearances, reasons for which was not stated by the lessees
- 15 lessees did not obtain Forest Clearances.
- 19 lessees did not obtain Wildlife Clearances. One lessee had applied for it, but had not been granted clearance (August 2018).
- All the lessees had received NOCs from the Meghalaya Pollution Control Board. However, in respect of 15 lessees, the NOCs expired on various dates between May 2013 and August 2018 and the same had not been renewed.

Thus, the Department without verifying the mandatory environmental clearances permitted lessees to continue limestone mining in violation of the Acts.

***Recommendation: The Mining Department should direct the lessees to obtain mandatory environment clearance from the authorities concerned to continue mining operation in the State.***

**6.3.13 Reclamation Fund on limestone consumed by cement companies not collected**

The High Court of Meghalaya in its judgement dated 30 June 2015 held that mining of coal and limestone in the State had caused environmental damage and regulation of mining activities by the State was essential to safeguard the environment and ecological balance. The court prohibited all mining activities in the State without obtaining necessary clearance and instructed to create a fund for reclamation in the interest of sustainable development. In compliance, the State Government notified Meghalaya Minor Mineral Reclamation Fund (MMMRF) in December 2015. The amount to be credited in the MMMRF would be 10 *per cent* of the sale proceeds<sup>23</sup>. Collection of money for MMMRF was to be done at the time of collection of royalty by the DFO.

In Meghalaya, 12 cement companies have leases for limestone mining in place. They operate on limestone extracted from leased areas. In addition to this, they procure limestone from the local suppliers also. Three<sup>24</sup> cement companies do not have any leases for limestone mining. They are entirely dependent on local procurement for their operations. Two<sup>25</sup> such companies submitted (May 2017 and July 2017) that they had encountered limestone stocks during the site development for cement plants. The Mining Department allowed the companies (July 2017 and May 2018) to utilize this limestone (25.93 lakh MT) on payment of royalty<sup>26</sup> with a further instruction not to carry on such mining in future without obtaining concurrence. No demand for contributory amount for DMF for such consumption was found on record.

The Forest Department was not collecting royalty as per High Court order of June 2015 (and thus MMMRF also) on the local purchases of limestone by cement companies, as limestone was not a minor mineral under MMCR, 2016 based on its end consumption. The cement companies did not pay any royalty on limestone purchased from local suppliers (*Paragraph 6.3.10.2*) to Forest Department and hence had not paid contribution towards MMMRF. At the same time, the Mining Department was not collecting contributory amount for DMF, as such limestone had not been extracted from leased areas. Thus, in addition to delay in collection of royalty and DMF, the mandated contribution for reclamation activities was not being collected (Refer *Paragraph 5.7*).

Thus, in absence of a proper mechanism for periodic exchange of information between the two departments, the local suppliers/companies continued to evade royalty on limestone by disclosing different information to the departments. Lack of sharing of information between the Forest and Mining departments provided scope for the loss of revenue and demand accountability in such a scenario.

<sup>23</sup> Sale value for limestone was decided \$10 per MT by Forest Department. Thus, the contribution to MMMRF was \$1 per MT (10 *per cent* of sale value).

<sup>24</sup> M/s Amrit Cement Ltd., M/s Goldstone Cement Ltd. And M/s Green Valley Industries Ltd.

<sup>25</sup> M/s Goldstone Cement Ltd. And M/s Green Valley Industries Ltd.

<sup>26</sup> Royalty has not been paid by the cement companies (August 2018).

**Recommendation:** The Mining Department and Forest Department should put in place necessary mechanism for ensuring periodical (quarterly) exchange of information of extracted quantity of minerals from their respective area of jurisdiction to avoid any scope of leakage of revenue. There should be co-ordination between the departments to ensure the realisation of contribution to MMMRF from cement companies and local limestone dealers.

## Part II: Coal Mining

### 6.3.14 Role of the Department in coal mining

As per the MMDR Act, no person shall undertake mining operations in any area except in accordance with the terms of a mining lease. Further, the MCR, 1960 *inter alia* stipulates that no mining lease shall be granted in respect of any mineral specified in the First Schedule to the Act *ibid* without the previous approval of the Government of India. Coal is listed in the First Schedule of the MMDR Act, 1957.

The Mining Department had not granted any license for coal mining to any miner in the State. Thus, the coal mining, that was prevalent in the State, was in violation of MMDR Act. Audit had pointed out this issue in the Report of the Comptroller and Auditor General of India (Revenue Sector), for the year 2012-13, Government of Meghalaya, however, the Department did not take any action to regulate coal mining in the State. The coal miners did not submit any mining plan detailing manner, methodology and quantity of extraction, measures for pollution control, waste management, afforestation plan *etc.* to the Department. The miners did not submit any environmental clearances from other government departments (Forest, Pollution Control Board *etc.*) to the Mining Department. However, illegal coal mining in Meghalaya was going on without any regulation though the Department is fully aware as they were collecting royalty and contribution to Meghalaya Environment Protection and Restoration Fund (MEPRF) on coal from the miners/traders and issuing Mineral Transport Challans for transportation of the illegally extracted coal.



Rat hole mining site at Dkiah village in East Jaintia Hills

The Mining Department in violation of the MMDR Act, collected royalty on coal, which was collected at the time of issuance of Mineral Transport Challans to facilitate coal transportation (primarily outside the State). The Department did not even maintain the list of coal miners illegally extracting coal

without any license in the State though, Mineral Transport Challans were issued to the transporters.

In absence of any regulation and lack of enforcement by the State Government, extraction of coal in Meghalaya continues to be done by primitive mining method, commonly known as rat hole mining or box cutting. In this method, the land is first cleared by cutting and removing the ground vegetation and then pits ranging from 5 to 100 sq.m are dug vertically into the ground to reach the coal seam. Thereafter, horizontal tunnels are made into the seam for extraction of coal, which is brought into the pit by using a conical basket or a wheel barrow. The shafts are so small that miners including women and children have to squeeze in and crawl on their knees to extract coal using small implements such as pickaxes. The coal is taken out of the pit and dumped on nearby un-mined area, from where it is carried to the larger dumping places near highways for its trade and transportation. Rat hole mining is extremely dangerous practice. There have been numerous reported cases of the shafts collapse and death of miners due to flooding.

The regulatory situation changed with the National Green Tribunal (NGT) order on 17 April 2014, wherein observing the serious environmental ramifications of unscientific mining practices, NGT banned the coal mining in the State. The NGT order directed the Mining Department to assist in assessment of already extracted coal before its order, maintain detailed inventory of such stock, to ensure collection of revenue on the already extracted coal and to regulate coal transportation through Mineral Transport Challans and to set-up check-gates in order to keep a check on illegal transportation. During 2013-14 to 2017-18 NGT permitted transportation of coal on seven occasions between 12 November 2014 to 15 April 2016. After last phase of transportation allowed by NGT the coal traders approached the Supreme Court for extension of further time for transportation of remaining assessed coal which could not be transported on or before 15 April 2016. The Supreme Court allowed transportation of extracted assessed coal on two occasions (between 1 October 2016 to 31 May 2018) during the audit coverage period.

Audit observations in regard to coal mining in the State have been discussed in the succeeding paragraphs.

#### **6.3.15 Implementation of NGT orders for coal mining**

National Green Tribunal (NGT) in its order (17 April 2014) in response to a Public Interest Litigation filed by All Dimasa Students Union observed that *rampant, illegal, unscientific and life-threatening mining activity, particularly Rat hole mining was going on in the State of Meghalaya, which was mostly unregulated, uncontrolled and unchecked. It had caused serious pollution of river and water bodies besides causing environmental degradation and environmental hazards having injurious impacts upon human health.* In view of the circumstances, the NGT directed that the rat hole mining and illegal mining had to be stopped in Meghalaya and the authorities should ensure that illegal transportation of coal should not take place. Accordingly, the State

Government issued notification on 9 May 2014 directing DMR to comply with the NGT order.

### 6.3.15.1 Assessment of coal extracted prior to NGT prohibition

The NGT constituted a committee (01 August 2014) to assess the quantity of coal extracted before its order dated 17 April 2014 and its location in order to allow its transportation. The District wise assessed quantity of coal by the NGT Committee against extracted quantity of coal declared by the miners was as per following Table 6.3.

**Table 6.3 District-wise details of assessment of coal stock**

(Quantity in lakh MT)

| District               | Number of persons | Declared quantity of coal | Quantity of coal assessed by the Committee | Excess quantity of coal declared | Variation <sup>27</sup> |
|------------------------|-------------------|---------------------------|--|----------------------------------|-------------------------|
| East Garo Hills        | 46                | 0.17                      | 0.11                                       | 0.06                             | 53                      |
| West Garo Hills        | 34                | 0.16                      | 0.16                                       | -                                | -                       |
| South Garo Hills       | 539               | 19.22                     | 16.99 <sup>28</sup>                        | 2.23                             | 13                      |
| East Khasi Hills       | 307               | 0.78                      | 0.28                                       | 0.50                             | 178                     |
| West Khasi Hills       | 2067              | 28.46                     | 17.21                                      | 11.25                            | 65                      |
| South West Khasi Hills | 1043              | 19.53                     | 18.77                                      | 0.76                             | 4                       |
| East Jaintia Hills     | 3141              | 63.10                     | 37.59                                      | 25.51                            | 68                      |
| West Jaintia Hills     | 254               | 3.14                      | 2.93                                       | 0.21                             | 7                       |
| <b>Total</b>           | <b>7431</b>       | <b>134.56</b>             | <b>94.04</b>                               | <b>40.52</b>                     |                         |

(Source: Compiled from Departmental records)

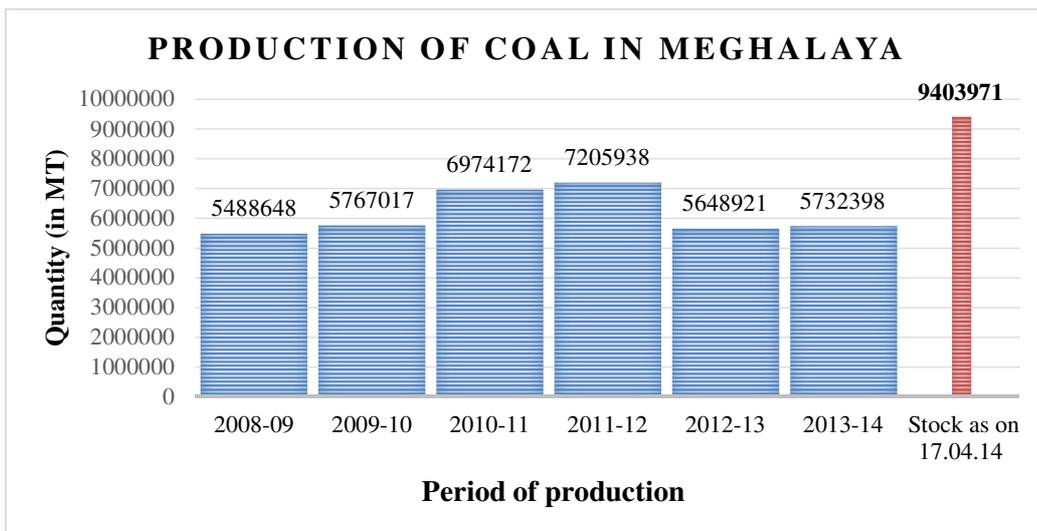
As per assessment of NGT Committee the total quantity of coal extracted and lying on the surface was 94.04 lakh MT as on 17 April 2014. In almost all the districts, there was stark difference between declared quantity by miners and assessed quantity. Total excess declaration stood at 40.52 lakh MT (declared quantity of 134.56 lakh MT minus assessed quantity of 94.04 lakh MT).

The year-wise coal production in Meghalaya and the stock available as on 17 April 2014 as assessed had been shown in Chart 6.1.

<sup>27</sup> In terms of *per cent* of assessed quantity

<sup>28</sup> NGT allowed assessment (18 January 2018) of 6.91 lakh MT coal in one case from South Garo Hills (SGH) against declared quantity of 6.44 lakh MT of coal which was extracted prior to the prohibition as assessment could not be completed due to adverse weather conditions earlier.

**Chart 6.1 Year-wise production of coal in Meghalaya**



(Source: Compilation of information furnished by the Directorate)

From the above chart it revealed that the annual coal production in Meghalaya had been around 50-70 lakh MT during the six years preceding the NGT prohibitory orders based on the Mineral Transport Challans issued by the Department. In view of the last six years' trend of coal production in Meghalaya, the coal stock of 94.04 lakh MT as on a particular date was on higher side. Thus, during the intervening period of NGT ban (April 2014) and completion of assessment of already extracted coal (January 2015) there was illegal mining of coal in the State.

The issue was discussed with the Department in the Exit meeting (December 2018). The Department had no comments to offer to the audit observation.

#### **6.3.15.2 Collection of royalty on over-declaration of coal stock**

During the assessment (September-October 2014) of available extracted coal as on date of ban on coal mining (17 April 2014) by NGT Committee against the declarations made by the miners, it was found that a large number of coal owners had made false declarations without having any commensurate coal stock. Some mine owners grossly over-declared their stock. In respect of excess declaration of the coal extracted than available, the NGT observed (September 2014) that *“these can only be attributed to malafide intent to mine coal despite the interim ban or illegal disposal of the coal after the declaration but before the assessment. These cases need to be examined and penalized.”* In order to penalize the over-declaration, the NGT ordered (7 October 2014) that royalty would be payable on the quantity assessed/ declared, whichever was higher. The transport permits against this, however, would be restricted to the assessed quantity only. The collection of royalty had to be done in district-wise manner. The Supreme Court while allowing transportation of coal between October 2016 to May 2017 directed that no fresh extraction of coal should take place in Meghalaya.

Audit analysis of the departmental records revealed that 3670 miners out of 7431 miners, have reported more stock than that was available with them. Also, no stock was found in the course of the inspection by NGT Committee (August-September 2014) in respect of 1790 miners out of 7431 miners which corresponded to total declared coal quantity of 36.10 lakh MT. The district wise break-up of over-declarations is given in *Table 6.4*.

**Table 6.4 Details of declaration of excess coal stock**

(Quantity in MT)

| District               | Miners who over-declared coal |                   |                        |                              | Miners who declared coal but assessed 'Nil' |                |
|------------------------|-------------------------------|-------------------|------------------------|------------------------------|---|----------------|
|                        | Number of Miners              | Assessed Quantity | Over-declared Quantity | per cent of over-declaration | Number of miners                            | Quantity       |
| East Garo Hills        | 31                            | 7380              | 6200                   | 84                           | --  | --             |
| West Garo Hills        | 3                             | 7195              | 173                    | 2                            | --  | --             |
| South Garo Hills       | 69                            | 145095            | 294011                 | 203                          | --  | --             |
| East Khasi Hills       | 124                           | 15610             | 57083                  | 366                          | 4   | 500            |
| West Khasi Hills       | 1333                          | 1244152           | 1241725                | 100                          | 273   | 786717         |
| South West Khasi Hills | 446                           | 670937            | 376718                 | 56                           | 169   | 200885         |
| East Jaintia Hills     | 1496                          | 988297            | 2627315                | 266                          | 1300  | 2598593        |
| West Jaintia Hills     | 168                           | 158291            | 44788                  | 28                           | 44  | 23054          |
| <b>Total</b>           | <b>3670</b>                   | <b>3236957</b>    | <b>4648013</b>         | <b>144</b>                   | <b>1790</b>                                 | <b>3609749</b> |

(Source: Compiled from Departmental records)

The Department was to allow transportation of coal stock of 94.04 lakh MT (assessed quantity) and collect royalty<sup>29</sup> on 140.52 lakh MT (assessed *plus* over-declared) of coal. The transported quantity had to be limited to the extent of royalty paid on any given date (within the limit of assessed quantity). Transportation of coal was allowed in nine phases between November 2014 and May 2018.

In this regard, Audit observed the following:

- The Department did not maintain a proper database about declared quantity, assessed quantity and royalty payable by individual miners. The Department stated that they issued Mineral Transport Challans to the miners and collected royalty against the challans, which were recorded in the miners' records as kept by DMR. No calculation about leftover stock was done.
- In respect of those miners who had declared excess quantity, the Department did not ensure that royalty had been collected on over-declared quantity before the MTCs were issued to them limited to the quantity assessed. No separate data in this regard was produced to Audit. The miners were allowed to transport the assessed quantity without collecting royalty due on excess

<sup>29</sup> Royalty is leviable at the rate of ₹675 per MT.

declaration. In East Garo Hills district only, the Department collected royalty on 1805 MT over-declared coal. Royalty amounting to ₹313.75 crore and Meghalaya Environment Protection and Restoration Fund (MEPRF) of ₹225.43 crore on 46.48 lakh<sup>30</sup> MT of such excess declaration of coal stock was realizable.

- In cases, where 'Nil' stock was assessed, no transportation was to be permitted, however, the royalty on declaration was to be realized from the miners. 1790 miners made false declaration of coal stock totaling 36.10 lakh MT. The royalty of ₹243.67 crore and MEPRF of ₹175.09 crore was to be collected on 36.10 lakh MT<sup>31</sup> of coal. This information was available with the Department since 12 January 2015. The status of royalty collection on *nil* assessed stock or the departmental efforts in this regard were not found on record.

The Department could not produce to Audit the quantity of already assessed coal left in the State after the latest window of transportation allowed by the Supreme Court (till May 2018). As per the affidavit filed on behalf of State of Meghalaya in Supreme Court (21 March 2018), the Government reported that approximately 4.87 lakh MT assessed coal was lying in Meghalaya as on 6 March 2018, out of which 4.67 lakh MT<sup>32</sup> corresponded to South Garo Hills district. It appears that all except one<sup>33</sup> district had almost exhausted their stock (May 2018). Since majority of miners had already transported the permitted assessed quantity of coal, the likelihood of collecting the remaining royalty of ₹313.75 crore on over-declared quantity of coal was quite doubtful. Thus, the Government failed to establish a robust mechanism to collect royalty on over declared quantity of coal in compliance of NGT order and this resulted in revenue loss of ₹313.75 crore.

#### **6.3.15.3 Unauthorised re-assessment of coal stock**

Assessment of coal extracted prior to the NGT orders (17 April 2014) was completed by 12 January 2015. The NGT later allowed (18 January 2018) for re-assessment of coal stock of South Garo Hills. Accordingly, 6.91 lakh MT of coal stock was assessed by the NGT Committee in the district report of South Garo Hills.

Audit observed that the Additional DC, East Jaintia Hills district carried out re-assessment in respect of two persons<sup>34</sup> from East Jaintia Hills (19 January 2018) and certified that 54.50 thousand MT coal was available against their originally assessed nil stock. The reason stated in the certificate in both the cases was “*during assessment the said depot was not located as it was situated a little further away from the main road, bad weather conditions and no signal received by the GPS.*”

<sup>30</sup> Royalty ₹675x46.48 lakh MT=₹ 313.75 crore, MEPRF=₹485x 46.48 lakh MT=₹225.43 crore.

<sup>31</sup> Royalty ₹675x36.10 lakh MT=₹ 243.67 crore, MEPRF=₹485x 36.10 lakh MT=₹175.09 crore

<sup>32</sup> This 4.67 lakh MT coal was left out of freshly assessed quantity of 6.91 lakh MT (against declaration of 6.44 lakh MT) as per NGT order (18 January 2018). Refer *Paragraph 6.3.18*

<sup>33</sup> South Garo Hills

<sup>34</sup> Shri Tuifill Shadap (30300 MT) and Shri Bison Shylla (24200 MT)

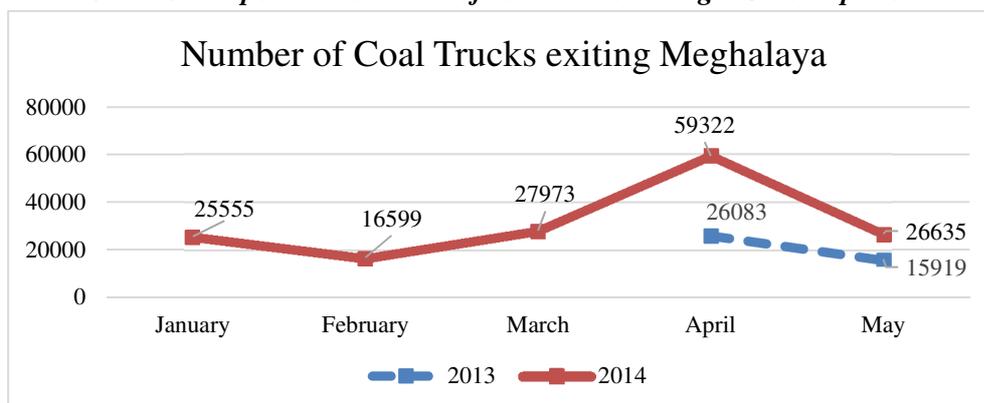
Based on the re-assessment, Under Secretary, Mining Department asked DMR (16 May 2018) to issue Mineral Transport Challans to the persons to enable them to transport 54.50 thousand MT on realization of royalty of ₹3.68 crore and MEPRF of ₹2.64 crore<sup>35</sup>. Accordingly, the unauthorized re-assessed coal was allowed to be transported by the Department.

Thus, the process of re-assessment and the Department's instructions thereof, without explicit permission from the NGT were irregular. Further, the fact that the said stock could not be assessed during the original assessment did not find mention in the records available with the DMR, produced to Audit. Supreme Court and NGT both in their various orders had categorically stated that the transportation of the assessed coal stock had to be allowed in strict compliance with the stated guidelines and no fresh mining had to be allowed in any case. Department's sanction for re-assessment, after more than four years of ban on coal mining, at a time when almost entire assessed coal stock as per department's own submission had been allowed to be transported, would grant opportunity to legitimize transportation of illegally extracted coal.

#### 6.3.15.4 *Unauthorised transportation of coal stock due to delay in notifying NGT Order*

The NGT in its order dated 17 April 2014 declared rat hole mining as an illegal activity in the State and directed the State Government to ensure that such mining was stopped with immediate effect and no transport of coal should be allowed. The State Government issued the notification directing the DMR officials to comply with the NGT order on 9 May 2014. Subsequently, the DMR issued a public notice on 13 May 2014 asking the miners to surrender the MTCs. However, Audit noticed that transportation of illegally extracted coal was going on even after issue of the Government notification. The comparative chart of the movement of coal trucks during the April–May 2014 and April–May 2013 is shown in the chart below:

*Chart 6.2 Reported movement of coal trucks during NGT ban period*



Audit observed that all the six<sup>36</sup> DMR check-gates situated at exit points of the State reported movement of 26635 coal trucks exiting the State during the month of

<sup>35</sup> Royalty at the rate of ₹675/MT and MEPRF at ₹485/MT.

<sup>36</sup> Ratacherra, Dawki, Garampani, Umling, Athiabari and Dainadubi.

May 2014<sup>37</sup> as against the movement of 15919 coal trucks during the same month of the previous year when there was no ban on transportation of coal. Thus, due to delay in issuing of notification and its timely communication to the field offices illegal transportation of coal increased by 67 per cent in May 2014 only as compared to the same month of the previous year. Thus, at least 2.4 lakh MT coal<sup>38</sup> valued ₹ 116.26 crore was transported out of Meghalaya in violation of NGT orders.

The officer-in-charge of the mining check-gate at Dainadubi in Garo Hills stated (September 2016) that the check-gate had received communication in this regard from the Government on 17 May 2014. The remaining five check-gates did not give any reasons for allowing transportation of coal during the ban period.

Thus, due to delay in issue of order and non-receipt of order in time by the mining check-gates at least 2.4 lakh MT of coal valued ₹116.26 crore<sup>39</sup> was unauthorisedly transported out of the State after NGT ban.

### **6.3.16 Transportation of Coal**

The Mining Department issues Mineral Transport Challans to facilitate coal transportation. Coal miners approach DMR/DMO for transporting of coal against their available stock. DMR/DMO issues MTCs in triplicate copies after collecting royalty and Meghalaya Environment Protection and Restoration Fund (MEPRF). Destination and the exit point of the State have to be mentioned in the MTC. One copy of the Mineral Transport Challan is retained with DMR/DMO.

The irregularities noticed by Audit are discussed in the succeeding paragraphs.

#### **6.3.16.1 Mineral Transport Challans issued in excess of assessed coal stock**

Transportation of assessed coal was allowed in nine phases between November 2014 and May 2018. Removal of assessed coal from the place of assessment was permitted only on the strength of Mineral Transport Challans issued by the Department, which was valid up to sixty days from the date of its issue. MTCs were issued on payment of royalty against their assessed coal stock. The coal trucks were issued MTCs for carrying 9 MT load only. The NGT, however later, allowed the Department to issue MTCs for 19 MT and 7 MT load capacity trucks also.

Audit noticed from the records<sup>40</sup> of the Department that a total of 11.31 lakh MTCs were issued by the Department during the period from November 2014 to May 2018 as per the details given in *Table 6.5*.

<sup>37</sup> Checkgate figures are available in month-wise manner. Figure for number of trucks passed during 17 April 2014 to 30 April 2014 was not available.

<sup>38</sup> Calculated at 9 MT load per truck as allowed 9MT x 26635 trucks = 239715 MT.

<sup>39</sup> Invoice price of coal was taken at ₹4850 per MT based on the royalty fixed by the Department *w.e.f.* 22 June 2012

<sup>40</sup> Based on the MTCs printed by the DMR and closing stock as on 31 May 2018.

Table 6.5 Details of MTCs issued

| Trucks capacity | MTCs issued    | Quantity of coal for which MTCs issued (in lakh MT) |
|-----------------|----------------|---|
| 19 MT           | 19886          | 3.78  |
| 9 MT            | 1107521        | 99.68   |
| 7 MT            | 3500           | 0.25  |
| <b>Total</b>    | <b>1130907</b> | <b>103.71</b>                                       |

These MTCs in turn, authorized transportation of 103.71 lakh MT of coal against the total assessed quantity of 94.04 lakh MT. Thus at least 9.67 lakh MT<sup>41</sup> of illegally extracted coal valued ₹469.00 crore was allowed to be transported by the Mining Department in violation of NGT ban.

Audit further noticed that royalty collection and issuance of MTCs were not done *district-wise*. The DMR in Shillong issued MTCs for South Garo Hills also. Similarly, both Tura and Williamnagar offices issued MTCs for South Garo Hills district.

During audit, it was observed that the Mining Department did not maintain a database of leftover stock of coal after the expiry of each transportation period<sup>42</sup>. No registers detailing the collection of royalty and the quantity allowed to be transported through MTCs could be shown to Audit. Further, the total royalty collected till 31 May 2018 was ₹681 crore, which corresponds to royalty on 100.89 lakh MT of coal. Thus, there was a discrepancy of royalty collection of at least ₹19.04 crore on 2.82 lakh MT of coal transported. The discrepancy between the figures for royalty collection and MTCs could not be explained to Audit. In view of non-availability of figures, Audit was not in a position to verify the actual quantity of coal stock, which had not yet been allowed to be transported as on 31 May 2018. Moreover, the Mining Department allowed unauthorised transportation of 9.67 lakh MT of illegally extracted unassessed coal valued ₹469.00 crore in violation of NGT orders. This indicated that there was lack of monitoring and control mechanism at the highest level of the Government. Also there was no control mechanism at the State and district level.

### 6.3.16.2 Unauthorised issuance of transport challans

As per the NGT orders, the MTCs for transportation of assessed coal stock had to be restricted to the assessed quantity only. The miners were also allowed to sell their assessed stock to others for transportation through filing an affidavit.

Sale/purchase of the existing stock of coal should be through affidavit presented to the Department. The Department should verify whether the supplier parties had the required stock in their possession to effect such transaction. After the transaction, necessary adjustments in the buyer's and seller's stock were needed to be carried out, against which MTCs would be issued.

<sup>41</sup> The left-over stock as submitted by the Department had not been taken into account.

<sup>42</sup> Transportation of coal was allowed in nine phases between November 2014 to May 2018

Audit observed that the record keeping in the Mining Department was poor. The Department did not maintain records miner-wise detailing the declared and assessed coal stock, royalty payable and paid, and the MTCs issued and the leftover stock position in real time.

Records available at DMR, Branch Office Tura revealed that four coal miners had declared the total coal stock of 1.73 lakh MT, however coal measuring 7628 MT only was found during inspection<sup>43</sup>. The same was recorded in the miners' records also. These miners transported a total of 6007 MT coal after paying due royalty. Thus, they had remaining coal stock of 1621 MT which could have been allowed to be transported. However, these four miners sold a total of 1.67 lakh MT coal stock to another miner through affidavit between October 2016 and March 2017. This was accepted by the Officer-in-charge, DMR Tura Branch and the buyer was issued 11935 MTCs against this purchased stock (May 2018), enabling him to transport 1.07 lakh MT<sup>44</sup> of coal. Details of the transactions are given in *Table 6.6*.

**Table 6.6 Details of transaction of sale in excess of available coal stock**

(Quantity in MT)

| Name of miner        | Declared Quantity | Assessed Quantity | Quantity Transported by self | Quantity Transferred to Jia M Sangma by affidavit | Number of MTCs issued to Jia M Sangma against the purchased stock |
|----------------------|-------------------|-------------------|------------------------------|---|---|
| Brijington M. Sangma | 78358             | 1913              | 1913                         | 76445   | 4530  |
| Westonsing Sangma    | 40000             | 4094              | 4094                         | 35906   | 3323  |
| Rajen Sangma         | 30000             | 960               | --                           | 30000   | 2304  |
| Sunil R. Marak       | 25000             | 661               | --                           | 25000   | 1778  |
| <b>Total</b>         | <b>173358</b>     | <b>7628</b>       | <b>6007</b>                  | <b>167351</b>                                     | <b>11935</b>  |

(Source: Compiled from Departmental records)

The Officer-in-charge did not follow due diligence in checking the coal stock position of the selling parties at the time of the transaction. Thus, due to failure of the Officer-in-charge four miners fraudulently sold 1.67 lakh MT of coal valued ₹81 crore which was not actually available with them as per the assessment made by the NGT Committee. The buyer also succeeded to transport 1.07 lakh MT of coal out of 1.67 lakh MT of coal purchased which was not actually existing at the times of assessment. Thus, lack of effectiveness of the official in charge of Tura DMR office legitimized the illegal transportation of 1.07 lakh MT of coal valued ₹51.90 crore (May 2018).

**Recommendation: The Mining Department should investigate the source of coal transported and initiate action against the persons concerned for submitting**

<sup>43</sup> Coal was declared by the four miners after NGT ban during August 2014. Inspection was carried out by the NGT Committee in September-October 2014.

<sup>44</sup> 11935 MTCs x 9 MT allowed per MTC= 107415 MT

*fraudulent affidavit. The Department should also fix responsibility on the officials responsible for such lapse.*

### **6.3.16.3      *Illegal mining and transportation of coal during NGT ban period***

During audit, it was observed that the district administration had noticed three cases of illegal mining and 847 cases of transportation of illegal extracted coal involving 24750 MT of coal after NGT prohibition (**Appendix XIII**). Out of 847 cases 716 cases belong to East Jaintia Hills and Ri-bhoi districts. In addition to these, police administration also reported<sup>45</sup> two cases of illegal coal mining in Laskein (September 2017) and Khloo Kynring (April 2018) in West Jaintia Hills. Audit noticed cases of illegal coal mining in the reserve forest areas in Garo Hills as reported by the Assistant Mines Royalty Inspector, Williamnagar, to the District Administration and Forest Department (June 2016). The Mining Department and District Administration officials<sup>46</sup>, during an inspection in Dipogre and Damal Asim area in West Garo Hills (April 2018) also reported on illegal mining operations at these two locations. There were several media reports detailing that illegal mining was continuing in the State.

Audit team during the field audit in East Jaintia Hills (July 2018) noticed huge coal stocks lying on the road side. After the latest transportation phase allowed by the Supreme Court which ended on 31 May 2018, there was only 20 thousand MT of coal stock left in the State<sup>47</sup>. At the request of Audit, officers from District Administration, Police and Mining Department<sup>48</sup> along with Audit jointly conducted joint physical inspection of three sites namely Rymbai road/village, Lad Sutnga area and Dkhieh village in East Jaintia Hills District (28 August 2018).

During the inspection, 12 mining sites were seen in Dkiah village, where coal mining appeared to be carried out. In each of these sites, extracted coal measuring between 10-20 thousand MT was lying dumped outside the coal mining pits. Labour camps, cranes, generators and diesel along with dumpers were also seen at these sites. In Rymbai road area, there were 20 coal depots with coal measuring approximately 1.50 lakh MT. These coal dumps were located in the vicinity of the main road. Heaps of coal, weighing around five lakh MT were lying dumped on both sides of the main road over a stretch of seven kms in Lad Sutnga area. Coal measuring approximately 5000 MT was found dumped in at least 12 locations in areas<sup>49</sup> adjacent to the National Highway from Jowai to Khliehriat. Photographs taken during the joint physical inspection are as follows:

<sup>45</sup> As reported by Police to the district administration.

<sup>46</sup> Geologist from Mining Department, West Garo Hills, Tura and Additional District Magistrate, Tura.

<sup>47</sup> State submitted in the Supreme Court (21 March 2018) that around 20000 MT coal is left to be transported in the State apart from South Garo Hills.

<sup>48</sup> Audit team was accompanied by District Mining Officer, Jowai, Deputy Superintendent of Police, Khliehriat and Extra Assistant Commissioner.

<sup>49</sup> Tuber Sohshrieh, 8<sup>th</sup> Mile, Iangklih and Bo Wokhu etc.



A mining site at Dkiah, Khliehriat. Powered crane can be seen indicating that fresh coal mining is taking place



Coal heaps at Tuber, East Jaintia Hills



Labourers unloading coal at dumping site for transportation in Rymbai

All line departments like Police, Forest, Transport, Mining and Taxation including District Administration, have intersecting and collective responsibility to enforce the ban on illegal mining. However, the Mining Department remains the main stakeholder of mining activities in the State. The fact that these huge coal dumps are located near the highways with the intention to be transported, only highlighted the ineffectiveness of the check-gates.

### 6.3.17 *Functioning of check-gates*

As per procedure, coal miners approach DMR/DMO for transporting coal against their available stock. DMR/DMO issues MTCs in triplicate copies after collecting royalty and Meghalaya Environment Protection and Restoration Fund (MEPRF). Destination and the exit point of the State have to be mentioned in the MTC. One copy of the MTC is retained with DMR/DMO.

Trucks carrying coal are required to produce the Mineral Transport Challans at the DMR check-gate, which after validation, retains one copy of the MTC. Transporters' copy of the Mineral Transport Challans is handed over back to the transporter after stamping it with vehicle details, its weight *etc.* as proof of passing through the check-gate.

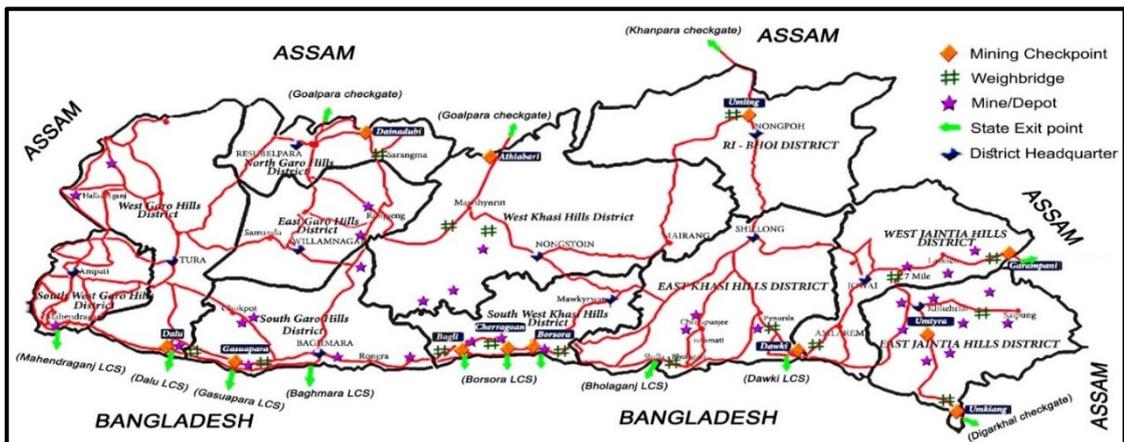
The State of Meghalaya is landlocked. Trucks carrying coal from Meghalaya are either intended for export to Bangladesh or have to pass through Assam. Mining Department has check-gates at exit points of the State to ensure that coal trucks are accompanied by proper documents validating payment of due royalty. Pursuant to the NGT order (07 October 2014), 13 integrated check-gates with personnel from Mining, Transport, Taxation, Police departments and District Administration were set-up. Also, the Transport Department notified 13 weighbridges on various dates between November 2014 and October 2015. Brief description of the duties of each line department has been stated in Table 6.7.

Table 6.7 Functional roles of line departments at integrated check-gates

| Line Department          | Function  |
|--------------------------|---|
| Mining Department        | <ul style="list-style-type: none"> <li>○ Check that each coal truck is accompanied by Mineral Transport Challans and MEPRF challans.</li> <li>○ Check the weighment slips issued by the weighbridge.</li> </ul>   |
| Transport Department     | <ul style="list-style-type: none"> <li>○ Set-up the weighbridges, issuance of weighment slips to detect overloaded goods laden vehicles.</li> <li>○ Realisation of appropriate penalty on overloading.</li> </ul> |
| Taxation Department      | <ul style="list-style-type: none"> <li>○ Check that each coal truck is accompanied with proper documents for VAT/GST payment (not required in case of export).</li> </ul>   |
| District Administration  | <ul style="list-style-type: none"> <li>○ Off-loading of excess coal detected after realisation of appropriate penalty.</li> </ul>   |
| Home (Police) Department | <ul style="list-style-type: none"> <li>○ Provide security to the line departments in effective discharge of duty.</li> </ul>  |

After exercising due checks that the trucks were accompanied with proper documents and ensuring that they are not carrying coal beyond permissible limit, the integrated check-gates were authorised to allow the trucks to exit the State.

Fig 6.1 Location of Mining check-gates and Transport weighbridges in Meghalaya



To examine compliance of the NGT order, Audit approached the Commissioner of Taxes, Assam, Commissioner of Transport, Assam and Deputy Commissioner, Shillong Customs Division, Government of India to ascertain the number of trucks

carrying coal from Meghalaya passing through Assam or to Bangladesh. The audit observations are discussed in Paragraphs 6.3.17.1 to 6.3.17.4.

#### **6.3.17.1 Transportation of excess quantity of coal not detected**

Prior to NGT's prohibitory orders (17 April 2014), if the trucks were caught carrying load in excess of the permissible limit<sup>50</sup>, the officials posted at the mining check-gates were required to collect penalty in addition to the royalty due on the excess load. After NGT orders, the check-gates were directed that in case any truck carrying excess coal beyond the permissible load was detected, penal action (penalty for overloading under Section 194 of the Motor Vehicle Act was a minimum fine of ₹2000 and additional fine of ₹1000 per MT for excess load) had to be initiated against the defaulters and the excess quantity off-loaded so that no overloaded truck could pass through the check-gate.

Scrutiny of records of Transport Department, Assam for the year 2017-18 disclosed that the officials of two<sup>51</sup> Assam Transport check-gates detected 3913 overloaded coal trucks exiting from Meghalaya with a total excess load of 25.37 thousand MT (averaged about 6.50 MT overload per truck). The Transport Department, Assam collected fine from overloaded coal trucks amounting to ₹3.31 crore.

Further, after receiving complaints from the residents and media reports about overloaded coal trucks coming from Meghalaya, the Deputy Commissioner, Cachar District<sup>52</sup>, Assam constituted an inspection team (18 January 2018). During the period from 22 January 2018 to 21 March 2018 (59 days), the inspection team detected 1373 overloaded coal trucks exiting from Meghalaya with total load of 35.60 thousand MT, with average excess load of 17 MT per truck (total excess load – 23.25 thousand MT). The team collected penalty of ₹3.83 crore for overloading.

The Commissioner of Transport of Assam on three separate occasions (13, 14 and 15 March 2018) requested the DMR, Meghalaya to convene a joint meeting for checking overloaded trucks originating from Meghalaya. However, no action was taken by the DMR against the request of the Commissioner of Transport, Assam.

Thus, at least 48.62 thousand MT excess coal was transported from Meghalaya to Assam during the year 2017-18. Since this excess load was not detected and reported at Meghalaya check-gates, it could not be accounted against the inventory of the coal owners as per NGT order. As a result, it led to revenue loss of at least ₹5.64 crore<sup>53</sup> in the form of royalty and Meghalaya Environment Protection and Restoration Fund (MEPRF). Also, the inadequate functioning of check-gates allowed illegal extraction/transportation of at least 48.62 thousand MT of coal valued at ₹23.58 crore in one year.

<sup>50</sup> 9 MT per truck as per notification of the Transport Department

<sup>51</sup> Khanpara, and Goalpara

<sup>52</sup> Cachar District in Assam borders Meghalaya. Coal trucks from Jaintia Hills District, Meghalaya exit to Assam through Cachar District.

<sup>53</sup> Royalty of ₹3.28 crore and MEPRF of ₹2.36 crore.

**Recommendation:** The Government should take strict action against check-gates' officials responsible for under-reporting of quantity of coal transported. Government should also take action against the DMR, Meghalaya, who failed to take action on the tips given by the Commissioner of Transport, Assam, about overloading of trucks.

### 6.3.17.2 Under-reporting of movement of coal trucks

Cross-verification of the records of Mining check-gates in Meghalaya with that of the Land Customs Stations<sup>54</sup> situated at Meghalaya–Bangladesh border revealed that there was an alarming trend of under-reporting of the number of trucks by the DMR check-gates. The check-gate-wise reported number of coal trucks is given in Table 6.8.

Table 6.8 Reported movement of coal trucks post NGT orders (November 2014-May 2018)

| Land Custom Station | Reported number of trucks by LCS | Corresponding DMR check-gates in Meghalaya | Reported number of trucks by DMR | Under-reporting of trucks at DMR check-gates | Under-reporting of coal in MT at DMR check-gates | Extent of under-reporting by DMR check-gates | Revenue loss <sup>55</sup> (₹ in crore) |
|---------------------|----------------------------------|--|----------------------------------|--|--|--|---|
| Borsora             | 197806                           | Borsora, Cherragaon, Bagli                 | 193246                           | 4560   | 41040  | 2.31%  | 4.76                                    |
| Dawki               | 47248                            | Dawki                                      | 16379                            | 30869  | 277821   | 65.33%                                       | 32.23                                   |
| Dalu                | 2391                             | Dalu                                       | 1419                             | 972  | 8748   | 40.65%                                       | 1.01                                    |
| Gasuapara           | 87989                            | Gasuapara                                  | 21653                            | 66336  | 597024   | 75.39%                                       | 69.25                                   |
| <b>Total</b>        | <b>335434</b>                    |  | <b>232697</b>                    | <b>102737</b>                                | <b>924633</b>                                    | <b>30.63%</b>                                | <b>107.25</b>                           |

(Source: Compiled from information given by Mining and Customs Department)

It is evident from the above Table 6.8 that due to failure of the Department over the control of the functioning of the Mining check-gates resulted in under-reporting the movement of coal trucks. Subsequent to NGT orders (12 November 2014) allowing transportation of coal, at least 102737 coal trucks passed through the Mining check-gates up to May 2018, which were not accounted for. In respect of Dawki and Gasuapara DMR check-gates, the extent of under-reporting was 65 per cent and 75 per cent respectively. This level of under reporting cannot happen without connivance of check-gate officials. Without provisioning for any overloading, inefficiency of Mining check-gates in enforcing the NGT orders allowed transportation of at least 9.25 lakh MT coal<sup>56</sup>, valuing ₹448.63 crore, source of which could not be ascertained. Due to the failure of the Department to check transportation

<sup>54</sup> Land Custom Stations are international check-gates manned by officials from Customs Department, Government of India.

<sup>55</sup> Calculated at the rate 1160 per MT (royalty – 675 per MT and MEPRF 485 per MT)

<sup>56</sup> 102737 trucks x 9 MT per truck = 924633 MT

of un-accounted coal through check-gates, the State Government suffered revenue loss of ₹107.25 crore (royalty - ₹62.41 crore and MEPRF - ₹44.84 crore).

As discussed in the *Paragraph 6.3.17.1* due to strict enforcement by District Administration in Cachar District, Assam (22 January 2018 – 21 March 2018), 1373 overloaded coal trucks exiting from Meghalaya were fined. Audit observed that during the same period (59 days), the corresponding Mining checkgate at the exit point of Meghalaya (Umkiang/ Rattacherra) registered movement of total 17 coal trucks and no cases of overloading was reported by the checkgate. Thus, under-reporting of at least 12.20 thousand MT coal<sup>57</sup> valued ₹5.92 crore by the Mining check-gates resulted in loss of royalty ₹82.38 lakh and MEPRF of ₹59.19 lakh.

The extent of under-reporting by Mining check-gates was more serious before NGT orders. During the period from April 2013 to November 2014, the four LCSs reported that a total of 2.60 lakh number of coal trucks, against which the corresponding six Mining check-gates reported 26.06 thousand coal trucks (10 per cent) i.e., a huge 90 per cent under reporting. This adds to the under-reporting of 2.34 lakh number of coal trucks transporting 21.08 lakh MT coal valued at ₹1022.38 crore having a royalty implication amounting to ₹177.88 crore<sup>58</sup>.

During exit conference (December 2018), the Commissioner & Secretary, Mining Department avoided comments on under-reporting by the check-gates and merely stated that the matter would be looked into.

***Recommendation: The Mining Department should obtain periodical information from Land Customs stations to minimize the instances of under-reporting by the check-gates. The Government should take strict action against check-gates' officials responsible for under-reporting of quantity of coal transported. There should be quarterly meeting of the officials of Custom Department to discuss these issues, supported with requisite data of both sides. Reporting mechanism should also be introduced and details shared to guard against under-reporting.***

### **6.3.17.3 Absence of DMR check-gates at the Indo-Bangla border**

As per the guidelines issued by NGT (September 2014), all coal laden trucks have to pass through the designated exit point manned by DMR staff to ensure that there is no unauthorised transportation of coal from the State. Audit observed that the Mining Department did not have check-gates at four exit points<sup>59</sup> at India-Bangladesh border. The records of LCS at these locations showed that 7465 coal trucks carrying 47.73 thousand<sup>60</sup> MT coal valued ₹23.15 crore passed through these LCSs during the

<sup>57</sup> 1356 trucks x 9 MT per truck = 12204 MT.

<sup>58</sup> Under-reporting of number of trucks = 260309 (LCS) – 26062 (DMR) = 234247; Unreported quantity of coal = 234247 nos. x 9 MT/ truck = 2108223 MT; Royalty due = 2108223 MT x ₹675/MT = 1423050525; penalty = ₹355762631 (25 per cent of royalty); Total short-collection of royalty = ₹1778813156

<sup>59</sup> Bholaganj, Shella bazar, Baghmara and Mahendraganj

<sup>60</sup> 19357 MT (post-NGT) plus 28372 MT (pre-NGT)

years 2013-14 to 2017-18. This had the revenue implication of ₹4.64 crore<sup>61</sup>. These exit locations are in the major transport route for limestone export.

Thus, to summarize the above points (*paragraphs 6.3.17.1 to 6.3.17.3*), systemic incompetence of these check-gates in preventing illegal transportation of coal out of State of Meghalaya had resulted in loss of revenue amounting to at least ₹296.82 crore during the period 2013-14 to 2017-18. Moreover, 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, which was around 10 *per cent* of total assessed quantity for the State.

During exit conference (December 2018), the Commissioner & Secretary, Mining Department did not cite any reasons for non-setting up of the Mining exit check-gates at the aforesaid exit points but stated that the Department would look into the matter.

#### **6.3.17.4 Jaintia Hills coal exiting from North Garo Hills to Assam**

The DMR in a letter to the DCs (May 2018) mentioned that transportation of coal is going on in haphazard manner wherein coal laden vehicles with South Garo Hills district transport challans were proceeding towards Guwahati from Jaintia Hills district which indicated that the coal was from Jaintia Hills which was irregular in nature as the challans were issued for particular stocks in the districts and loading has to be done from that stock only. Further, DMR requested DCs and wrote “*while monitoring, logical exercise might be done so that these cases do not occur which would imbalance the coal stock as well as indirectly encourage illegal extraction.*”

Audit scrutiny of records of Dainadubi check-gate<sup>62</sup> in North Garo Hills District revealed that 38211 coal trucks passed through the check-gate during the period January 2018 to May 2018. Out of these, 9716 trucks carrying 87444 MT of coal with MTCs which were issued from Jaintia Hills. This was very unusual, since it was not a practical route<sup>63</sup> for a vehicle from Jaintia Hills to exit to Assam through North Garo Hills (Refer *figure 6.1*).

Thus, Audit is of the view that there was a high probability that these trucks were carrying coal from Garo Hills. This not only affected the coal stocks of districts concerned affecting the share of royalty of the District Councils, but there was every possibility of transportation of illegal extraction of coal through misuse of transport challans of other districts.

The NGT in its order (9 June 2014) instructed to fix two check-points *enroute* transportation of the extracted coal from the point of loading to the point of destination, but these check-points were not set up as per the direction. Since the

<sup>61</sup> Pre-NGT: Royalty = 28372 MT x ₹675 per MT = ₹19151100; penalty = 25 *per cent* of royalty = ₹47.88 lakh  
Post-NGT: Royalty = 19357 MT x ₹675 per MT = ₹13065975; MEPRF = 19357 MT x ₹485 per MT = ₹9388145

<sup>62</sup> Dainadubi check-gate (Meghalaya) is situated at Meghalaya-Assam border.

<sup>63</sup> Coal trucks from Jaintia Hills exit to Assam through Umkiang/Rattacherra, Garampani check-gates.

Department did not set up the check-gates on the point of origin, the source of these coal trucks could not be ascertained.

**Recommendation:** *The Department should put in place the mechanism to ascertain point of origin to prevent misuse of transportation challans.*

### **6.3.18 Ill-Effects of unscientific mining practices**

About 77 per cent of Meghalaya is having forest. Most of the mineral resources are found in areas which are under the forest cover, hence mining in the State has severe environmental implications. For years, the indiscriminate and unscientific exploitation of the minerals has resulted in widespread air and water pollution. Noticing the trend of unsustainability of these mining practices, courts had to intervene in the matter. The High Court of Meghalaya while prohibiting mining in Meghalaya (30 June 2015) observed “*The mining of coal and limestone in the State of Meghalaya had caused environmental damage and regulation of mining activities by the State was essential to safeguard the environment and ecological balance.*”

#### **Cases of ill-effect of un-scientific mining**

(i) The committee constituted by NGT submitted (June 2014) that it had collected water samples from active coal mines in Garo, West Khasi and East Jaintia Hills and on analysis, it found that the pH<sup>64</sup> of mine water effluent/acid mine drainage<sup>65</sup> (AMD) remained very low in all the cases. These AMDs were pumped out from the mines and discharged into nearby streams or river. The AMD generated from the coal dumping yards were highly acidic and they also contributed equally to the surface water pollution in the mining areas. The discharge of AMD from the coal mines (active and abandoned) and the surface runoff from the coal dumping yards were the root cause of the water pollution in the area. This had polluted most of the rivers and streams in the mining areas by turning the water highly acidic.

(ii) Meghalaya State Pollution Control Board (MSPCB) in respect of water pollution in Khasi Hills region (June 2014) reported that there was also serious upstream pollution in that area. The MSPCB carried out tests for examining quality of water in Lukha, Lunar and Umso rivers in Jaintia Hills (November 2015). The inspection revealed that AMD originating from the nearby coal mines was adversely contaminating the rivers. The MSPCB also carried out an inspection of Kynshi, Wahblei and Rilang rivers in January and April 2018, which revealed that the acid effluent from the coal mines located in these areas were affecting the water quality of

<sup>64</sup> pH is a scale of acidity from 0 to 14. It tells how acidic or alkaline a substance is. More acidic solutions have lower pH. More alkaline solutions have higher pH. Substances that aren't acidic or alkaline (*i.e.* neutral solutions like water) usually have a pH of 7. If the pH of water is too high or too low, the aquatic organisms living within it will die.

<sup>65</sup> AMD is the outflow of acidic water from coal mines, coal stocks and coal handling facilities. It is caused by the oxidation of pyrite and sulphur in the presence of water leading to the formation of Sulphuric acid. This water is highly acidic and unfit for drinking and toxic for aquatic life.

these rivers thereby posing threat to the aquatic life and the water was unfit for drinking.

(iii) The DMR also conducted (June 2016) a geo-environmental investigation on the impact of coal mining and coal mine shafts around Khliehriat and Sutnga areas in East Jaintia Hills district. The investigation revealed that in the areas where coal mining was concentrated, most drainages were dry and devoid of life forms. The investigation also pointed out that coal stored in the coal depots caused AMD during rainy season and air pollution during dry season. Thus, the water bodies in these areas were unfit for drinking and pose serious threats to human life as well as for posing serious threat to flora and fauna of the area.



*Heaps of coal dumped near water stream in East Jaintia Hills*

Meghalaya Mines and Mineral Policy, 2012 aimed at maintaining a fine balance between economic development and ecological aspects. It stated that an Environment Management Plan should adequately provide for controlling the environmental damage, restoration and reclamation of mined areas. Mitigation measures should invariably incorporate prevention and control of water pollution, gaseous pollutants, soil erosion and stabilization of waste dumping sites including repairing and revegetation of the affected forest area. The Chief Secretary directed the Mining Department (January 2016) to undertake preliminary works and prepare action plan in co-ordination with Forest Department and MSPCB for restoration of the environment including restoration of rivers in the State reeling from the adverse effects of AMD from coal mines. However, such environmental management plan was not prepared. The Policy largely remained a paper exercise only. The NGT had directed (June 2014) the State Government to prepare a comprehensive mining plan for the State in coordination with Ministry of Environment and Forest, GoI and Ministry of Coal, GoI, in order to allow coal mining in the State. The Mining Plan has not yet been finalized (July 2018). In absence of a comprehensive plan, funds for various environmental reclamation activities *e.g.* Meghalaya Minor Mineral Reclamation Fund, Meghalaya Environment Protection and Restoration Fund, could not be utilised.

## Part III: Internal Controls

### 6.3.19 Internal control mechanism

Internal controls are safeguards that are put in place by the management to obtain assurance that its operations are carried out as per the laid down action plan. Mining Department is entrusted with twin responsibilities of maximizing State revenue and enforcing environmentally sustainable practices. In the light of the National Green Tribunal's recent interventions in the State, the latter function had assumed equal significance.

Audit carried out an assessment of the internal controls of the Mining Department during the course of Performance Audit. The audit findings have been reported in the succeeding paragraphs.

#### 6.3.19.1 Ineffective enforcement wing

Audit had been mentioning cases of under-reporting of minerals being transported by the check-gates. During the previous four years, audit paragraphs with revenue implication of ₹49.79 crore in relation to such under-reporting had featured<sup>66</sup> in Audit Reports of the Comptroller and Auditor General of India. Further, the Transport Department, Assam had also communicated to the DMR, Meghalaya on several occasions regarding overloaded coal trucks entering Assam from Meghalaya without proper documentation.

Despite the Department of Mining being well aware of improprieties taking place in almost all the check-gates resulting in huge revenue loss to the State exchequer, no action was taken to monitor the activities of the check-gates to guard against under-reporting. No action was taken in any of the reported cases against the officials concerned for the lapses. The Mining Department constituted a Vigilance Squad<sup>67</sup> in October 2002 to keep a check on the functioning of DMR check-gates through surprise inspection. However, there was no record of any inspection conducted by the Vigilance Squad till date (August 2018). The Vigilance Squad remained only on paper and failed to serve its purpose of checking the activities in check-gates. Moreover, there was no record available with the department which was indicative of implementation of the enforcement measures.

***Recommendation: The Government should ensure deployment of adequate number of personnel for Vigilance Squad to prevent illegal transportation of minerals. The activities of the Vigilance Squad should be properly documented.***

<sup>66</sup> CAG Audit Report for the State of Meghalaya (Revenue Sector) for the years 2013-14, 2014-15, 2015-16 and 2016-17.

<sup>67</sup> Comprising of the DMR, the Joint Director and the Financial Adviser, Mining Department.

**6.3.19.2 Coal being transported on the strength of fake Mineral Transport Challans and MEPRF challans**

Subsequent to NGT orders (17 April 2014), the Mining Department recalled the Mineral Transport Challans issued prior to 17 April 2014. The transportation of coal was allowed (November 2014 onwards) on the basis on new Mineral Transport Challans and Meghalaya Environment Protection and Restoration Fund (MEPRF) challans against the already assessed coal stock. The value of one Mineral Transport *Challan* and MEPRF *challan* was ₹6075 and ₹4365 respectively<sup>68</sup> as one Mineral Transport *Challan*/MEPRF *challan* allows for transportation of nine MT of coal. The Mineral Transport Challans and MEPRF challans were valuable instruments and served not only to collect revenue for the State Government, but also acted as control mechanism by means of which the Government could monitor the movement of coal in the State.

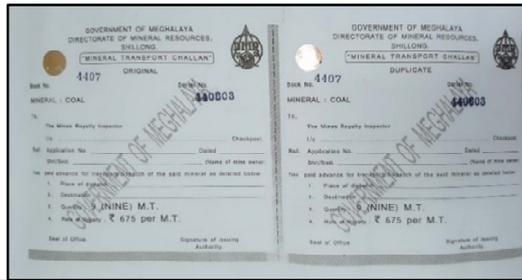
DMR records showed that the Officer-in-charge of Umling mining check-gate detected three fake challans in January 2015. Later, in April 2018 and May 2018, based on complaints filed by a coal dealer<sup>69</sup> about misuse of transport challans in his name, the officials manning Dainadubi and Borsora check-gate also detected 32 fake challans.

The inspection of the challans issued by the Department revealed that challans had a hologram as the only security feature for cross verification or authenticity. There was no computerized system of Mineral Transport Challans validation and the specimen signatures of Mineral Transport Challans issuing officials were also not available in the check-gates. In such a scenario, the check-gates had no mechanism to verify the authenticity of these MTCs. Thus, in the above two cases coal valued ₹15.28 lakh was illegally transported out of the State on which royalty and MEPRF of ₹3.65 lakh could not be realised.

<sup>68</sup> The transporter is allowed to carry nine MT of coal after payment of royalty at the rate of ₹675/MT and MEPRF at ₹485/MT. Thus, the value of one Mineral Transport Challans challan is ₹6075 and MEPRF challan is ₹4365.

<sup>69</sup> M/s Cheran Coal Agency.

*Specimen of genuine and fake transport challans*



[A] Genuine MTC



[B] Fake MTC



[C] Genuine MEPRF challan



[D] Fake MEPRF challan

*Specimen of genuine and fake transport challans*

The Commissioner of Transport, Assam had taken up the matter in writing with the DMR, Meghalaya (17 May 2018) that during the enforcement drive in Cachar District, Assam (January to May 2018), it was found that the coal trucks did not have “proper” challans issued by the Meghalaya Mining Department. Further, it was difficult to ascertain the genuineness of challans issued by the Meghalaya Mining Department to the coal transporters passing through Assam. Action taken by DMR in this regard was not found on record which indicated lack of seriousness on the part of DMR to check illegal/unauthorised activities taking place. The DMR had (August 2018) initiated the process to implement a computerized Coal Transport Challan Verification System through inviting Expression of Interest in this regard.

During exit conference (December 2018), the Commissioner & Secretary, Mining Department stated that the Department is planning to introduce Quick Response (QR) Code in the Mineral Transport Challans to detect and stop such revenue leakage. The status of introduction of QR code in Mineral Transport Challans was awaited (June 2019).

**6.3.19.3 Lack of inspection of mining operations**

Under Section 24 of the MMDR Act, 1957, the officials of the Mining Department are authorised to carry out inspection of the mining leased area. Audit observed that the Mining Department did not have a mechanism to verify the quantity of minerals extracted by the lessees before dispatch to the cement plants/storage areas. The quantity of limestone extracted as reported in the monthly returns by the lessees were generally accepted by the Department. Audit had pointed out the instances of

misreporting of quantity of limestone utilized by cement companies in the Report of the Comptroller and Auditor General of India (Revenue Sector) for the year 2016-17, Government of Meghalaya also, but no mechanism to control the instances of misreporting has been developed by the Department till date (June 2019).

DMR records revealed that eight lessees reported extraction of 64.86 lakh MT of limestone against their planned production of extraction of 100.28 lakh MT as per their approved mining plan between 2013-14 and 2017-18 (*Appendix XIV*). Further the Meghalaya High Court prohibited (June 2015) extraction of limestone from non-leased areas. The source of limestone for the cement companies was limited to the production from their leased areas. Audit observed that the Mining Department did not inspect any leased areas of mining operation during the period of audit (2013-18). Thus, in the absence of any monitoring mechanism, the Department had no mechanism to verify the correctness of the monthly returns submitted by the lessees.

During the Exit Conference (December 2018), the Commissioner & Secretary stated that inspections could not be carried out due to shortage of manpower. The reply was not tenable as it was the duty of Government to perform the mandated jobs.

***Recommendation: The Department needs to put in place an alternative system to verify the reports submitted by the lessees. The Departmental officials should carry out regular inspection of leased mining areas to ascertain whether limestone reported as extracted from leased areas by the lessees was correct.***

#### **6.3.19.4 Non-realisation of arrears of revenue from cement companies**

Under Section 9 of the MMDR Act, 1957, the holder of a mining lease shall pay royalty in respect of any mineral removed or consumed at the rate specified in respect of that mineral. Further, as per Rule 45 of the Mineral Concession Rules 1960, if the lessee makes any default in payment of royalty, the lessor shall give notice to the lessee requiring him to pay the royalty within sixty days from the date of the receipt of the notice and if the royalty is not paid within such period, the lessor may cancel the lease.

Audit observed that the cement companies did not pay the royalty due with the Mining Department. The DMOs failed to collect outstanding dues from the cement companies. The arrears of payment stood at ₹207.15 crore as on December 2017 from 12 cement companies (*Appendix XV*). The arrears accrued primarily on account of non-payment of royalty on limestone extracted by the lessees from their leased areas. In respect of the seven lessees<sup>70</sup> which found mention in the previous Audit Report<sup>71</sup>, the arrear revenue increased<sup>72</sup> from ₹32.50 crore (July 2013) to ₹125.29 crore (December 2017). The Department did not take action against the cement companies other than issuing the demand notices.

<sup>70</sup> (i) Adhunik Cements (ii) Meghalaya Cements (iii) JUD Cements (iv) Hills Cements (v) Meghalaya Minerals and Mines Ltd. (vi) Komorrah Mining (vii) Mawmluh Cherra Cements

<sup>71</sup> CAG Audit Report for the State of Meghalaya (Revenue Sector) for the year 2012-13

<sup>72</sup> Arrear revenue increased in respect of all the seven lessees.

**Recommendation:** *The Mining Department should put in place necessary mechanism to collect revenue and to take stringent action against the cement companies for non-payment of arrears in accordance with MMDR Act.*

#### **6.3.19.5 Non-maintenance of important records**

During audit, it was observed that the Department did not maintain the various reports which were vital to exercise control on the transportation of coal and ensure collection of due revenue from limestone lessee. There was absence of these key reports and lack of sharing of information from/with other government departments which have been highlighted in various audit observations in this report.

Some of these key reports which were essential to maintain control over functioning of the Department for enforcement of NGT orders, and could not be furnished to Audit are as under:

- Phase-wise quantity of coal transported/consumed in the State and the leftover stock position.
- Consolidated list of coal miner-wise stock position, royalty collection and MTCs issued.
- Status of validated MTCs at Mining check-gates.
- Status of royalty collection on local limestone purchases by cement plants.
- Information about coal and limestone exported to Bangladesh as maintained by Land Customs Stations.

Thus, due to the absence of the above mentioned key reports a number of irregularities were noticed by audit impacting the revenue of the State Government.

**Recommendation:** *The Mining Department should improve its system of inventory management of minerals and maintain miner-wise stock inventory as per NGT guidelines. There should be proper accounting of transport permits - issued and validated, royalty collected, quantity allowed to be transported and figures of quantity transported reported by the check-gates.*

#### **6.3.19.6 Internal audit**

The Mining Department has no separate Internal Audit Wing (IAW). This was pointed out earlier by audit but no action has been taken by the Department to create an IAW.

**Recommendation:** *The Government may consider to put in place a system of Internal Audit to ensure compliance with Acts/Rules/Regulations.*

#### **6.3.20 Follow-up Audit**

A Performance Audit on “Controls and System for Mining in Meghalaya” was carried out in 2013 covering the period from 2008-09 to 2012-13 and featured in the Audit Report for the year ended 31 March 2013. It highlighted several issues including

non-compliance with the acts and rules resulting in loss of revenue to the State exchequer. During the current audit, a follow-up on the action taken by the Department on the audit observations made in the previous report was done. Some of the major audit observations featured in the Report and status of the action taken by Department are given in the following table:

**Table 6.9- Status of the action taken by Department on audit observations**

| Summary of Audit observation  | Action taken by the Department  |
|---|---|
| As of July 2013, the Department had an arrear revenue amounting to ₹25.50 crore from seven limestone lessees.   | The Department did not realise the arrear revenue from the seven lessees. The arrear revenue increased to ₹125.29 in 2017-18. Demand notices were issued by the DMR against the defaulting companies (June 2018) for payment of the outstanding dues up to December 2017. The status of recovery was awaited (June 2019).                           |
| In Meghalaya, 15 out of 16 limestone mining leases granted were operating without obtaining forest clearance from MoEF, GoI.  | All the 15 lessees had still not obtained Forest clearances but continued extraction of limestone. No action was taken against the lease holders by the Department (June 2019).   |
| The Mining Department did not share information with Forest Department with respect of limestone extracted from non-leased areas, resulting in non- collection of royalty of ₹3.23 crore.   | Duality of control for royalty collection on limestone still continues which resulted in loss of revenue amounting to ₹41.08 crore (Refer Paragraph 6.3.10.1 and 6.3.10.2 of this Report)   |
| The DMR has not prescribed any periodic reports and returns for submission by the field offices and the check-gates. Additionally, due to non-establishment of check-gates at Shella Bazar and Bholaganj, the Department did not realize cess amounting to ₹17.29 lakh. | The DMR has not prescribed any MIS reports to be furnished by the check gates and there was no periodic reconciliation with the Land Custom Stations (LCSs) resulting in the mining check-gates' continued under-reporting of minerals being transported. The Department has also not established mining check gates at Shella Bazar and Bholaganj. |
| Vigilance Squad was constituted in August 2002 to conduct surprise inspection of check gates, but the Vigilance Squad did not conduct inspection of any of the check-gates  | There were no records available in the DMR regarding the role and functioning of the vigilance squad. No surprise inspections were carried out by the vigilance squad or the DMR in any of the check-gates during the period 2013-18.   |
| There was under reporting of excess load of coal by four DMR check-gates (Dainadubi, Dawki, Gasuapara and Dalu) leading to loss of revenue of ₹55.06 crore.   | No action has been taken on this issue. The DMR has not been able to recover the royalty realisable from under-reported movement of coal at the DMR check-gates. Additionally, no action has been taken against the officials concerned.  |
| There was short payment of Financial Assurance amounting to ₹16.77 lakh by M/s Lafarge Umiam Pvt. Ltd.  | No action was taken by the Department to realise the Financial Assurance from the lessee.   |

MTCs obtained at the previous rate of ₹290 were produced by 1516 coal trucks (between 23 June 2012 and 27 June 2012) carrying 13223 MT of coal at Mookyndur, Umling and Borsora check-gates, after the rate had been revised to ₹675 per MT and the check-gate officials allowed the same to pass, leading to loss of revenue of ₹64.11 lakh.

No action has been taken by the DMR to realise the short-realised royalty.

Five lease holders having eight mining leases have produced 27.57 lakh MT of limestone between May 2011 and December 2012 against which they have deposited royalty of only ₹0.40 crore for 0.79 lakh MT leaving a balance of ₹16.45 crore royalty outstanding for 26.78 lakh MT of limestone. In addition, cess amounting to ₹5.35 crore was not paid for the entire quantity produced.

Audit observed that the five lessees continued to have outstanding arrears even during the period of the present audit period (2013-14 to 2017-18).

Though DMR had issued demand notices, outstanding dues were yet to be realised.

The details have been given in *Appendix XVI*.

### 6.3.21 Conclusion

Audit observed a number of systemic deficiencies in the way the Department had been functioning. There was hardly any monitoring of the limestone leased mining areas by the Department. The High Court of Meghalaya prohibited (June 2015) mining activities in the State without necessary clearance. The limestone mining continued to be carried out in the leased areas without necessary clearances. The lessees continued to carry out limestone mining without any approved mining plan. The arrears of revenue collection from cement companies ballooned to more than ₹120 crore. The demand notices issued to the cement companies received dismal response. The Department had shown helplessness in recovery of arrears.

After the National Green Tribunal's (NGT) prohibition on coal mining in the State, the Department had not been able to enforce the NGT's directions. The process of documentation in the Department was extremely poor. The Department allowed reassessment of coal stock against the NGT's direction. The Department had not been diligent in issuing the Transport Permits to the coal dealers. Audit noticed illegal mining and transportation of coal and irregular issuance of transport challans by the Department.

There was little monitoring over the activities of the field offices and no coordination with the other departments for sharing the information, which contributed to revenue loss to the State. The check-gates continued to be ineffective in keeping a check on illegal transportation, resulting in massive under-reporting of overloading and illegal transportation.

There was serious air, water and environmental pollution caused by the illegal, unregulated and indiscriminate mining being carried on in various parts of the State of Meghalaya.

**6.3.22 Recommendations**

- *The Department should put in sincere efforts to realize the arrears from cement companies. In case of non-responsiveness to the demand notices, the Department should take further action in accordance with Mines and Minerals (Development and Regulation) Act.*
- *The Government should take action against the officials responsible for re-assessment of coal stock in violation of National Green Tribunal order and issuance of Transport Challans authorizing transportation of illegally extracted coal.*
- *Mining Department should actively interact with Forest, Customs departments and their counterparts in Assam to obtain periodical information so that it may act as an effective control to minimize the instances of under-reporting by the check-gates.*
- *The Department needs to improve its monitoring mechanism, especially in respect of leased mining areas, where the Department has sole administrative control. The Department needs to put in place an alternative system to verify the reports submitted by the lessees. Site inspections should be carried out to oversee the pollution control measures deployed and the afforestation being carried out. The Department needs to put in place an alternative system to verify the reports submitted by the lessees.*
- *The performance of the check-gates needs massive improvement. The computerization work for verifying MTCs should be sped up. Vigilance squad has to be more active. The Department should fix responsibility on the officials responsible for not acting to detect/report instances of overloading. As far as possible, regular staff should be posted at check-gates to control leakage of revenue and to fix the responsibility in case of lapses.*



**CHAPTER – VII**  
**STAMPS & REGISTRATION**  
**DEPARTMENT**





## CHAPTER-VII: STAMPS & REGISTRATION DEPARTMENT

### 7.1 Administration

The Stamps & Registration Department is responsible for collection of revenue under the Indian Stamps Act, 1899 and the Indian Stamps (Meghalaya Amendment) Act, 1993.

The Additional Chief Secretary to the Government of Meghalaya, Excise, Registration, Taxation & Stamps (ERTS) Department is in overall charge of the Stamps & Registration Department at the Government level. The Inspector General of Stamps is the administrative head of the Department. There are District Registrars/ Sub-registrars at the district level for levy and collection of stamp duty and registration fee.

### 7.2 Results of Audit

Test check of the records of four units out of eight relating to the Stamps & Registration Department during 2017-18 revealed non-realisation of taxes and duties *etc.* involving ₹14.86 crore in 10 cases which fall under the following categories:

*Table 7.1 Results of Audit*

|              |                                     |                 | (₹ in crore) |
|--------------|-------------------------------------|-----------------|--------------|
| Sl. No.      | Category                            | Number of cases | Amount       |
| 1.           | Non/Short realisation of stamp duty | 05              | 12.94        |
| 2.           | Other irregularities                | 05              | 0.92         |
| <b>Total</b> |                                     | <b>10</b>       | <b>13.86</b> |

During the course of the year, the Department accepted under assessments and other deficiencies of ₹13.00 crore in six out of 10 cases. An amount of ₹8.35 crore was realized in two cases during the year 2017-18.

A few illustrative cases having financial impact of ₹13.00 crore in terms of underassessment/short levy/non-levy of tax and other provisions of the Acts are discussed in the paragraphs 7.3 and 7.4.

**7.3 Short realisation of stamp duty in mining leases due to incorrect calculation by the District Registrar**

**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 out of which ₹8.35 crore was realised.**

**[District Registrar, Khliehriat; December 2017]**

Under Section 26 of the Indian Stamp Act, 1899, in case of lease of a mine in which royalty is received as rent, such royalty shall be considered for computing stamp duty. Clause 35(a)(vi) of the Indian Stamp (Meghalaya Amendment) Act, 1993 lays down that stamp duty on lease, where the lease is executed for a term exceeding 30 years and not exceeding 100 years shall be calculated at the rate of ₹99 per thousand for a consideration equal to four times the value of the subject matter. Additionally, registration of leases of immovable property for any term exceeding one year, or reserving a yearly rent is compulsory under Section 17 of the Indian Registration Act, 1908. The Stamps & Registration Department, Government of Meghalaya (GoM) fixed (June 2011) the fees for registration of documents at ₹15 per thousand<sup>1</sup>.

The Mining & Geology Department, GoM had granted five limestone mining leases to three<sup>2</sup> cement companies between December 2016 and January 2017. The Mining Department had also stipulated that these mining lease agreements had to be executed and registered before 11 January 2017. In this context, the Mining Department communicated the amount of anticipated royalty for each lease to the Deputy Commissioner, Khliehriat for the purpose of calculation of stamp duty. The Sub-Registrar, accordingly calculated the stamp duty and registration fees due and forwarded the same to the cement companies. The lease agreements were executed between December 2016 and January 2017.

Audit scrutiny of the records of District Registrar, Khliehriat (December 2017) revealed that the Sub-Registrar failed to correctly calculate the stamp duty and registration fees for all five leases. The actual realisation of stamp duty and registration fee against the applicable stamp duty and registration is shown in the *Table 7.2*.

<sup>1</sup> Upto ₹1000 Registration Fee is ₹26. Above ₹1000, Registration Fee is ₹15 per thousand for every additional 1000 plus ₹26.

<sup>2</sup> M/s Adhunik Cement Ltd (2 leases), M/s Star Cement Limited (2 leases) and M/s Meghalaya Cement Ltd. (1 lease)

**Table 7.2 Actual realisation of stamp duty and registration fee against the applicable stamp duty and registration**

(₹ in lakh)

| Name of the lessee                  | Amount of Royalty to be realised | Stamp duty        |                    | Registration fee  |                    | Short realisation |                         |
|-------------------------------------|----------------------------------|-------------------|--------------------|-------------------|--------------------|-------------------|-------------------------|
|                                     |                                  | Applicable amount | Actual realisation | Applicable amount | Actual realisation | Stamp Duty amount | Registration Fee amount |
| 1                                   | 2                                | 3                 | 4                  | 5                 | 6                  | 7=(3-4)           | 8=(5-6)                 |
| M/s Adhunik Cement Ltd. (2 leases)  | 346.24                           | 137.11            | 2.74               | 5.19              | 0.52               | 134.37            | 4.67                    |
|                                     | 1288.02                          | 510.06            | 10.20              | 19.32             | 1.93               | 499.86            | 17.39                   |
| M/s Star Cement Limited (2 leases)  | 30.96                            | 12.26             | 0.24               | 0.46              | 0.05               | 12.02             | 0.41                    |
|                                     | 395.97                           | 156.80            | 3.14               | 5.94              | 0.60               | 153.66            | 5.34                    |
| M/s Meghalaya Cement Ltd. (1 lease) | 1154.68                          | 457.25            | 9.15               | 17.32             | 1.73               | 448.10            | 15.59                   |
| <b>Total</b>                        | <b>3215.87</b>                   | <b>1273.48</b>    | <b>25.47</b>       | <b>48.23</b>      | <b>4.83</b>        | <b>1248.01</b>    | <b>43.40</b>            |

As against applicable stamp duty of ₹12.73 crore<sup>3</sup> and registration fee<sup>4</sup> of ₹48.24 lakh, the Sub-Registrar realised only ₹25.47 lakh and ₹4.83 lakh respectively. Thus, the Sub-Registrar collected only 2.3 per cent of stamp duty and registration fee due for executing these instruments.

The methodology adopted for calculating these stamp duties which led to such a massive short realization of government revenue was not intimated to Audit. Failure of the Sub-Registrar to correctly apply the provisions of the Indian Stamp Act, thereby resulted in short realisation of stamp duty and registration fee amounting to ₹12.91 crore.

The case was referred to the Stamps & Registration Department, Government of Meghalaya in February 2018. The District Registrar, while accepting the facts (March 2018) stated that in respect of two lessees<sup>5</sup>, stamp duty and registration fee amounting to ₹6.35 crore had been realised (stamp duty ₹6.14 crore and registration fee ₹0.21 crore) at the instance of Audit. In respect of the third lessee<sup>6</sup>, demand notice had been issued to the lessee for payment of stamp duty and registration fee. Further, the Inspector General of Stamps in his reply (January 2019) stated that the third lessee had paid stamp duty of ₹2 crore against his dues of ₹6.56 crore (stamp duty ₹6.34 crore and registration fee ₹0.22 crore). He further reported that the lessee will pay the remaining amount of ₹4.56 crore (stamp duty ₹ 4.34 crore and registration fee ₹ 0.22 crore) by May 2019. The status of recovery was awaited (June 2019).

Audit noticed short realisation of stamp duty in mining leases due to incorrect calculation by the District Registrar on verification of the records of one unit out of 8 unit offices in the State. The Department should look into the similar issues in other unit offices also.

**Recommendation:** The Department should fix responsibility on the District Registrar, Khliehriat for causing huge revenue loss to the Government. The Government should internally check the wrong calculation and short realisation of Registration fees in the office of the District Registrar.

<sup>3</sup> Stamp Duty = ₹321587812 X (99/1000) x 4 = ₹127348774

<sup>4</sup> Registration Fee = {(₹321587812 - ₹1000) x (15/1000)} + ₹26 = ₹4823872

<sup>5</sup> M/s Star Cement Limited and M/s Meghalaya Cement Ltd.

<sup>6</sup> M/s Adhunik Cement Ltd.

**7.4 Under assessment of stamp duty due to failure of the District Registrar to correctly assess the value of the property**

**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.**

**[District Registrar, Jowai; March 2018]**

Rule 3 of the Meghalaya (Prevention of Under-Valuation of Property) Rules, 1983 states that when an instrument is presented for registration before any registering authority, the person or persons executing the same shall state the full market value of the property. Further section 47A (1) of the Indian Stamp (Meghalaya Amendment) Act, 1993 provides that if the District Registrar, while registering any instrument for transferring any property, has reason to believe that the value of the property or the consideration has not been truly determined in the instrument, he may refer the case to the Deputy Commissioner (DC) for determination of value or consideration and payment of stamp duty thereon.

Clause 23 of the Indian Stamp (Meghalaya Amendment) Act, 1993 lays down that stamp duty on sale deed shall be calculated at the rate of ₹99 per thousand for the consideration value of the subject matter. The Stamps & Registration Department, GoM vide notification dated 11 July 1983 exempted 50 per cent of stamp duty and registration fee payable in respect of all instruments of conveyance executed by or in favour of members of Scheduled Castes/Tribes.

The Deputy Commissioner (DC), West Jaintia Hills district, Jowai, on 1 July 2015 fixed the minimum value of land per square meter (sq. m.) for different localities within the district.

The District Registrar, Jowai registered a sale deed for a parcel of land measuring 122508 sq. m. in respect of a scheduled tribe buyer<sup>7</sup> in July 2016 for a consideration of ₹2.45 crore. Stamp duty and registration fee amounting to ₹13.97 lakh (Stamp duty of ₹12.13 lakh and Registration fee of ₹1.84 lakh) were collected on the consideration value.

Scrutiny of records of the District Registrar, Jowai by Audit (March 2018) revealed that as per the rate fixed by the DC, the valuation of the property was ₹3.98 crore<sup>8</sup>. Thus, the stamp duty and registration fees due on the execution of sale deed was ₹22.69 lakh<sup>9</sup>.

The failure of the District Registrar to consider the prevailing rate of the land value at the time of registration, resulted in incorrect assessment of the land value for the purpose of payment of stamp duty. This had resulted in under-assessment of stamp duty and registration fee amounting to ₹8.72 lakh.

<sup>7</sup> Rocky Dhar

<sup>8</sup> Location: Wahiajer. Minimum price determined by DC for the area concerned was ₹325 per sq. m. Hence, property valuation was 122508 sq. m. x ₹325 = ₹39815100.

|                  |   |            |
|------------------|---|------------|
| Stamp Duty       | = 50 % of (₹39815100 x 99/1000)                 | = ₹1970847 |
| Registration Fee | = 50 % of {(₹39815100 - ₹1000) x 15/1000 + ₹26} | ₹298619    |
| Total            |   | = ₹2269466 |

The audit observations were referred to the Stamps & Registration Department, Government of Meghalaya in July 2018. The District Registrar in his reply (January 2019) to the audit observation stated that the land was situated in the remote part of the Wahiajer village and hence the rate used for the determining the value of the land under consideration was taken as ₹200 per sq.m. (which brought the land price to ₹2.45 crore). The reply was not acceptable since the land deed record showed that the land was registered as situated in Wahiajer village and it shared its boundary with a public road also, for which the notified rates for land valuation were available. Thus, the Department did not communicate to Audit that how the land was valued at the time of registration (July 2016) in absence of any benchmark for the land valuation (January 2019).

Audit noticed under assessment of stamp duty due to failure of the District Registrar to correctly assess the value of the property on verification of the records of one unit out of 8 unit offices in the State. The Department should look into the similar issues in other unit offices also.

***Recommendation: The Department should instruct the District Registrars to apply stamp duty rates as per the government approved rates. Reasons for any deviations should be duly recorded by the Assessing Officer prior to the registration. The Department should fix responsibility of the official responsible for the short collection of stamp duty and registration fee.***



(STEPHEN HONGRAY)

Principal Accountant General (Audit) Meghalaya

Shillong  
The 20<sup>th</sup> August 2019

*Countersigned*



(RAJIV MEHRISHI)

Comptroller & Auditor General of India

New Delhi  
The 21<sup>st</sup> August 2019



# APPENDICES



**APPENDIX – I**  
**(Ref: Para 2.5)**  
***Application of incorrect rate of tax***

| <b><i>Taxation Circle</i></b>                                  | <b><i>Name of the Dealer</i></b>               | <b><i>Period</i></b>    | <b><i>Taxable Sale (₹)</i></b> | <b><i>Tax Payable @14.5% (₹)</i></b> | <b><i>Tax Paid @12.5/13.5% (₹)</i></b> | <b><i>Tax amount short levied (₹)</i></b> | <b><i>Interest payable (₹)</i></b> | <b><i>Penalty (₹)</i></b> |
|--|--|-------------------------|--------------------------------|--------------------------------------|--|---|------------------------------------|---------------------------|
| <b><i>Superintendent of Taxes, Circle - XIII, Shillong</i></b> | M/s Airlife Wellness Products                  | April 2015 to June 2017 | 14531228                       | 2107028                              | 1961716                                | 145312                                    | 67760                              | 290624                    |
| <b><i>Superintendent of Taxes, Circle - VII, Shillong</i></b>  | M/s Hindustan Steel Works Construction Limited | April 2016 to June 2017 | 336220795                      | 48752015                             | 42027599                               | 6724416                                   | 1289217                            | 13448832                  |
| <b><i>Total</i></b>  |  |                         | <b>350752023</b>               | <b>50859043</b>                      | <b>43989315</b>                        | <b>6869728</b>                            | <b>1356977</b>                     | <b>13739456</b>           |

**APPENDIX – II**

(Ref: Para 3.4)

**Systemic issues resulting in loss of revenue**

| Category             | Size   | Bottles      | Cases       | Ex-bond price per case (in ₹) | Ad-valorem per case (in ₹) | Ex-bond price (in ₹) | Ad-valorem (in ₹) | Total price (in ₹) |
|----------------------|--------|--------------|-------------|-------------------------------|----------------------------|----------------------|-------------------|--------------------|
| <b>Super-Premium</b> | 750 ml | 84           | 7           | 3671                          | 1539                       | 25698                | 10773             | 36471              |
| <b>Premium</b>       | 750 ml | 240          | 20          | 1436                          | 1138                       | 28716                | 22760             | 51476              |
|                      | 375 ml | 312          | 13          | 1445                          | 1138                       | 18784                | 14794             | 33578              |
| <b>Deluxe</b>        | 750 ml | 20856        | 1738        | 885                           | 675                        | 1538130              | 1173150           | 2711280            |
|                      | 375 ml | 29784        | 1241        | 885                           | 675                        | 1098285              | 837675            | 1935960            |
|                      | 180 ml | 15648        | 326         | 885                           | 675                        | 288510               | 220050            | 508560             |
| <b>Wine</b>          | 750 ml | 240          | 20          | 1234                          | 180                        | 24675                | 3600              | 28275              |
|                      | 375 ml | 1032         | 43          | 1260                          | 180                        | 54180                | 7740              | 61920              |
| <b>Beer</b>          | 650 ml | 15532        | 1294        | 447                           | 85                         | 578567               | 109695            | 688262             |
|                      | 500 ml | 104          | 4           | 755                           | 113                        | 3272                 | 491               | 3762               |
|                      | 330 ml | 6264         | 261         | 633                           | 95                         | 165213               | 24860             | 190073             |
|                      | 275 ml | 3648         | 152         | 1043                          | 156                        | 158531               | 23780             | 182312             |
| <b>TOTAL</b>         |        | <b>93744</b> | <b>5119</b> |                               |                            | <b>3982561</b>       | <b>2449368</b>    | <b>6431929</b>     |

**APPENDIX – III****(Ref: Para 5.4.1)****Statement showing short levy of royalty from user agencies**

| Month   | Name of contractor             | Quantity of Minor Minerals utilised (cu.m.) |      | Royalty payable (₹) |                  | Total Royalty payable (₹) | Royalty paid (₹) | Short payment (₹) |
|---|--------------------------------|---|------|---------------------|------------------|---------------------------|------------------|-------------------|
|   |                                | Stone                                       | Sand | Stone @ ₹240/cu.m   | Sand @ ₹90/cu.m. |                           |                  |                   |
| <b>Executive Engineer (TC), PWD Roads Cum-DPIU, PGMSY West Garo Hills, Tura</b> |                                |   |      |                     |                  |                           |                  |                   |
| Apr-17  | Abdul Rashid                   | 6799  | 1784 | 1631820             | 160557           | 1792377                   | 71170            | 1721207           |
|   | Abdul Rashid                   | 5572  | 2750 | 1337186             | 247518           | 1584704                   | 186016           | 1398688           |
|   | J.S & Company                  | 5210  | 1009 | 1250304             | 90850            | 1341154                   | 168748           | 1172406           |
|   | J.S & Company                  | 444   | 296  | 106447              | 26612            | 133059                    | 44352            | 88707             |
|   | Mahabir Prasad Agarwala        | 1469  | 1131 | 352601              | 101777           | 454378                    | 165385           | 288993            |
|   | Lawrence M Sangma              | 229   | 114  | 54859               | 10286            | 65145                     | 23275            | 41870             |
|   | Stilibon Kharbani              | 3010  | 717  | 722482              | 64516            | 786997                    | 155774           | 631223            |
|   | John Berith Sangma             | 1309  | 345  | 314095              | 31012            | 345107                    | 103260           | 241847            |
|   | Binaroy Momin                  | 765   | 247  | 183550              | 22187            | 205736                    | 68579            | 137157            |
|   | Bruclish C. Marak              | 277   | 276  | 66420               | 24800            | 91220                     | 30407            | 60813             |
| May-17  | M/s Rural Power Tech Engineers | 535   | 263  | 128412              | 23647            | 152059                    | 50687            | 101372            |
|   | Daniel N. Sangma               | 30  | 10   | 7147                | 922              | 8069                      | 2689             | 5380              |
|   | M.P Agarwala                   | 2311  | 541  | 554544              | 48717            | 603261                    | 198              | 603063            |
|   | M.P Agarwala                   | 1604  | 96   | 384859              | 8625             | 393484                    | 131162           | 262322            |
|   | Daniel N. Sangma               | 710   | 91   | 170352              | 8172             | 178524                    | 59508            | 119016            |
|   | Daniel N. Sangma               | 267   | 445  | 64099               | 40017            | 104116                    | 34705            | 69411             |
|   | Ohme Marak                     | 205   | 153  | 49282               | 13757            | 63039                     | 21013            | 42026             |
|   | Lawrence M Sangma              | 913   | 757  | 219180              | 68112            | 287292                    | 95764            | 191528            |
|   | Lawrence M Sangma              | 140   | 70   | 33696               | 6318             | 40014                     | 13338            | 26676             |
|   | Togan K. Marak                 | 1386  | 420  | 332551              | 37776            | 370327                    | 123443           | 246884            |
|   | Fersen Ch. Momin               | 340   | 88   | 81602               | 7888             | 89490                     | 29830            | 59660             |
|   | Abdul Rashid                   | 2574  | 162  | 617784              | 14568            | 632352                    | 210784           | 421568            |
|   | Abdul Rashid                   | 462   | 7705 | 110772              | 693456           | 804228                    | 268076           | 536152            |
|   | June & July 2017               | M.P Agarwala                                | 1108 | 393                 | 265975           | 35352                     | 301327           | 100442            |
| Florinda Sangma   |                                | 351   | 105  | 84312               | 9466             | 93778                     | 31259            | 62519             |
| Daniel N. Sangma  |                                | 1390  | 357  | 333662              | 32157            | 365819                    | 122240           | 243579            |
| Daniel N. Sangma  |                                | 69  | 28   | 16440               | 2505             | 18945                     | 6315             | 12630             |
| Abdul Rashid  |                                | 1229  | 439  | 294890              | 39511            | 334401                    | 111467           | 222934            |

| Month            | Name of contractor             | Quantity of Minor Minerals utilised (cu.m.) |      | Royalty payable (₹) |                  | Total Royalty payable (₹) | Royalty paid (₹) | Short payment (₹) |        |
|------------------|--------------------------------|---|------|---------------------|------------------|---------------------------|------------------|-------------------|--------|
|                  |                                | Stone                                       | Sand | Stone @ ₹240/cu.m   | Sand @ ₹90/cu.m. |                           |                  |                   |        |
|                  | Abdul Rashid                   | 1177  | 132  | 282566              | 11896            | 294463                    | 39286            | 255177            |        |
|                  | Lawrence M Sangma              | 636   | 202  | 152695              | 18185            | 170881                    | 56960            | 113921            |        |
|                  | Mahabir Prasad Agarwala        | 76  | 95   | 18281               | 8580             | 26861                     | 8954             | 17907             |        |
|                  | Lawrence M Sangma              | 1914  | 536  | 459439              | 48231            | 507670                    | 169224           | 338446            |        |
|                  | Mahabir Prasad Agarwala        | 299   | 281  | 71669               | 25264            | 96933                     | 32311            | 64622             |        |
|                  | Bulbuline R. Marak             | 494   | 186  | 118500              | 16736            | 135236                    | 47920            | 87316             |        |
|                  | Amstrong D. Shira              | 225   | 600  | 54036               | 54036            | 108072                    | 20955            | 87117             |        |
|                  | Ringchi Ch. Sangma             | 744   | 139  | 178454              | 12510            | 190964                    | 63655            | 127309            |        |
|                  | Togan K. Marak                 | 634   | 501  | 152237              | 45059            | 197296                    | 65766            | 131530            |        |
| Aug-17           | Ananda Kr. Saha                | 652   | 275  | 156574              | 24752            | 181325                    | 68302            | 113023            |        |
|                  | Ananda Kr. Saha                | 3   | 1017 | 720                 | 91518            | 92238                     | 30746            | 61492             |        |
|                  | Brithon Ch. Marak              | 967   | 107  | 231982              | 9616             | 241597                    | 80532            | 161065            |        |
|                  | Abdul Rashid                   | 482   | 101  | 115663              | 9072             | 124735                    | 44538            | 80197             |        |
|                  | Abdul Rashid                   | 1565  | 0    | 375581              | 23               | 375603                    | 134043           | 241560            |        |
|                  | Abdul Rashid                   | 1618  | 0    | 388265              | 0                | 388265                    | 138562           | 249703            |        |
|                  | Dewan B. Marak                 | 284   | 558  | 68081               | 50225            | 118306                    | 39436            | 78870             |        |
|                  | M/s Rural Power Tech Engineers | 140   | 7    | 33665               | 631              | 34296                     | 11432            | 22864             |        |
|                  | Daniel N. Sangma               | 30  | 10   | 7147                | 922              | 8069                      | 2689             | 5380              |        |
|                  | Daniel N. Sangma               | 55  | 24   | 13114               | 2204             | 15318                     | 5106             | 10212             |        |
|                  | Daniel N. Sangma               | 190   | 88   | 45674               | 7927             | 53602                     | 17867            | 35735             |        |
|                  | Lawrence M Sangma              | 110   | 56   | 26498               | 5044             | 31542                     | 10514            | 21028             |        |
|                  | Gary Ch. Momin                 | 388   | 38   | 93000               | 3435             | 96435                     | 32145            | 64290             |        |
|                  | Mahabir Prasad Agarwala        | 185   | 0    | 44347               | 0                | 44347                     | 14783            | 29564             |        |
|                  | Abdul Rashid                   | 1052  | 322  | 252557              | 28958            | 281515                    | 93839            | 187676            |        |
|                  | Abdul Rashid                   | 398   | 199  | 95467               | 17900            | 113367                    | 37789            | 75578             |        |
|                  | Bulbuline R. Marak             | 115   | 137  | 27588               | 12299            | 39887                     | 34852            | 5035              |        |
|                  | Mahabir Prasad Agarwala        | 254   | 54   | 60919               | 4901             | 65820                     | 23489            | 42331             |        |
|                  | Sep-17                         | Ringchi A. Sangma                           | 1361 | 152                 | 326578           | 13703                     | 340281           | 113427            | 226854 |
|                  | Nov-17                         | Daniel N. Sangma                            | 91   | 27                  | 21720            | 2394                      | 24114            | 8040              | 16074  |
| Daniel N. Sangma |                                | 43  | 20   | 10337               | 1819             | 12156                     | 4212             | 7944              |        |

| Month | Name of contractor | Quantity of Minor Minerals utilised (cu.m.) |              | Royalty payable (₹) |                  | Total Royalty payable (₹) | Royalty paid (₹) | Short payment (₹) |
|-------|--------------------|---|--------------|---------------------|------------------|---------------------------|------------------|-------------------|
|       |                    | Stone                                       | Sand         | Stone @ ₹240/cu.m   | Sand @ ₹90/cu.m. |                           |                  |                   |
|       | Daniel N. Sangma   | 30  | 3            | 7154                | 239              | 7394                      | 2384             | 5010              |
|       | Renubala R. Marak  | 460   | 130          | 110398              | 11699            | 122097                    | 40684            | 81413             |
|       | <b>Total</b>       | <b>57380</b>                                | <b>26789</b> | <b>13770229</b>     | <b>2410859</b>   | <b>16181087</b>           | <b>3924328</b>   | <b>12256759</b>   |

*Executive Engineer (PHE), Ampati Division, Ampati*

|                    |                    |              |              |                 |                |                 |                |                 |
|--------------------|--------------------|--------------|--------------|-----------------|----------------|-----------------|----------------|-----------------|
| Aug-17             | Bhobesh Ch. Das    | 45           | 23           | 10898           | 2043           | 12941           | 4619           | 8322            |
|                    | Swapna Koch        | 10           | 5            | 2508            | 470            | 2978            | 1063           | 1915            |
|                    | Jhonny A. Sangma   | 203          | 107          | 48626           | 9668           | 58294           | 20805          | 37489           |
|                    | Merolish S Sangma  | 33           | 12           | 7862            | 1037           | 8899            | 3176           | 5723            |
|                    | Merolish S Sangma  | 42           | 21           | 10147           | 1858           | 12005           | 4200           | 7805            |
|                    | Nandalal Barman    | 31           | 15           | 7430            | 1393           | 8824            | 3149           | 5675            |
|                    | Premish S. Sangma  | 52           | 17           | 12530           | 1566           | 14096           | 5031           | 9065            |
|                    | Premish S. Sangma  | 26           | 14           | 6288            | 1232           | 7520            | 2684           | 4836            |
|                    | Premish S. Sangma  | 30           | 18           | 7236            | 1603           | 8839            | 3155           | 5684            |
|                    | Sarat Koch         | 4            | 2            | 931             | 166            | 1097            | 391            | 706             |
|                    | Sarat Koch         | 46           | 23           | 11035           | 2069           | 13104           | 4676           | 8428            |
| Sep-17             | Partho Saha        | 23           | 26           | 5407            | 2325           | 7732            | 2760           | 4972            |
|                    | Partho Saha        | 15           | 17           | 3605            | 1550           | 5155            | 1840           | 3315            |
|                    | Taposh Chakraborty | 30           | 10           | 7200            | 900            | 8100            | 2870           | 5230            |
|                    | Roosevelt P Marak  | 178          | 94           | 42751           | 8480           | 51231           | 18284          | 32947           |
|                    | <b>Total</b>       | <b>768</b>   | <b>404</b>   | <b>184454</b>   | <b>36360</b>   | <b>220815</b>   | <b>78703</b>   | <b>142112</b>   |
| <b>Grand Total</b> |                    | <b>58148</b> | <b>27193</b> | <b>13954683</b> | <b>2447219</b> | <b>16401902</b> | <b>4003031</b> | <b>12398874</b> |

**APPENDIX – IV**

(Ref: Para 5.4.2)

**Statement showing short levy of royalty from user agencies**

| Month   | Name of contractor               | Quantity of Minor Minerals utilised (cu.m.) |      | Royalty payable (₹) |                  | Total Royalty payable (₹) | Royalty paid (₹) | Short payment (₹) |
|---|----------------------------------|---|------|---------------------|------------------|---------------------------|------------------|-------------------|
|   |                                  | Stone                                       | Sand | Stone @ ₹240/cu.m   | Sand @ ₹90/cu.m. |                           |                  |                   |
| <b>Executive Engineer (TC), PWD (Roads), Williamnagar Circle cum DPIU, PMGSY, East Garo Hills, Williamnagar</b> |                                  |   |      |                     |                  |                           |                  |                   |
| Jul-17  | Sengan D. Shira                  | 2010  | 389  | 482400              | 35010            | 517410                    | 172470           | 344940            |
|   | George S. Marak                  | 5922  | 1092 | 1421316             | 98255            | 1519571                   | 506520           | 1013051           |
|   | Gitankjesh Pariong               | 1283  | 855  | 307872              | 76968            | 384840                    | 128280           | 256560            |
|   | Ronilla M. Sangma                | 1095  | 869  | 262884              | 78241            | 341125                    | 113708           | 227417            |
|   | Drostarland L. Tongkhar          | 4464  | 2123 | 1071343             | 191109           | 1262453                   | 420826           | 841627            |
|   | Merie Construction Pvt. Ltd.     | 758   | 341  | 181952              | 30670            | 212622                    | 70874            | 141748            |
|   | Bungsing Sohphoh                 | 4258  | 1210 | 1021937             | 108885           | 1130822                   | 376941           | 753881            |
|   | Bithmingson Sangma               | 1651  | 384  | 396298              | 34559            | 430857                    | 143619           | 287238            |
|   | M/s Merie Construction Pvt. Ltd. | 281   | 110  | 67536               | 9916             | 77452                     | 25817            | 51635             |
|   | Drostarland L. Tongkhar          | 601   | 214  | 144262              | 19294            | 163556                    | 54518            | 109038            |
|   | Chikano Momin                    | 706   | 426  | 169438              | 38376            | 207814                    | 69271            | 138543            |
|   | Binaline Marak                   | 1283  | 123  | 307940              | 11025            | 318965                    | 106322           | 212643            |
|   | Daudstone C. Marak               | 336   | 188  | 80530               | 16955            | 97485                     | 32495            | 64990             |
|   | Daudstone C. Marak               | 345   | 465  | 82711               | 41875            | 124586                    | 41528            | 83058             |
|   | Bulbuline R. Marak               | 1437  | 328  | 344762              | 29544            | 374307                    | 129760           | 244547            |
| Aug-17  | M.P Agarwala Pvt. Ltd            | 6940  | 2439 | 1665557             | 219536           | 1885093                   | 628365           | 1256728           |
|   | Len Ch. Momin                    | 165   | 66   | 39548               | 5980             | 45528                     | 15176            | 30352             |
|   | Wilness Marak                    | 1106  | 310  | 265334              | 27932            | 293267                    | 97756            | 195511            |
|   | Bulbuline R. Marak               | 2405  | 584  | 577274              | 52564            | 629838                    | 209946           | 419892            |
|   | Lawrence M. Sangma               | 544   | 829  | 130529              | 74572            | 205101                    | 68367            | 136734            |
|   | Lawrence M. Sangma               | 1081  | 409  | 259538              | 36828            | 296366                    | 92949            | 203417            |
|   | Bulbuline R. Marak               | 1457  | 212  | 349795              | 19081            | 368876                    | 131173           | 237703            |
|   | Gresalline R. Marak              | 922   | 560  | 221218              | 50442            | 271660                    | 0                | 271660            |
| Sep-17  | Binaline R. Marak                | 2518  | 540  | 604200              | 48609            | 652809                    | 217603           | 435206            |
| Nov-17  | Denjilla Marak                   | 1109  | 418  | 266057              | 37602            | 303659                    | 101220           | 202439            |
| Dec-17  | Daudstone                        | 805   | 194  | 193099              | 17446            | 210545                    | 70181            | 140364            |
|   | Miswel Mukhim                    | 1675  | 924  | 402058              | 83154            | 485211                    | 119365           | 365846            |
|   | Ambor Ramsiej                    | 2811  | 775  | 674750              | 69780            | 744530                    | 285403           | 459127            |

| Month        | Name of contractor     | Quantity of Minor Minerals utilised (cu.m.) |              | Royalty payable (₹) |                  | Total Royalty payable (₹) | Royalty paid (₹) | Short payment (₹) |
|--------------|------------------------|---|--------------|---------------------|------------------|---------------------------|------------------|-------------------|
|              |                        | Stone                                       | Sand         | Stone @ ₹240/cu.m   | Sand @ ₹90/cu.m. |                           |                  |                   |
|              | Daudstone              | 297   | 114          | 71213               | 10238            | 81451                     | 27151            | 54300             |
|              | Bulbuline R. Marak     | 675   | 259          | 162119              | 23347            | 185466                    | 61822            | 123644            |
|              | Gitankjelijish Pariong | 1277  | 0            | 306458              | 0                | 306458                    | 102153           | 204305            |
|              | Leonard Pariong        | 2266  | 1142         | 543739              | 102783           | 646522                    | 215507           | 431015            |
|              | Tuberland Lyngdoh      | 1717  | 406          | 412037              | 36548            | 448586                    | 149529           | 299057            |
|              | Grewinda R. Marak      | 2525  | 597          | 605998              | 53761            | 659758                    | 219919           | 439839            |
| Feb-18       | Leonard Pariong        | 5761  | 2273         | 1382616             | 204537           | 1587153                   | 529051           | 1058102           |
|              | Gitankjelijish Pariong | 1134  | 0            | 272206              | 0                | 272206                    | 90735            | 181471            |
|              | Brucellish C. Marak    | 712   | 324          | 170904              | 29151            | 200055                    | 66685            | 133370            |
|              | Bungsing Sohphoh       | 2153  | 212          | 516678              | 19105            | 535783                    | 178594           | 357189            |
|              | Bithmingson Sangma     | 2221  | 441          | 533093              | 39676            | 572768                    | 190698           | 382070            |
| <b>Total</b> |                        | <b>70706</b>                                | <b>23145</b> | <b>16969199</b>     | <b>2083354</b>   | <b>19052554</b>           | <b>6262297</b>   | <b>12790257</b>   |

**APPENDIX – V**  
**(Ref: Para 5.7.1)**

*Statement showing non-realization of contribution to environmental reclamation fund on locally procured limestone by cement companies*

| Sl. No. | Name of the Cement Company | Period                  | Quantity of limestone purchased (MT) | MMRF payable (₹) |
|---------|----------------------------|-------------------------|--------------------------------------|------------------|
| 1       | Star Cement Meghalaya Ltd  | July 2015 to March 2018 | 957576                               | 57454573         |
| 2       | Adhunik                    | July 2015 to March 2018 | 331972                               | 19918340         |
| 3       | Hills Cement Ltd.          | July 2015 to March 2018 | 7378                                 | 442693           |
| 4       | CMCL                       | July 2015 to March 2018 | 150019                               | 9001147          |
| 5       | Meghalaya Cement           | July 2015 to March 2018 | 520281                               | 31216845         |
| 6       | Amrit Cements              | July 2015 to March 2018 | 1059848                              | 63590898         |
| 7       | Green Valley               | July 2015 to March 2018 | 380584                               | 22835030         |
| 8       | Meghalaya power Ltd.       | July 2015 to March 2018 | 18631                                | 1117847          |
|         | <b>Total</b>               |                         | <b>3426289</b>                       | <b>205577373</b> |

**APPENDIX -VI**  
**(Ref: Para 6.3.9.1)**

**Statement showing quantity of limestone extracted by the lessees without approved Scheme of Mining**

| Sl. No.      | Name of the mining lease holders   | Year for which no mining plan approved | Quantity of limestone extracted (MT) |
|--------------|--|--|--------------------------------------|
| 1            | M/s Hill Cement Co. Ltd  | 2015-16                                | 18405                                |
| 2            | M/s Adhunik Cement Ltd, Umsoo Mootang Limestone Mine, Thangskai, Block-I)  | 2014-15                                | 224041                               |
|              |  | 2015-16                                | 113447                               |
| 3            | M/s Adhunik Cement Ltd (Umsoo Mootang Limestone Mine, Thangskai, Block-II) | 2014-15                                | 278071                               |
|              |  | 2015-16                                | 136227                               |
| 4            | M/s Meghalaya Cement Ltd, Mooiong Block-I                                  | 2013-14                                | 139058                               |
|              |  | 2014-15                                | 99817                                |
|              |  | 2015-16                                | 99703                                |
|              |  | 2017-18                                | 95457                                |
| 5            | M/s Komorrah Limestone Mining Co.  | 2013-14                                | 80617                                |
|              |  | 2014-15                                | 67348                                |
|              |  | 2015-16                                | 43736                                |
|              |  | 2016-17                                | 67367                                |
|              |  | 2017-18                                | 59245                                |
| 6            | M/s Mawmluh Cherra Cement Ltd  | 2013-14                                | 101927                               |
|              |  | 2014-15                                | 25531                                |
|              |  | 2015-16                                | 7742                                 |
|              |  | 2016-17                                | 44343                                |
|              |  | 2017-18                                | 61772                                |
| <b>Total</b> |  |  | <b>1763854</b>                       |

**APPENDIX -VII**  
**(Ref: Para 6.3.10.1)**

**Statement showing non-payment of royalty and cess on limestone by mining lease holders**

| Sl. No.              | Name of the lessee                | Period               | Quantity Produced (MT) | Royalty Payable (₹) | Interest payable on Royalty (₹) | Cess payable (₹) | Total Dues (₹) |
|----------------------|-----------------------------------|----------------------|------------------------|---------------------|---------------------------------|------------------|----------------|
| 1                    | M/s JUD Cement Ltd.               | Apr 2013 to Jun 2013 | 14657                  | 923391              | 1089854                         | 293140           | 2306385        |
|                      |                                   | Jul 2013 to Dec 2013 | 86031                  | 5419940             | 5748404                         | 1720616          | 12888960       |
|                      |                                   | Jan 2014 to Jun 2014 | 158365                 | 9976984             | 9381098                         | 3167296          | 22525378       |
|                      |                                   | Jul 2014 to Oct 2014 | 56587                  | 3564981             | 2925433                         | 1131740          | 7622154        |
|                      |                                   | Nov 2014 to Dec 2014 | 51146                  | 4091680             | 3357644                         | 1022920          | 8472244        |
|                      |                                   | Jan 2015 to Apr 2015 | 107213                 | 8577040             | 6006278                         | 2144260          | 16727578       |
|                      |                                   | May 2015 to Jun 2015 | 2319                   | 185546              | 129933                          | 92773            | 408253         |
|                      |                                   | Jul 2015 to Dec 2015 | 89970                  | 7197619             | 4174225                         | 3598810          | 14970654       |
|                      |                                   | Jan 2016 to Mar 2016 | 58368                  | 4669436             | 2146150                         | 2334718          | 9150304        |
|                      |                                   | Apr 2016 to Jun 2016 | 36632                  | 2930527             | 1346918                         | 2197895          | 6475341        |
|                      |                                   | Jul 2016 to Dec 2016 | 75832                  | 6066560             | 2062298                         | 4549920          | 12678778       |
|                      |                                   | Jan 2017 to Jun 2017 | 165782                 | 13262596            | 2912684                         | 9946947          | 26122226       |
|                      |                                   | Jul 2017 to Dec 2017 | 91106                  | 7288440             | 728445                          | 5466330          | 13483215       |
|                      |                                   | Jan 2018 to Mar 2018 | 20782                  | 1662540             | 0                               | 1246905          | 2909445        |
| 2                    | M/s Hills Cement Ltd.             | Apr 2013 to Jun 2013 | 1271                   | 80054               | 94486                           | 25414            | 199954         |
|                      |                                   | Jul 2013 to Dec 2013 | 1235                   | 77785               | 82499                           | 24694            | 184977         |
|                      |                                   | Jan 2014 to Jun 2014 | 473                    | 29794               | 28014                           | 9458             | 67267          |
|                      |                                   | Jul 2014 to Oct 2014 | 1924                   | 121181              | 99441                           | 38470            | 259092         |
|                      |                                   | Nov 2014 to Dec 2014 | 5305                   | 424392              | 348257                          | 106098           | 878747         |
|                      |                                   | Jan 2015 to Apr 2015 | 5861                   | 468896              | 328356                          | 117224           | 914476         |
|                      |                                   | May 2015 to Jun 2015 | 0                      | 0                   | 0                               | 0                | 0              |
|                      |                                   | Jul 2015 to Dec 2015 | 0                      | 0                   | 0                               | 0                | 0              |
|                      |                                   | Jan 2016 to Mar 2016 | 18345                  | 1467600             | 674533                          | 733800           | 2875933        |
|                      |                                   | Apr 2016 to Jun 2016 | 31600                  | 2528000             | 1161910                         | 1896000          | 5585910        |
|                      |                                   | Jul 2016 to Dec 2016 | 92925                  | 7434000             | 2527153                         | 5575500          | 15536653       |
|                      |                                   | Jan 2017 to Jun 2017 | 118750                 | 9500000             | 2086356                         | 7125000          | 18711356       |
|                      |                                   | Jul 2017 to Dec 2017 | 111210                 | 8896800             | 889193                          | 6672600          | 16458593       |
|                      |                                   | Jan 2018 to Mar 2018 | 69885                  | 5590800             | 0                               | 4193100          | 9783900        |
| 3                    | M/s Meghalaya Mineral & Mines Ltd | Jan 2015 to Apr 2015 | 15450                  | 1236000             | 865539                          | 309000           | 2410539        |
|                      |                                   | May 2015 to Jun 2015 | 0                      | 0                   | 0                               | 0                | 0              |
|                      |                                   | Jul 2015 to Dec 2015 | 0                      | 0                   | 0                               | 0                | 0              |
|                      |                                   | Jan 2016 to Mar 2016 | 52515                  | 4201200             | 1930941                         | 2100600          | 8232741        |
|                      |                                   | Apr 2016 to Jun 2016 | 52745                  | 4219600             | 1939398                         | 2109800          | 8268798        |
|                      |                                   | Jul 2016 to Dec 2016 | 83125                  | 6650000             | 2260636                         | 3325000          | 12235636       |
|                      |                                   | Jan 2017 to Jun 2017 | 76888                  | 6151063             | 1350875                         | 3075532          | 10577469       |
|                      |                                   | Jul 2017 to Dec 2017 | 86440                  | 6915220             | 691143                          | 3457610          | 11063973       |
| Jan 2018 to Mar 2018 | 45500                             | 3640000              | 0                      | 1820000             | 5460000                         |                  |                |
| 4                    | M/s Komorrah Limestone Mining Co. | Apr 2013 to Jun 2013 | 21697                  | 1366892             | 1613307                         | 433934           | 3414133        |
|                      |                                   | Jul 2013 to Dec 2013 | 43754                  | 2756527             | 2923580                         | 875088           | 6555196        |
|                      |                                   | Jan 2014 to Jun 2014 | 37685                  | 2374129             | 2232331                         | 753692           | 5360151        |
|                      |                                   | Jul 2014 to Oct 2014 | 15020                  | 946269              | 776511                          | 300403           | 2023184        |
|                      |                                   | Nov 2014 to Dec 2014 | 13078                  | 1046237             | 858545                          | 261559           | 2166341        |
|                      |                                   | Jan 2015 to Apr 2015 | 20247                  | 1619730             | 1134255                         | 404933           | 3158918        |

| Sl. No.      | Name of the lessee            | Period               | Quantity Produced (MT) | Royalty Payable (₹) | Interest payable on Royalty (₹) | Cess payable (₹) | Total Dues (₹)   |
|--------------|-------------------------------|----------------------|------------------------|---------------------|---------------------------------|------------------|------------------|
|              |                               | May 2015 to Jun 2015 | 6459                   | 516733              | 361855                          | 258366           | 1136954          |
|              |                               | Jul 2015 to Dec 2015 | 16339                  | 1307120             | 758058                          | 653560           | 2718738          |
|              |                               | Jan 2016 to Mar 2016 | 17422                  | 1393777             | 640603                          | 696888           | 2731268          |
|              |                               | Apr 2016 to Jun 2016 | 11055                  | 884421              | 406494                          | 663316           | 1954231          |
|              |                               | Jul 2016 to Dec 2016 | 33676                  | 2694064             | 915834                          | 2020548          | 5630446          |
|              |                               | Jan 2017 to Jun 2017 | 37364                  | 2989124             | 656461                          | 2241843          | 5887428          |
|              |                               | Jul 2017 to Dec 2017 | 30618                  | 2449443             | 244810                          | 1837082          | 4531336          |
|              |                               | Jan 2018 to Mar 2018 | 13898                  | 1111865             | 0                               | 833899           | 1945763          |
| 5            | M/s Mawmluh Cherra Cement Ltd | Apr 2013 to Jun 2013 | 33012                  | 2079756             | 2454682                         | 660240           | 5194678          |
|              |                               | Jul 2013 to Dec 2013 | 51183                  | 3224529             | 3419944                         | 1023660          | 7668133          |
|              |                               | Jan 2014 to Jun 2014 | 35893                  | 2261259             | 2126203                         | 717860           | 5105322          |
|              |                               | Jul 2014 to Oct 2014 | 7238                   | 455994              | 374190                          | 144760           | 974944           |
|              |                               | Nov 2014 to Dec 2014 | 0                      | 0                   | 0                               | 0                | 0                |
|              |                               | Jan 2015 to Apr 2015 | 495                    | 39600               | 27731                           | 9900             | 77231            |
|              |                               | May 2015 to Jun 2015 | 154                    | 12320               | 8627                            | 6160             | 27107            |
|              |                               | Jul 2015 to Dec 2015 | 2727                   | 218181              | 126533                          | 109090           | 453804           |
|              |                               | Jan 2016 to Mar 2016 | 4497                   | 359798              | 165369                          | 179899           | 705067           |
|              |                               | Apr 2016 to Jun 2016 | 7525                   | 601973              | 276677                          | 451480           | 1330129          |
|              |                               | Jul 2016 to Dec 2016 | 19952                  | 1596188             | 542616                          | 1197141          | 3335945          |
|              |                               | Jan 2017 to Jun 2017 | 37307                  | 2984552             | 655457                          | 2238414          | 5878423          |
|              |                               | Jul 2017 to Dec 2017 | 25545                  | 2043600             | 204248                          | 1532700          | 3780548          |
|              |                               | Jan 2018 to Mar 2018 | 15886                  | 1270880             | 0                               | 953160           | 2224040          |
| <b>Total</b> |                               |                      | <b>2445963</b>         | <b>186054626</b>    | <b>83273015</b>                 | <b>103088745</b> | <b>372416387</b> |

- Note:**
- (1) The rate of royalty on limestone was ₹63 upto September 2010 and ₹80 thereafter.
  - (2) The rate of cess on limestone ₹20 upto April 2015, ₹40 from May 2015 to March 2016 and ₹60 thereafter.
  - (3) Interest was calculated upto August 2018.

**APPENDIX - VIII**  
**(Ref: Para 6.3.10.2)**

**Statement showing non-payment of Royalty on limestone purchased by cement companies from local suppliers**

| Sl. No.      | Name of the cement company    | Period  | Quantity purchased (MT) | Royalty Payable (₹) | Total Royalty (₹) (Six monthly periods) | Interest payable (₹) |
|--------------|-------------------------------|---------|-------------------------|---------------------|---|----------------------|
| 1            | M/s Amrit Cement Ltd.         | Sep-15  | 46805                   | 3744430             | 13000809                                | 7539757              |
|              |                               | Oct-15  | 54666                   | 4373274             |   |                      |
|              |                               | Nov-15  | 22317                   | 1785372             |   |                      |
|              |                               | Dec-15  | 38722                   | 3097732             | 29084670                                | 13367792             |
|              |                               | Jan-16  | 77463                   | 6197002             |   |                      |
|              |                               | Feb-16  | 68279                   | 5462287             |   |                      |
|              |                               | Mar-16  | 74327                   | 5946129             |   |                      |
|              |                               | Apr-16  | 56025                   | 4482028             |   |                      |
|              |                               | May-16  | 34751                   | 2780052             |   |                      |
|              |                               | Jun-16  | 52715                   | 4217171             | 23308205                                | 7923512              |
|              |                               | Jul-16  | 57485                   | 4598810             |   |                      |
|              |                               | Aug-16  | 47196                   | 3775688             |   |                      |
|              |                               | Sep-16  | 42167                   | 3373320             |   |                      |
|              |                               | Oct-16  | 45523                   | 3641848             |   |                      |
|              |                               | Nov-16  | 42893                   | 3431475             | 15541522                                | 3413174              |
|              |                               | Dec-16  | 56088                   | 4487063             |   |                      |
|              |                               | Jan-17  | 75531                   | 6042452             |   |                      |
| Feb-17       | 62010                         | 4960764 | 2678800                 | 1231221             |   |                      |
| Mar-17       | 56729                         | 4538306 |                         |                     |   |                      |
| May-16       | 10954                         | 876327  |                         |                     |   |                      |
| Jun-16       | 22531                         | 1802473 |                         |                     |   |                      |
| Jul-16       | 18951                         | 1516095 |                         |                     |   |                      |
| Aug-16       | 15557                         | 1244584 |                         |                     |   |                      |
| Sep-16       | 11494                         | 919495  |                         |                     |   |                      |
| Oct-16       | 9742                          | 779358  |                         |                     |   |                      |
| Nov-16       | 7179                          | 574287  |                         |                     |   |                      |
| Dec-16       | 9137                          | 730923  |                         |                     |   |                      |
| Jan-17       | 3282                          | 262549  |                         |                     |   |                      |
| Feb-17       | 6054                          | 484283  |                         |                     |   |                      |
| Mar-17       | 5939                          | 475110  |                         |                     |   |                      |
| Apr-17       | 3978                          | 318209  |                         |                     |   |                      |
| May-17       | 3019                          | 241518  |                         |                     |   |                      |
| Jun-17       | 3209                          | 256685  |                         |                     |   |                      |
| Jul-17       | 3048                          | 243874  |                         |                     |   |                      |
| Aug-17       | 1270                          | 101615  |                         |                     |   |                      |
| Sep-17       | 565                           | 45222   |                         |                     |   |                      |
| Oct-17       | 694                           | 55551   |                         |                     |   |                      |
| Nov-17       | 114                           | 9090    |                         |                     |   |                      |
| Dec-17       | 3352                          | 268142  |                         |                     |   |                      |
| Jan-18       | 2716                          | 217295  |                         |                     |   |                      |
| Feb-18       | 1702                          | 136189  |                         |                     |   |                      |
| Mar-18       | 1177                          | 94161   |                         |                     |   |                      |
| 3            | M/s Star Cement Meghalaya Ltd | May-16  | 57825                   | 4626000             | 28089600                                | 12910442             |
|              |                               | Jun-16  | 293295                  | 23463600            |   |                      |
| 4            | M/s Adhunik Cement Ltd        | Jun-16  | 612                     | 48936               | 993320                                  | 337674               |
|              |                               | Jul-16  | 2769                    | 221497              |   |                      |
|              |                               | Aug-16  | 1619                    | 129545              |   |                      |
|              |                               | Sep-16  | 923                     | 73832               |   |                      |
|              |                               | Nov-16  | 6494                    | 519510              |   |                      |
| <b>Total</b> |                               |         | <b>1520893</b>          | <b>121671158</b>    | <b>121671162</b>                        | <b>49203235</b>      |

**APPENDIX -IX**  
**(Ref: Para 6.3.11.1)**

***Statement showing short collection of mineral cess due to non-establishment of Mining check-gates***

| Period                      | Rate of royalty (₹/MT) | Rate of cess (₹/MT) | Bholaganj                              |  | Quantity not accounted by Mining check-gate (MT) | Mineral Cess realizable (₹) |
|-----------------------------|------------------------|---------------------|--|--|--|-----------------------------|
|                             |                        |                     | Quantity as per Forest check-gate (MT) | Quantity as per Mining check-gate (MT) |  |                             |
| April 2013 to October 2014  | 63                     | 20                  | 233177                                 | NA                                     | 233177   | 4663540                     |
| November 2014 to April 2015 | 80                     | 20                  | 64158                                  | NA                                     | 64158  | 1283160                     |
| May 2015 to March 2016      | 80                     | 40                  | 168823                                 | NA                                     | 168823   | 6752920                     |
| April 2016 to March 2018    | 80                     | 60                  | 1113549                                | NA                                     | 1113549  | 66812940                    |
| <b>Total</b>                |                        |                     | <b>1579707</b>                         | <b>NA</b>                              | <b>1579707</b>                                   | <b>79512560</b>             |

***Statement showing short collection of mineral cess on account of under-reporting by Mining check-gates***

| Period                      | Rate of royalty (in ₹/MT) | Rate of cess (in ₹/MT) | Dawki                                  |  | Borsora                                |  | Quantity under-reported by Mining check-gate (MT) | Mineral Cess realizable (₹) |
|-----------------------------|---------------------------|------------------------|--|--|--|--|---|-----------------------------|
|                             |                           |                        | Quantity as per Forest check-gate (MT) | Quantity as per Mining check-gate (MT) | Quantity as per Forest check-gate (MT) | Quantity as per Mining check-gate (MT) |   |                             |
| April 2013 to October 2014  | 63                        | 20                     | 647379                                 | 547534                                 | 64600                                  | 0                                      | 164445  | 3288900                     |
| November 2014 to April 2015 | 80                        | 20                     | 154980                                 | 81020                                  | 9550                                   | 0                                      | 83510   | 1670200                     |
| May 2015 to March 2016      | 80                        | 40                     | 123480                                 | 101232                                 | 17914                                  | 0                                      | 40162   | 1606480                     |
| April 2016 to March 2018    | 80                        | 60                     | 925302                                 | 35379                                  | 273185                                 | 0                                      | 1163108   | 69786471                    |
| <b>Total</b>                |                           |                        | <b>1851141</b>                         | <b>765165</b>                          | <b>365249</b>                          | <b>0</b>                               | <b>1451225</b>                                    | <b>76352051</b>             |

**APPENDIX -X****(Ref: Para 6.3.11.1)****Statement showing short collection of royalty and cess on limestone on account of under-reporting by Forest check-gates**

| Period              | Rate of royalty<br>(in ₹/MT) | Rate of cess<br>(in ₹/MT) | Dawki                    |   | Borsora                  |   | Bholaganj                |   | Quantity under reported by Forest check-gates (MT) | Royalty to be collected (₹) | Cess to be collected (₹) |
|---------------------|------------------------------|---------------------------|--------------------------|---|--------------------------|---|--------------------------|---|--|-----------------------------|--------------------------|
|                     |                              |                           | Quantity as per LCS (MT) | Quantity as per Forest check-gates (MT) | Quantity as per LCS (MT) | Quantity as per Forest check-gates (MT) | Quantity as per LCS (MT) | Quantity as per Forest check-gates (MT) |  |                             |                          |
| Apr 2013 – Oct 2014 | 63                           | 20                        | 1178561                  | 647379                                  | 159198                   | 64600                                   | 1058075                  | 233177                                  | 1450678  | 91392722                    | 29013563                 |
| Nov 2014 – Apr 2015 | 80                           | 20                        | 579861                   | 154980                                  | 73250                    | 9550                                    | 498279                   | 64158                                   | 922702   | 73816160                    | 18454040                 |
| May 2015 – Mar 2016 | 80                           | 40                        | 149208                   | 123480                                  | 53528                    | 17914                                   | 409414                   | 168823                                  | 301933   | 24154640                    | 12077322                 |
| Apr 2016 – Mar 2018 | 80                           | 60                        | 1088182                  | 925303                                  | 247176                   | 273185                                  | 1071568                  | 1113549                                 | 94889  | 7591120                     | 5693340                  |
| <b>Total</b>        |                              |                           | <b>2995812</b>           | <b>1851142</b>                          | <b>533152</b>            | <b>365249</b>                           | <b>3037336</b>           | <b>1579707</b>                          | <b>2770202</b>                                     | <b>196954642</b>            | <b>65238265</b>          |

**APPENDIX – XI**  
**(Ref: Para 6.3.11.2)**

**Statement showing non-payment of cess on limestone purchased by cement companies from local suppliers**

| Sl. No.      | Name of the lessee            | Period               | Quantity purchased (MT) | Cess Payable (₹) |
|--------------|-------------------------------|----------------------|-------------------------|------------------|
| 1            | M/s Amrit Cement Ltd          | Apr 2013 to Jun 2013 | 163235                  | 3264700          |
|              |                               | Jul 2013 to Dec 2013 | 267725                  | 5354500          |
|              |                               | Jan 2014 to Jun 2014 | 216968                  | 4339360          |
|              |                               | Jul 2014 to Dec 2014 | 204106                  | 4082120          |
|              |                               | Jan 2015 to Apr 2015 | 212221                  | 4244419          |
|              |                               | May 2015 to Jun 2015 | 111927                  | 4477077          |
|              |                               | Jul 2015 to Dec 2015 | 210668                  | 8426736          |
|              |                               | Jan 2016 to Mar 2016 | 220068                  | 8802709          |
|              |                               | Apr 2016 to Jun 2016 | 143491                  | 8609438          |
|              |                               | Jul 2016 to Dec 2016 | 291353                  | 17481154         |
|              |                               | Jan 2017 to Jun 2017 | 194269                  | 11656141         |
|              |                               | Jul 2017 to Dec 2017 | 0                       | 0                |
|              |                               | Jan 2018 to Mar 2018 | 0                       | 0                |
| 2            | M/s Green Valley Cement Ltd   | Jul 2014 to Dec 2014 | 879496                  | 17589925         |
|              |                               | Jan 2015 to Apr 2015 | 311641                  | 6232810          |
|              |                               | May 2015 to Jun 2015 | 137418                  | 5496729          |
|              |                               | Jul 2015 to Dec 2015 | 234921                  | 9396848          |
|              |                               | Jan 2016 to Mar 2016 | 0                       | 0                |
|              |                               | Apr 2016 to Jun 2016 | 33485                   | 2009100          |
|              |                               | Jul 2016 to Dec 2016 | 72059                   | 4323557          |
|              |                               | Jan 2017 to Jun 2017 | 25479                   | 1528765          |
|              |                               | Jul 2017 to Dec 2017 | 9044                    | 542620           |
|              |                               | Jan 2018 to Mar 2018 | 5596                    | 335734           |
| 3            | Hills Cement Ltd.             | Apr 2013 to Jun 2013 | 29317                   | 586340           |
|              |                               | Jul 2013 to Dec 2013 | 13893                   | 277857           |
|              |                               | Jan 2014 to Jun 2014 | 47542                   | 950845           |
|              |                               | Jul 2014 to Dec 2014 | 62714                   | 1254280          |
|              |                               | Jan 2015 to Apr 2015 | 20810                   | 416194           |
|              |                               | May 2015 to Jun 2015 | 6432                    | 257268           |
|              |                               | Jul 2015 to Dec 2015 | 7378                    | 295129           |
| 4            | M/s Star Cement Meghalaya Ltd | May 2016 to Jun 2016 | 351120                  | 21067200         |
| <b>Total</b> |                               |                      | <b>4484376</b>          | <b>153299555</b> |

**APPENDIX-XII****(Ref: Para 6.3.12)*****Statement showing mining leases granted/approved without necessary clearances***

| Sl. No. | Name of Company                        | Lease Location                           | Clearances Obtained |                   |                 | Pollution NOC validity period | Pollution NOCs expired and not yet renewed |
|---------|--|--|---------------------|-------------------|-----------------|-------------------------------|--|
|         |  |  | Environmental       | Wildlife          | Forest          |                               |  |
| 1       | Meghalaya Minerals and Mines Pvt. Ltd. | Umjri-Shiahtah, Lumshnong, Jaintia Hills | No                  | No                | No              | 31.3.2018                     | Not yet obtained                           |
| 2       | Cement Manufacturing Co. Ltd. (CMCL)   | Lumshnong-I, Jaintia Hills               | No                  | No                | No              | 30.1.2020                     | Not applicable                             |
| 3       | CMCL                                   | Lumshnong-II, Jaintia Hills              | No                  | No                | No              | 31.10.2017                    | Not yet obtained                           |
| 4       | CMCL                                   | Lumshnong-III, Jaintia Hills             | No                  | No                | No              | 30.09.2017                    | Not yet obtained                           |
| 5       | Meghalaya Cement Ltd.                  | Khliehjeri, Jaintia Hills                | No                  | No                | No              | 31.08.2018                    | Not yet obtained                           |
| 6       | Meghalaya Cement Ltd.                  | Chiehruphi, Jaintia Hills District       | No                  | No                | No              | 31.03.2018                    | Not yet obtained                           |
| 7       | Adhunik Cement Ltd                     | Umsoo-Mootang-I, Jaintia Hills           | No                  | No                | No              | 30.11.2018                    | Not applicable                             |
| 8       | Adhunik Cement Ltd.                    | Umsoo-Mootang-II, Jaintia Hills          | No                  | No                | No              | 31.01.2018                    | Not yet obtained                           |
| 9       | Adhunik Cement Ltd.                    | Umsoo-Mootang-III, Jaintia Hills         | No                  | No                | No              | 31.03.2018                    | Not yet obtained                           |
| 10      | Hills Cement Ltd                       | Mynkre, Jaintia Hills                    | No                  | No                | No              | 31.05.2018                    | Not yet obtained                           |
| 11      | JUD Cement Ltd.                        | Wahiajer, Jaintia Hills                  | No                  | No                | No              | 31.01.2017                    | Not yet obtained                           |
| 12      | Mawmluh Cherra Cement                  | Mawmluh, East Khasi Hills                | 12.06.2008          | No                | No              | 31.10.2018                    | Not applicable                             |
| 13      | Komorrah Mining Company                | Komorrah, East Khasi Hills               | No                  | No                | No              | 31-03.2019                    | Not applicable                             |
| 14      | Lafarge Umiam Mining Pvt. Ltd          | Nongtra, East Khasi Hills                | 28.11.2016          | No                | No              | 30.11.2020                    | Not applicable                             |
| 15      | CMCL                                   | Wahpynkon - II, Jaintia Hills            | 03.03.2016          | No                | Not forest land | 31.07.2018                    | Not yet obtained                           |
| 16      | CMCL                                   | Lumshnong-IV Jaintia Hills               | 01.04.2016          | Applied from PCCF | 19.02.2016      | 31.07.2018                    | Not yet obtained                           |
| 17      | Meghalaya Cements Ltd.                 | Khliehjeri, Jaintia Hills                | 09.01.2017          | No                | Not forest land | 28.02.2018                    | Not yet obtained                           |
| 18      | M/s Adhunik Cement Ltd.                | Umsoo-Mootang-V, Jaintia Hills           | 02.01.2014          | No                | 11.03.2015      | 31.03.2018                    | Not yet obtained                           |
| 19      | M/s Adhunik Cement Ltd.                | Umsoo-Mootang-VI, Jaintia Hills          | No                  | No                | 07.03.2014      | 31.03.2018                    | Not yet obtained                           |

**APPENDIX-XIII**  
**(Ref: Para 6.3.16.3)**

**Statement showing illegal mining and transportation of coal reported by district administration during NGT ban period**

| Name of the District   | No of illegal mining cases reported | No of illegal transportation cases transportation (Quantity of coal in MT) |
|------------------------|-------------------------------------|--|
| Ri-Bhoi                | -                                   | 256 (8523 MT)  |
| South West Khasi Hills | 1 (20 MT)                           | 7 (202 MT)   |
| East Khasi Hills       | 2 (1294 MT)                         | 104 (1194 MT)  |
| East Garo Hills        | -                                   | 6 (35 MT)  |
| West Garo Hills        | -                                   | 9 (100 MT)   |
| South Garo Hills       | -                                   | 1 (2 MT)   |
| North Garo Hills       | -                                   | 4 (NA)   |
| West Khasi Hills       | -                                   | Not furnished  |
| East Jaintia Hills     | Not furnished                       | 460 (13380 MT)   |
| West Jaintia Hills     | -                                   | Not furnished  |
| <b>Total</b>           | <b>3 (1314 MT)</b>                  | <b>847 (23436 MT)</b>  |

**APPENDIX-XIV**  
**(Ref: Para 6.3.19.3)**

***Statement showing short extraction of limestone from leased areas***

| Sl. No.      | Name of the Lessees                          | Year    | Quantity Proposed (MT) | Quantity Extracted (MT) | Short Extraction (MT) |
|--------------|--|---------|------------------------|-------------------------|-----------------------|
| 1            | M/s Hill Cement Co. Ltd                      | 2013-14 | 83532                  | 2505                    | 81027                 |
|              |  | 2014-15 | 140625                 | 13562                   | 127063                |
|              |  | 2016-17 | 278474                 | 178175                  | 100299                |
|              |  | 2017-18 | 254131                 | 250270                  | 3861                  |
| 2            | M/s JUD Cement Ltd.                          | 2013-14 | 450000                 | 184869                  | 265131                |
|              |  | 2014-15 | 450000                 | 289130                  | 160870                |
|              |  | 2015-16 | 475200                 | 150658                  | 324542                |
|              |  | 2016-17 | 366749                 | 202016                  | 164733                |
|              |  | 2017-18 | 363362                 | 188117                  | 175244                |
| 3            | M/s Adhunik Cement Ltd. (Block-I)            | 2013-14 | 754000                 | 338451                  | 415549                |
|              |  | 2016-17 | 150860                 | 144802                  | 6058                  |
|              |  | 2017-18 | 150959                 | 129285                  | 21674                 |
| 4            | M/s Adhunik Cement Ltd. (Block-II)           | 2013-14 | 816000                 | 332311                  | 483689                |
|              |  | 2016-17 | 283302                 | 259142                  | 24160                 |
|              |  | 2017-18 | 181643                 | 162694                  | 18949                 |
| 5            | M/s Adhunik Cement Ltd. (Block-IV)           | 2013-14 | 296000                 | 66600                   | 229400                |
|              |  | 2015-16 | 700021                 | 442070                  | 257951                |
|              |  | 2016-17 | 600010                 | 583611                  | 16399                 |
|              |  | 2017-18 | 450005                 | 308184                  | 141821                |
| 6            | M/s Cement Manufacturing Co. Ltd (Khub-I&II) | 2013-14 | 250000                 | 113189                  | 136811                |
|              |  | 2014-15 | 250000                 | 82983                   | 167017                |
|              |  | 2015-16 | 475000                 | 474358                  | 642                   |
|              |  | 2016-17 | 396000                 | 394867                  | 1133                  |
|              |  | 2017-18 | 372000                 | 361105                  | 10895                 |
| 7            | M/s Meghalaya Mineral & Mines Ltd            | 2013-14 | 166473                 | 148739                  | 17734                 |
|              |  | 2014-15 | 93275                  | 92145                   | 1130                  |
|              |  | 2015-16 | 179720                 | 52515                   | 127205                |
|              |  | 2016-17 | 179270                 | 162894                  | 16376                 |
|              |  | 2017-18 | 183548                 | 181804                  | 1744                  |
| 8            | M/s Meghalaya Cements Ltd, Khliehjari        | 2017-18 | 238093                 | 195240                  | 42853                 |
| <b>Total</b> |  |         | <b>10028252</b>        | <b>6486291</b>          | <b>3541960</b>        |

**APPENDIX-XV**  
**(Ref: Para 6.3.19.4)**

***Statement showing non-realization of arrear revenue from cement companies***

| Sl. No.      | Name of the lease holder         | Period of default      | Amount in arrears<br>(₹ in crore) |
|--------------|----------------------------------|------------------------|-----------------------------------|
| 1            | M/s Star Cement Ltd.             | Dec 2012 to Dec 2017   | 25.61                             |
| 2            | M/s Star Cement Ltd (CMCL)       | Nov 2004 to Dec 2017   | 8.62                              |
| 3            | M/s Meghalaya Power Ltd.         | Jan 2012 to Dec 2017   | 8.86                              |
| 4            | M/s Adhunik Cement Ltd.          | Feb 2010 to Dec 2017   | 10.52                             |
| 5            | M/s Meghalaya Cement Ltd.        | Jan 2009 to Dec 2017   | 25.40                             |
| 6            | M/s Amrit Cement Ltd.            | Nov 2012 to Dec 2017   | 8.20                              |
| 7            | M/s JUD Cement Ltd.              | April 2009 to Dec 2017 | 47.93                             |
| 8            | M/s Green Valley                 | Oct 2010 to Dec 2017   | 30.57                             |
| 9            | M/s Hills Cement                 | Nov 2009 to Dec 2017   | 17.61                             |
| 10           | M/s Mawmluh Cherra Cement Ltd.   | Upto Dec 2017          | 4.17                              |
| 11           | M/s Kommorah Mining Co. Ltd.     | Upto Dec 2017          | 15.63                             |
| 12           | M/s Meghalaya Minerals and Mines | July 2010 to Dec 2017  | 4.03                              |
| <b>Total</b> |                                  |                        | <b>207.15</b>                     |

**APPENDIX-XVI****(Ref: Para 6.3.20)****Statement showing the Follow-up Audit on “Controls and System for Mining in Meghalaya” for the period covering 2008-09 to 2012-13**

| Summary of Audit observation  | Action taken by the Department (as on July 2018)  |
|---|---|
| <b>7.5.7.2 Position of arrears</b>  |   |
| The Mining Department has issued mining leases for extraction of limestone to 16 applicants. As of July 2013, the Department has ₹25.50 crore in arrears from seven out of 16 lessees.  | The Department did not realise the arrear revenue from the seven lessees. In respect of the seven lessees, the arrear revenue increased from ₹32.50 in 2013-14 to ₹125.29 in 2017-18. The overall arrear position of the Department was ₹207.15 crore (December 2017). Though demand notices were issued by the DMR against the defaulting companies (June 2018) for payment of the outstanding dues up to December 2017, no recovery of royalty was found on record. |
| <b>7.5.8 Non-adherence to the provisions of the MMDR Act</b>  |   |
| The Mining Department had granted mining leases only in respect of limestone. In respect of coal mining, no mining lease had ever been applied for nor granted by the Department. (July 2013)   | The NGT in its ordered (17 April 2014) prohibited the coal mining in the State.   |
| The Department granted mining leases for 16 applications for limestone mining. The total production of limestone in the State (2008-13) was 1.99 crore MT, out of which 1.56 crore MT of limestone was extracted by these 16 mining lease holders. 43 lakh MT limestone was extracted by miners without obtaining mining lease. | The Meghalaya High Court banned the limestone mining from non-leased areas on 30 June 2015. Meghalaya Minor Mineral Concession Rules were enacted in September 2016 to regulate limestone leases in areas less than 5 ha.   |
| <b>7.5.9 Operation of mines without forest clearance</b>  |   |
| 15 out of 16 limestone mining leases granted in the State were operating without obtaining forest clearance from MoEF, GoI.   | All the 15 lessees still had not obtained Forest clearances. No action was taken against the lease holders by the Department.   |
| <b>7.5.11 Loss of revenue due to non-collection of royalty on limestone</b>   |   |
| The Mining Department did not share information with Forest Department with respect of limestone extracted from non-leased areas, resulting in non-collection of royalty of ₹3.23 crore.  | Duality of control for royalty collection on limestone continues. (Refer Paragraph 6.3.10 of this Report)   |

| Summary of Audit observation  | Action taken by the Department (as on July 2018)  |
|---|---|
| <b>7.5.12 Irregular system of NOCs and lack of controls thereon</b>   |   |
| <p>Due to irregular issuing of NOCs to exporters, the Department suffered revenue loss of ₹4.84 crore.</p>  | <p>Demand notices were issued by the Department for 88 of the 94 cases and in 6 cases it was found that demand notices could not been issued due to wrong address. An amount of ₹1.87 crore had been realised from 47 coal dealers while remaining outstanding dues of ₹1.24 crore were not recovered.</p> <p>The DMO, Williamnagar returned 47 defective demand notices to the DMR in February 2013. In February 2015, the DMO again prepared a list containing the up-to-date position of defaulters and submitted it to the DMR. No further action was taken thereafter by the DMR/DMO to realise the dues. Till date of audit (August 2018), outstanding dues of ₹2.97 crore remained unrealised.</p> |
| <b>7.5.13 Loss of revenue due to non-registration of mineral dealers</b>  |   |
| <p>The DMR issued 302 demand notices for non-payment of royalty involving revenue of ₹8.16 crore between 2008-09 and 2012-13. Seven demand notices were sent back by the Postal Department citing incomplete postal address.</p>  | <p>Out of ₹8.16 crore, the Department recovered ₹4.63 lakh from one defaulter and remaining outstanding amount of ₹8.12 crore were not realised by the Department.</p>  |
| <b>7.5.14.1 Short realisation of revenue by the check gates</b>   |   |
| <p>The DMR has not prescribed any periodic reports and returns for submission by the field offices and the check-gates. Additionally, due to non-establishment of check-gates at Shella Bazar and Bholaganj, the Department did not realize cess amounting to ₹17.29 lakh.</p>  | <p>The DMR has not prescribed any MIS reports to be furnished by the check gates and there is no periodic reconciliation with the LCSs resulting in the mining check gates' continued under-reporting of minerals being transported. The Department has also not established mining check gates at Shella Bazar and Bholaganj.</p>  |
| <b>7.5.14.2 Monitoring</b>  |   |
| <p><b>Vigilance Squad</b> - Vigilance Squad was constituted in August 2002 to conduct surprise inspection of check gates, but the Vigilance Squad did not conduct inspection of any of the check gates.</p> <p><b>Stock Register</b> - Stock Register of MTC books for Sept 2009 to March 2011 was not made available to audit. Further, during the period from 2008-09 to 2012-13, 404 MTC books were unaccounted for and could not be physically verified by audit.</p> | <p>There were no records available in the DMR regarding the role and functioning of the vigilance squad. No surprise inspections were carried out by the vigilance squad or the DMR in any of the check gates during the period 2013-18.</p> <p>The Stock Register of MTC books for the period September 2009 to March 2011 was unavailable and could not be produced to Audit. Also the 404 unaccounted MTC books could not be produced to Audit for scrutiny.</p>   |
| <b>7.5.15 Loss of revenue due to under-reporting of excess load</b>   |   |
| <p>There was under reporting of excess load by four DMR check-gates (Dainadubi, Dawki, Gasuapara and Dalu) leading to loss of revenue of ₹55.06 crore.</p>  | <p>No action has been taken on this issue. The DMR has not been able to recover the royalty realisable from under-reported movement of coal at the DMR check-gates. Additionally, no action has been taken against the officials concerned.</p>   |

| Summary of Audit observation  | Action taken by the Department (as on July 2018)   |
|---|--|
| <b>7.5.16 Short payment of Financial Assurance</b>  |  |
| There was short payment of Financial Assurance amounting to ₹16.77 lakh by M/s Lafarge Umiam Pvt. Ltd.  | No action was taken by the Department to realise the Financial Assurance from the lessee.  |
| <b>7.5.17 Non-recovery of dead rent from mining lease holders due to non-operation of mines</b>   |  |
| Two lessees (M/s Anderson Minerals Pvt. Ltd and M/s K.Singh Wann & Sons) failed to pay dead rent and interest amounting to ₹28.04 lakh.   | The department had re-assessed the cases and has accordingly realised ₹14.98 lakh from M/s Anderson Minerals (P) Ltd and ₹0.96 lakh from M/s K. Singh Wann & Sons.   |
| <b>7.5.18 Short realisation of royalty by check gates</b>   |  |
| MTCs obtained at the previous rate of ₹290 were produced by 1516 coal trucks (between 23 June 2012 and 27 June 2012) carrying 13223 MT of coal at Mookyndur, Umling and Borsora check-gates, after the rate had been revised to ₹675 per MT and the check-gate officials allowed the same to pass, leading to loss of revenue of ₹64.11 lakh.   | No action has been taken by the DMR to realise the short-realised royalty.   |
| <b>7.5.19 Non-realisation of revenue on limestone extracted from lease areas</b>  |  |
| Five lease holders having eight mining leases[4] have produced 27.57 lakh MT of limestone between May 2011 and December 2012 against which they have deposited royalty of only ₹0.40 crore for 0.79 lakh MT leaving a balance of ₹16.45 crore royalty outstanding for 26.78 lakh MT of limestone. In addition, cess amounting to ₹5.35 crore was not paid for the entire quantity produced. | Audit observed that the five lessees continued to have outstanding arrears even during the period of the present audit period (2013-14 to 2017-18).<br>Though DMR had issued demand notices, outstanding dues were yet to be realised. |
| <b>7.5.21 Lack of documentary evidence/ unjustified expenditure on geological investigation</b>   |  |
| Between 2008-09 and 2012-13 the DMR expended a total of 12.20 crore on (I) research and development (II) survey and mapping (III) mineral exploration. However, the DMR maintains no register of survey or mapping done and as such it has no means of verifying the Travelling Allowance claims submitted by field parties.  | No registers or records could be produced/were found maintained by the DMR in support of the expenditure on survey and mapping and mineral and exploration during the period from 2008-09 to 2012-13 (August 2018).                    |



## Glossary

### **Chapter I- General**

|                 |                                 |
|-----------------|---------------------------------|
| <i>ACM</i>      | Audit Committee Meeting         |
| <i>ATN</i>      | Action Taken Note               |
| <i>BE</i>       | Budget Estimate                 |
| <i>C&amp;AG</i> | Comptroller and Auditor General |
| <i>GoI</i>      | Government of India             |
| <i>GoM</i>      | Government of Meghalaya         |
| <i>IR</i>       | Inspection Report               |
| <i>NGT</i>      | National Green Tribunal         |
| <i>PA</i>       | Performance Audit               |
| <i>PAC</i>      | Public Accounts Committee       |
| <i>Pr. AG</i>   | Principal Accountant General    |
| <i>SGST</i>     | State Goods and Service Tax     |
| <i>VAT</i>      | Value Added Tax                 |

### **Chapter II- Taxation Department**

|                |   |
|----------------|---|
| <i>ACT</i>     | Assistant Commissioner of Taxes           |
| <i>CoT</i>     | Commissioner of Taxes                     |
| <i>CST</i>     | Central Sales Tax                         |
| <i>DCT</i>     | Deputy Commissioner of Taxes              |
| <i>ERTS</i>    | Excise, Registration, Taxation and Stamps |
| <i>HSD</i>     | High Speed Diesel                         |
| <i>IAW</i>     | Internal Audit Wing                       |
| <i>IMFL</i>    | Indian Made Foreign Liquor                |
| <i>ITC</i>     | Input Tax Credit                          |
| <i>MS</i>      | Motor Spirits                             |
| <i>MSL</i>     | Motor Spirit and Lubricants               |
| <i>MT</i>      | Metric Tonne                              |
| <i>MVAT</i>    | Meghalaya Value Added Tax                 |
| <i>PWD</i>     | Public Works Department                   |
| <i>ST</i>      | Superintendent of Taxes                   |
| <i>TINXSYS</i> | Tax Information Exchange System           |
| <i>TDS</i>     | Tax Deducted at Source                    |
| <i>VAT</i>     | Value Added Tax                           |

### **Chapter III- State Excise Department**

|             |   |
|-------------|---|
| <i>ACE</i>  | Assistant Commissioner of Excise          |
| <i>CoE</i>  | Commissioner of Excise                    |
| <i>DCE</i>  | Deputy Commissioner of Excise             |
| <i>DSE</i>  | Deputy Superintendent of Excise           |
| <i>ERTS</i> | Excise, Registration, Taxation and Stamps |
| <i>IAW</i>  | Internal Audit Wing                       |
| <i>IMFL</i> | Indian Made Foreign Liquor                |
| <i>SE</i>   | Superintendent of Excise                  |

**Chapter IV- Transport Department**

|               |   |
|---------------|---|
| <i>CT</i>     | Commissioner of Transport   |
| <i>DTO</i>    | District Transport Officer  |
| <i>IAW</i>    | Internal Audit Wing   |
| <i>MIRMOW</i> | Meghalaya Installation, Regulation, Maintenance and Operation of Weighbridges |
| <i>MT</i>     | Metric Tonne  |

**Chapter V- Forest & Environment Department**

|                |   |
|----------------|---|
| <i>ADC</i>     | Autonomous District Council                       |
| <i>APCCF</i>   | Additional Principal Chief Conservator of Forests |
| <i>CCF</i>     | Chief Conservator of Forests                      |
| <i>CF</i>      | Conservator of Forests                            |
| <i>DFO</i>     | Divisional Forest Officer                         |
| <i>F&amp;E</i> | Forest & Environment                              |
| <i>IAW</i>     | Internal Audit Wing                               |
| <i>LCS</i>     | Land Custom Station                               |
| <i>MMDR</i>    | Mines and Minerals Development and Regulation     |
| <i>MMMCR</i>   | Meghalaya Minor Mineral Concession Rules          |
| <i>MMMRF</i>   | Meghalaya Minor Mineral Reclamation Fund          |
| <i>MT</i>      | Metric Tonne                                      |
| <i>Cu. M</i>   | Cubic Meter                                       |
| <i>PCCF</i>    | Principal Chief Conservator of Forests            |
| <i>RO</i>      | Range Officer                                     |

**Chapter VI- Mining & Geology Department**

|                |   |
|----------------|---|
| <i>AMD</i>     | Acid Mine Drainage                                    |
| <i>DMF</i>     | District Mineral Foundation                           |
| <i>DMO</i>     | Divisional Mining Officer                             |
| <i>DMR</i>     | Director of Mineral Resources                         |
| <i>EGH</i>     | East Garo Hills                                       |
| <i>EJH</i>     | East Jaintia Hills                                    |
| <i>EKH</i>     | East Khasi Hills                                      |
| <i>GoI</i>     | Government of India                                   |
| <i>GPS</i>     | Global Positioning System                             |
| <i>GST</i>     | Goods and Services Tax                                |
| <i>IAW</i>     | Internal Audit Wing                                   |
| <i>LCS</i>     | Land Custom Station                                   |
| <i>M&amp;G</i> | Mining & Geology                                      |
| <i>MCDR</i>    | Mineral Conservation and Development Rules            |
| <i>MCR</i>     | Mineral Concession Rules                              |
| <i>MEPRF</i>   | Meghalaya Environment Protection and Restoration Fund |
| <i>MMDR</i>    | Mines and Minerals Development and Regulation         |
| <i>MMMCR</i>   | Meghalaya Minor Mineral Concession Rules              |
| <i>MMMRF</i>   | Meghalaya Minor Mineral Reclamation Fund              |
| <i>MoEF</i>    | Ministry of Environment and Forests                   |

|              |   |
|--------------|---|
| <i>MSPCB</i> | Meghalaya State Pollution Control Board   |
| <i>MT</i>    | Metric Tonne                              |
| <i>MTC</i>   | Mineral Transport Challan                 |
| <i>NGT</i>   | National Green Tribunal                   |
| <i>NOC</i>   | No Objection Certificate                  |
| <i>PA</i>    | Performance Audit                         |
| <i>pH</i>    | Pouvoir Hydrogène (Potential of Hydrogen) |
| <i>QR</i>    | Quick Response                            |
| <i>SGH</i>   | South Garo Hills                          |
| <i>SWKH</i>  | South West Khasi Hills                    |
| <i>WGH</i>   | West Garo Hills                           |
| <i>WJH</i>   | West Jaintia Hills                        |
| <i>WKH</i>   | West Khasi Hills                          |
| <i>VAT</i>   | Value Added Tax                           |

#### ***Chapter VII- Stamps & Registration Department***

|             |   |
|-------------|---|
| <i>DC</i>   | Deputy Commissioner                       |
| <i>ERTS</i> | Excise, Registration, Taxation and Stamps |
| <i>GoM</i>  | Government of Meghalaya                   |
| <i>IAW</i>  | Internal Audit Wing                       |





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