

### 7.1 Tax Administration

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

### 7.2 Internal audit

The Mining & Geology Department has no separate Internal Audit Wing (IAW). Despite the same being pointed out in the PAs and the Audit Reports carried out from time to time, no action has been taken by the Department to create an IAW to monitor the working of the Department. In the absence of a separate IAW, the Department solely relies upon the audit carried out by the Accountant General.

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

### 7.3 Results of Audit

Test check of the records of three units relating to Mining & Geology Department during 2013-14 revealed under-assessment of tax and other irregularities involving ₹ 144.69 crore in 27 cases which fall under the following categories:

Table 7.1

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non/Short realisation of revenue	13	78.69
2.	Loss of revenue	08	65.48
3.	Other irregularities	06	0.52
<b>Total</b>		<b>27</b>	<b>144.69</b>

During the course of the year, the Department accepted under assessments and other deficiencies of ₹ 144.69 crore in all the 27 cases pointed out. However, no recovery was intimated in any of the cases during the year 2013-14.

A few illustrative cases having financial impact of ₹ 28.70 crore in terms of short/non-realisation of revenue are discussed in the paragraphs 7.4 to 7.6.

#### 7.4 Short-realisation of royalty on coal – DMO, Jowai

##### **Non-realisation and short realisation of royalty on coal amounting to ₹ 27.76 crore.**

Section 9 (2) of the Mines and Minerals (Development and Regulation) Act, 1957 lays down that every licensee or permit holder or lessee shall pay the prescribed royalty in respect of the mineral removed or consumed by him. In Meghalaya, the royalty on coal was ₹ 290 per metric tonne (MT) upto 21 June 2012 and ₹ 675 per MT thereafter.

Seven<sup>1</sup> cement manufacturing units under the jurisdiction of Divisional Mining Officer (DMO), Jowai, procured 5.48 lakh MT of coal within the State between April 2012 and March 2013 on which royalty of ₹ 31.60 crore<sup>2</sup> was payable, against which royalty of only ₹ 3.84 crore was deposited by these units. No action was taken by the DMO to realise the balance royalty from these manufacturing units thereby resulting in short-realisation of royalty of ₹ 27.76 crore.

The case was reported to the Mining and Geology (M&G) Department, Government of Meghalaya (GOM) in February 2014; reply was awaited (November 2014).

#### 7.5 Non-realisation of royalty on coal at revised rate – DMO, Williamnagar

##### **Non-realisation of royalty on coal at revised rate resulted in short realisation of revenue amounting to ₹ 0.16 crore.**

In Meghalaya, the royalty on coal was ₹ 290 per metric tonne (MT) upto 21 June 2012 and ₹ 675 per MT thereafter. The Director of Mineral Resources (DMR) check posts verify that coal is transported on the strength of Mineral Transport Challans (MTC) subject to the maximum legal permissible load of 9 MT per truck per MTC. Where the load is in excess of 9 MT, the DMR check post levies royalty on the quantity of coal transported in excess of 9 MT plus additional 25 per cent as additional royalty.

It was seen from the records of the DMO, Williamnagar that between 22 June and 23 June 2012 the DMR staff at the Dainadubi check gate detected excess load of 0.03 lakh MT<sup>3</sup> of coal and realised additional royalty along with penalty of ₹ 0.12 crore on the excess load at ₹ 290 per MT instead of ₹ 0.29 crore at the revised rate of ₹ 675 per MT thereby resulting in short collection of additional royalty and penalty of ₹ 0.16 crore. Despite the information being available with the DMO, no

<sup>1</sup> (1) M/s Meghalaya Power Ltd. (2) M/s Green Valley Industries Ltd. (3) M/s Meghalaya Cement Co Ltd., (4) M/s Star Cement (5) M/s Hills Cement Co. Ltd. (6) M/s Cement Manufacturing Company Ltd. (7) M/s JUD Cement

<sup>2</sup> Detailed calculation shown in **Annexure-III**.

<sup>3</sup> Exact number of trucks carrying excess load could not be available to audit.

action was taken to direct the check gate to realise royalty at the revised rate thereby resulting in loss of revenue to that extent.

The case was reported to the M&G Department, Government of Meghalaya (GOM) in April 2014; reply was awaited (November 2014).

**7.6 Non-collection of cess on limestone – DMO, Jowai**

**Against Mineral Cess Challans (MCC) issued for export of 1.42 lakh MT of limestone, 5.57 lakh MT was exported resulting in non-collection of cess of ₹ 0.78 crore.**

Under the Meghalaya Minerals Cess (MMC) Act, 1988, cess on limestone has been fixed at ₹ 20 per MT from 6 January 2009.

It was seen from the records of the DMO, Jowai in January 2014 that between April 2012 and March 2013, Mineral Cess Challans (MCC) were issued for extraction, consumption and export of 1.42 lakh MT of limestone and ₹ 0.28 crore was collected as cess. Further scrutiny of records revealed that during the same period, 5.57 lakh MT of limestone was transported/exported through three check gates<sup>4</sup> under the jurisdiction of the DMO, Jowai and cess of ₹ 0.05 crore on 0.26 lakh MT of excess limestone transported/exported was collected by two<sup>5</sup> check gates resulting in non-collection of cess on 3.89 lakh MT of limestone valuing ₹ 0.78 crore. Besides, interest of ₹ 0.12 crore is also leviable.

The case was reported to the M&G Department, Government of Meghalaya in February 2014; reply was awaited (November 2014).

Shillong  
The

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Countersigned

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The

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**Comptroller and Auditor General of India**

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<sup>4</sup> (1) Mookyndur (2) Umkiang (3) Dawki

<sup>5</sup> (1) Umkiang (2) Mookyndur