



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

For the year ended 31 March 2017



**GOVERNMENT OF MEGHALAYA
(REPORT NO. 2 OF 2018)**

**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL OF
INDIA
(REVENUE SECTOR)**

FOR THE YEAR ENDED 31 MARCH 2017

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PREFACE

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2017 has been prepared for submission to the Governor of Meghalaya under Article 151 of the Constitution of India.

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 2016-17 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 2016-17 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

The Report of the Comptroller and Auditor General of India on Revenue Sector for the year ended 31 March 2017 (Government of Meghalaya) is brought out in six chapters. The Report contains a Performance Audit on “Wildlife and Forest Management in Meghalaya” and 28 Audit Paragraphs relating to Taxation, State Excise, Transport and Mining & Geology departments involving ` 361.51 crore. The major findings are mentioned below:

Chapter-I: General

➤ During the year 2016-17, the revenues raised by the State Government (` 1871.25 crore) was 20.93 *per cent* of the total revenue receipts (` 8938.95 crore). The balance 79.07 *per cent* of receipts during 2016-17 comprised of State’s share of net proceeds of divisible taxes and duties amounting to ` 3911.05 crore and grants-in-aid from Government of India amounting to ` 3156.65 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 2016-17 revealed under assessments/short/non-levy/loss of revenue amounting to ` 877.87 crore in 397 cases. During the year, the departments accepted under assessments/short/non-levy/loss of revenue of ` 387.17 crore in 201 cases pointed out in 2016-17, and recovered ` 0.67 crore.

Paragraph 1.9.1

Chapter-II: Taxation Department

➤ Two dealers concealed purchase of ‘tobacco/cigarettes’ worth ` 16.30 crore in course of inter-State trade and evaded tax of ` 3.26 crore.

Paragraphs 2.4 & 2.5

➤ A dealer paid tax on sale of ‘automobiles’ at 5 *per cent* instead of 13.5 *per cent*, resulting in short payment of tax of ` 6.34 crore.

Paragraph 2.6

➤ A dealer closed down his business and did not pay tax amounting to ` 1.43 crore on closing stock worth ` 28.67 crore.

Paragraph 2.7

➤ Acceptance of obsolete declaration forms by the ST, Nongpoh, resulted in underassessment of tax amounting to ` 65.04 lakh.

Paragraph 2.8

➤ A dealer concealed sale of 'electronic goods' amounting to ` 8.44 crore resulting in evasion of tax amounting to ` 71.74 lakh.

Paragraph 2.9

➤ A dealer engaged in work contracts claimed excess deduction of ` 3.46 crore as labour charges, resulting in short payment of tax amounting to ` 46.73 lakh.

Paragraph 2.10

➤ The Superintendent of Taxes (ST) accepted false declarations in Form 'C' in support of inter-State sale of ` 6.06 crore resulting in under assessment of tax of ` 0.18 crore.

Paragraph 2.11

➤ Two dealers concealed sale/inter-State purchase of ` 22.91 crore and evaded tax of ` 4.28 crore.

Paragraphs 2.12 & 2.13

➤ Acceptance of inadmissible declarations in form 'F' by the ST in support of stock transfer of coal amounting to ` 22.96 crore resulted in under assessment of tax of ` 1.15 crore.

Paragraph 2.14

➤ Application of incorrect rate of tax on work contracts resulted in short payment of tax of ` 0.23 crore.

Paragraph 2.15

➤ Two bonded warehouses irregularly sold alcoholic liquor worth ` 16.29 crore without payment of tax amounting to ` 3.26 crore.

Paragraph 2.17



Chapter-III: State Excise Department

➤ Two hundred and thirty-eight Indian Made Foreign Liquor (IMFL) retail licencees failed to renew their licences resulting in revenue amounting to ` 1.41 crore not being realised.

Paragraph 3.4

➤ Twenty-seven distilleries/companies/bonded warehouses failed to register the brand names of 198 brands resulting in revenue amounting to ` 75 lakh not being realised.

Paragraph 3.5

➤ A bottling plant concealed 0.10 lakh Bulk Litres of Extra Neutral Alcohol and evaded excise duty payment of ` 17.37 lakh.

Paragraph 3.6

➤ There was loss of revenue amounting to ` 12 lakh as unpaid licence fee from two bonded warehouses in the absence of security deposits.

Paragraph 3.7

➤ There was evasion of excise duty amounting to ` 35.13 lakh by three bonded warehouses on account of stock found short during verification.

Paragraph 3.8

Chapter-IV: Transport Department

➤ Failure to enforce the provisions of the lease agreement for the weighbridge at Gasuapara resulted in loss of revenue amounting to ` 31.43 lakh.

Paragraph 4.4

➤ Delay in issuing instructions for weighing trucks carrying limestone resulted in loss of revenue due to non-realisation of penalty amounting to ` 10.51 crore on overloading.

Paragraph 4.5

Chapter-V: Forest & Environment Department

About 77 per cent of the Meghalaya State extending to 17217 sq. km. is forested. It has two National Parks, three wildlife Sanctuaries and 24 Reserved Forests. Only 12 per cent of the recorded forests is under the direct control of the State Forest Department,

rest is owned by private individuals, clans, village councils, district councils and other traditional institutions.

A performance review on “Wildlife and Forest Management in Meghalaya” covering the period from 2012-13 to 2016-17 was conducted. It revealed a number of deficiencies in the way the Department had been functioning.

Audit observed that encroachment in the Reserved Forests was increasing continuously. As of March 2017, the total encroached forest area reported was 8600.51 ha. The Department had filed 1223 court cases for encroachment, however in no case, verdict had been awarded. Illegal felling of timber and illegal extraction of minerals was widespread. There were 348 unlicensed/illegal saw mills operating in the State. The Department’s attempts to close them down permanently have been mostly ineffective. The courts directed ban on coal mining, extraction of sand from river beds, and felling of timber *etc.* As the Department did not maintain data on the minerals transported during the ban period, it was not in a position to verify whether there was any illegal transportation.

There were large number of incidents of human-animal conflict, death of elephants due to electrocution and the Department was unable to secure Elephant habitats and corridors. Between 2012-13 and 2016-17, 9622 cases of human-elephant conflict were reported, resulting in death of 25 persons, injury to 22 persons, and damage of crop in 4009 ha area.

Due to dual control in collection of royalty on limestone by Forest and Mining Departments and absence of a mechanism for periodic exchange of information between the two departments, the transporters/companies evaded royalty.

Manpower available with the divisions was inadequate. Specialized facilities for research such as tissue culture Lab and seed testing centre remained in-operational due to lack of technical man-power. The Department did not exercise control and monitor the activities of the field offices effectively. Vital information such as progress of court cases details of illegal sawmill, royalty and cess collected by Mining Department was not available with the Forest Department thus hindering it in effectively tackling the menace of illegal felling and removal of timber or protect its revenue interests. Data on encroachment maintained by the field offices was not reliable. The Forest Department did not have a suitable control and monitoring mechanism in place to prevent unauthorised transport of forest minerals. This led to the four forest checkgates under reporting transportation of 142.29 lakh MT of limestone resulting in loss of revenue of ` 99.49 crore.

Paragraph 5.4

Chapter-VI: Mining & Geology Department

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

Paragraph 6.4

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

Paragraph 6.5

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

Paragraph 6.6

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

Paragraph 6.7

CHAPTER – I

GENERAL



CHAPTER-I: GENERAL

1.1 Trend of revenue receipts

1.1.1 The revenue receipts of the State for the year 2016-17 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	2012-13	2013-14	2014-15	2015-16	2016-17
1.	Revenues raised by the State Government					
	Tax revenue	847.72	949.29	939.21	1056.82	1186.01
	Non-tax revenue	484.94	598.15	343.29	228.60	685.24
	Total	1332.66	1547.44	1282.50	1285.42	1871.25
2.	Receipts from the Government of India					
	Share of net proceeds of divisible Union taxes and duties	1192.45	1301.96	1381.69	3276.46	3911.05
	Grants-in-aid	3011.22	3417.29	3764.08	2481.25	3156.65
	Total	4203.67	4719.25	5145.77	5757.71	7067.70
3.	Total revenue receipts of the State Government (1 and 2)	5532.33	6266.69	6428.27	7043.13	8938.95
4.	Percentage of 1 to 3	24.10	24.69	19.95	18.25	20.93

(Source: Finance Accounts)

The above Table indicates that during the year 2016-17, the revenues raised by the State Government (` 1871.25 crore) was 20.93 per cent of the total revenue receipts as against 18.25 per cent in the preceding year but it was less than 2012-13 and 2013-14 in terms of percentage. The balance 79.07 per cent of receipts during 2016-17 was from the Government of India.

1.1.2 The following *Table 1.2* presents the details of Budget Estimates (BE) and actual tax revenues raised during the period 2012-13 to 2016-17:

Table 1.2 Details of Tax revenue

(`in crore)

Sl. No.	Head of revenue	2012-13		2013-14		2014-15		2015-16		2016-17		Percentage of increase (+) or decrease (-) in 2016-17 over 2015-16	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
1	Taxes on sales, trade etc.	517.17	631.12	622.83	723.65	914.9	726.2	766.36	811.79	940.47	931.06	(+) 22.71	(+) 14.69
2	State Excise	143.08	153.01	161.69	162.66	205.16	151.14	194.15	170.04	238.24	168.98	(+) 22.70	(-) 0.62
3	Motor Vehicles Tax	31.62	35.82	38.87	36.71	50	39.38	29.45	42.01	50.68	48.22	(+) 72.08	(+) 14.78
4	Stamp duty	12.44	10.31	14.06	9.77	16.66	9.9	12.59	12.74	14.48	17.19	(+) 15.01	(+) 34.92
5	Land revenue	3.59	6.27	4.02	3.47	4.22	0.08	4.77	3.18	5.49	1.27	(+) 15.09	(-) 60.06
6	Taxes and duties on electricity	1.37	0.93	1.37	1.89	1.72	0.81	1.98	3.32	2.28	2.34	(+) 15.15	(-) 29.51
7	Others	8.56	10.26	9.67	11.14	13.65	11.71	9.07	13.74	16.41	16.95	(+) 80.92	(+) 23.36
TOTAL		717.83	847.72	852.51	949.29	1206.31	939.22	1018.37	1056.82	1268.05	1186.01	(+) 24.51	(+) 12.22

(Source: Finance Accounts)

The following reasons for actual increase/decrease in receipts over the previous year were reported by the Departments:

Sales Tax: The increase was due to increase in tax on sales of motor spirits and lubricants and trade tax.

Motor Vehicle Tax: The increase was due to increase in other receipts under the Motor Vehicles Act.

The other Departments did not state the reasons for increase/decrease in receipts despite being requested (May 2017 and September 2017).

1.1.3 The details of the BE and actual non-tax revenue raised during the period 2012-13 to 2016-17 are indicated in *Table 1.3*.

Table 1.3 Non-Tax Revenue

(`in crore)

Sl. No.	Head of revenue	2012-13		2013-14		2014-15		2015-16		2016-17		Percentage of increase (+) or decrease (-) in 2016-17 over 2015-16	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
1.	Mining receipts	343.62	357.97	375.80	455.75	516.00	195.10	112.21	60.75	232.40	469.52	(+) 107.11	(+) 672.87
2.	Interest receipts	26.01	25.38	27.45	33.57	31.61	37.73	34.77	39.33	39.99	46.25	(+) 15.01	(+) 17.59
3.	Forestry and wildlife	27.56	30.87	35.51	60.12	40.83	71.99	68.44	72.08	81.85	103.99	(+) 19.59	(+) 44.27
4.	Public works	9.02	43.43	9.41	12.22	10.35	6.28	12.57	8.40	14.46	10.21	(+) 15.03	(+) 21.54
5.	Miscellaneous general services	12.44	0.37	14.93	1.05	16.53	0.02	18.75	0.12	21.56	1.06	(+) 14.98	(+) 783.33
6.	Other administrative services	6.31	3.36	4.97	7.85	8.11	6.13	8.86	3.49	10.19	3.11	(+) 15.01	(-) 10.88
7.	Police	6.88	2.89	7.64	5.92	8.41	3.85	9.69	16.28	11.14	25.21	(+) 14.96	(+) 54.85
8.	Medical and public health	1.50	1.43	1.62	1.99	1.98	2.72	2.12	1.55	2.44	1.58	(+) 15.09	(+) 1.93
9.	Co-operation	1.01	0.05	1.08	0.06	1.11	0.05	1.45	0.04	1.67	0.05	(+) 15.17	(+) 25.00
10.	Other receipts	35.55	19.19	38.18	19.62	44.53	19.42	43.31	26.60	50.46	24.26	(+) 16.50	(-) 8.79
	TOTAL	469.90	484.94	516.59	598.15	679.46	343.29	312.17	228.60	466.16	685.24	(+) 49.32	(+) 199.75

(Source: Finance Accounts)

The following reasons for actual increase/decrease in receipts over the previous year were reported by the Departments:

Mining: The increase was mainly due to increase in mineral concession fees and rent and royalties.

Forest: The increase was due to increase in sale of timber and other forest produce and receipts from zoological park and public gardens.

The other Departments did not state the reasons for increase/decrease in receipts despite being requested (May 2017 and September 2017).

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2017 under some principal heads of revenue amounting to ` 52.28 crore, of which ` 31.45 crore was outstanding for more than five years as detailed in Table 1.4.

Table 1.4

(`in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2017	Amount outstanding for more than 5 years as on 31 March 2017	Department's reply
1.	0040-Taxes on Sale, Trade etc.	51.89	31.07	Reply not furnished
2.	0039- State Excise	0.31	0.31	The Department stated that accumulation of arrears was due to non-payment of 50 per cent share on country liquor by clan chiefs.
3.	0029- Land Revenue	0.08	0.07	Reply not furnished
Total		52.28	31.45	

(Source: Information furnished by the Departments)

It would be seen from the above Table that recovery of ` 52.28 crore was pending against four of the principal heads of revenue which was 2.79 per cent of the State's own revenue collection for 2016-17. Revenue amounting to ` 31.45 crore (60.16 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.

1.3 Arrears of assessments

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 is shown below in Table 1.5.

Table 1.5 Arrears in assessments

Head of revenue	Opening balance as on 1 April 2016	New cases due for assessment during 2016-17	Total assessments due	Cases disposed of during 2016-17	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 etc.	44688	33875	78563	16417	62146	20.90

(Source: Information furnished by the Sales Tax Department)

It may be seen from the above that during 2016-17 the number of cases disposed was less than the new cases that became due during the year. The percentage of disposal compared to the cases due for assessments was only 20.90 per cent, which has resulted in increase of arrears of assessments. Pendency in assessments may result in non/short realisation of Government revenues and further accumulation in arrear revenue.

1.4 Evasion of tax detected by departments

The details of cases of evasion of tax detected by Sales Tax Department, cases finalised and demands for additional tax raised as reported by the Department during 2016-17 are given in *Table 1.6*.

Table 1.6 Evasion of tax

Sl. No.	Head of revenue	Cases pending as on 31 March 2016	Cases detected during 2016-17	Total	Number of cases in which assessment/investigation completed and additional demand with penalty etc. raised		Number of cases pending for finalisation as on 31 March 2017
					Cases	Demand raised (<i>` in crore</i>)	
1	0040	606	Nil	606	2	0.46	604

(Source: Information furnished by the Department)

The other departments did not inform the position of tax evasion cases despite being requested (May 2017 and September 2017).

1.5 Pendency of Refund Cases

The number of refund cases pending at the beginning of the year 2016-17, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2016-17 as reported by the Departments is given in *Table 1.7*.

Table 1.7 Details of pendency of refund cases

Sl. No.	Particulars	Sales Tax/VAT		State Excise	
		No. of cases	Amount (<i>` in crore</i>)	No. of cases	Amount
1	Claims outstanding at the beginning of the year	07	3.43	Information not furnished	
2	Claims received during the year	Nil	Nil		
3	Refunds made during the year	Nil	Nil		
4	Balance outstanding at the end of the year	07	3.43		

The Meghalaya Value Added Tax Act provides for the payment of interest at the rate of 8 *per cent* per annum in case of refund, if the amount is not refunded to the dealer within 90 days from the date of any order authorising such refund. As such, the Department may expedite the process of refund in such cases which are outstanding to avoid payment of interest on delayed refund.

1.6 Response of the Government/departments towards audit

The succeeding paragraphs 1.6.1 to 1.6.5 discuss the response of the Departments/Governments 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 inspection 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 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.

Review of IRs issued upto March 2017 disclosed that 1403 paragraphs involving money value of ` 1774.92 crore relating to 308 IRs remained outstanding at the end of June 2017 as mentioned in *Table 1.8*.

Table 1.8 Position of outstanding IRs and Paragraphs

Year/Details	June 2014	June 2015	June 2016	June 2017
Number of outstanding IRs	214	254	264	308
Number of outstanding audit observations	749	999	1058	1403
Amount involved (` in crore)	1568.32	1889.89	1124.57	1774.92

Department-wise details of IRs, audit observations pending settlement as on 30 June 2017 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.	107	543	695.72
		(b) State Excise	54	229	62.69
		(c) Stamps & Registration	19	36	2.53
		(d) State Lotteries	2	3	56.36
2.	Transport	Taxes on motor vehicles	74	288	185.21
3.	Mines and Minerals	Mining receipts	17	71	595.82
4.	Environment and Forests	Forestry and wild life	35	233	176.59
Total			308	1403	1774.92

In respect of 17 IRs out of 49 IRs issued during 2016-17, 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 upto September 2017. Pendency of IRs due to non-receipt of the replies may be because the Heads of offices and Heads of the departments had not initiated any action to rectify the defects, omissions and irregularities pointed out by audit in the IRs.

1.6.2 Summarised position of Inspection Reports

The summarised position of IRs issued during the year 2016-17 including those of previous four years and their status as on 01 April 2017 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
2012-13	164	735	1823.78	52	272	471.13	39	314	1055.12	177	693	1239.79
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

It would be seen from the above table that number of outstanding IRs and audit observations had increased in 2016-17 over 2015-16 which shows that the departments have made little progress in settlement of the audit observations. The departments need to take suitable action to settle the audit observations by holding Audit Committee Meetings so that the IRs and audit observations may be settled.

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.

Twenty-eight audit paragraphs and a Performance Audit (PA) included in the Report of the Comptroller and Auditor General of India (Revenue Sector) for the year ended 31 March 2017, Government of Meghalaya, were forwarded to the Secretaries of the concerned departments between July 2017 and October 2017 followed by reminders in January 2018. Out of these, replies were furnished in respect of the PA and twenty audit paragraphs upto February 2018. The remaining eight paragraphs have been included without the response of the Government.

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 shall initiate action on the audit paragraphs. The Government should, thereon, submit the action taken explanatory notes 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. Three hundred and twenty two 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 2016, Government of Meghalaya were placed before the State Legislature between May 2010 and March 2017. The *suo-motu* explanatory notes from the concerned Departments are awaited in respect of 213 paragraphs which was 66 per cent of the total audit observations (November 2017).

The PAC discussed 35 selected paragraphs¹ between April 2011 and March 2017 and their recommendations on 14 paragraphs were incorporated in two PAC Reports (37th and 39th Reports) for the years 2008-09 and 2009-10. However, Action Taken Notes (ATNs) have not been received (December 2017) 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
Total		14

1.6.5 Compliance with earlier Audit Reports

During the period from 2012-13 to 2016-17, the departments accepted audit observations involving revenue implication of ` 901.56 crore (out of the total money value of ` 2569.12 crore). Revenue amounting to ` 9.41 crore had been recovered till December 2017 as mentioned in *Table 1.12*.

Table 1.12 Compliance with earlier Audit Reports

(` in crore)

Year of Audit Report	Total money value	Accepted money value	Amount recovered during the year
2012-13	888.40	681.81	--
2013-14	186.44	46.21	--
2014-15	457.45	167.72	2.37
2015-16	674.14	5.82	7.04
2016-17	362.69	--	--
Total	2569.12	901.56	9.41

¹ Pertaining to the Audit Reports for the years 2008-09, 2009-10, 2013-14 and 2014-15.

The amount recovered was thus only 1.04 *per cent* of the accepted amount while the Government/departments have accepted 35.09 *per cent* of the total money value included in the Audit Reports. Thus the percentage of recovery against the accepted cases has been very low.

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 Forest 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 Forest Department as on September 2017 are shown in *Table 1.13*.

Table 1.13 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
2012-13	26	108	29.12	08	64	14.50	17	76	1.91	17	96	41.71
2013-14	17	96	41.71	09	45	18.62	01	21	9.72	25	120	50.61
2014-15	25	120	50.61	08	64	47.47	02	46	3.21	31	138	94.87
2015-16	31	138	94.88	07	48	30.74	05	28	1.52	33	158	124.10
2016-17	33	158	123.80	03	81	52.79	01	6	0	35	233	176.59

1.7.2 Recovery of accepted cases

The position of paragraphs pertaining to the Forest Department included in the Audit Reports of the last five years, those accepted by the Department and the amount recovered during 2016-17 are mentioned in *Table 1.14*.

Table 1.14 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 (2016-17)
2011-12	03	2.18	--	--	--
2012-13	04	7.06	01	0.43	--
2013-14	03	2.07	01	0.59	--
2014-15	05	46.85	02	43.40	0.65

2015-16	05	30.54	01	12.99	--
Total	20	88.70	05	57.41	0.65

During the last five years, the Department accepted five out of the twenty audit paragraphs. However, against the accepted cases involving money value of ` 57.41 crore, the department recovered only ` 0.65 crore 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 2016-17, out of 129 auditable units, 55 units were audited. Besides this, a PA on “Wildlife and Forest Management in Meghalaya” was also conducted.

1.9 Results of audit

1.9.1 Position of local audits conducted during the year 2016-17

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 2016-17 revealed under assessments/ short/non-levy/loss of revenue amounting to ` 877.87 crore in 397 cases. During the year, the departments accepted under assessments/short/non-levy/loss of revenue of ` 387.17 crore in 201 cases pointed out in 2016-17 and recovered ` 0.67 crore.

1.10 This Report

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 mineral, evasion of VAT, royalties, excise duties *etc.*

This Report contains 28 paragraphs (selected from the audit detections made during test audit in the year 2016-17). Paragraphs from earlier years which could not be included in the previous Audit Reports are also included. A Performance Audit on “Wildlife and

Forest Management in Meghalaya” is also included in the Report. Cumulatively, these audit observations have revenue implication of ` 361.51 crore.

The Departments have accepted audit observations involving ` 196.14 crore² and recovered ` 1.46 crore. The replies in the remaining cases have not been received (February 2018). These are discussed in the succeeding Chapters.

² In respect of the six paragraphs of Taxation Department, five paragraphs of State Excise Department and the Performance Audit.

CHAPTER – II
TAXATION
DEPARTMENT



CHAPTER-II: TAXATION DEPARTMENT

2.1 Tax Administration

Taxation Department is the most important revenue-earning Department of the State. The Principal 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 administrative head of the Department. He is assisted by a Deputy Commissioner of Taxes (DCT) and three Assistant Commissioners of Taxes (ACTs). One ACT functions as the Appellate Authority. 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 of check gates etc. The collection of tax is governed by the provisions of the Central Sales Tax (CST) Act, 1956; the CST Rules, 1957; the Meghalaya Value Added Tax (MVAT) Act, 2003; the MVAT Rules, 2005; 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.

2.2 Internal audit

The Taxation 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.

2.3 Results of Audit

Test check of the records of 19 units relating to VAT during 2016-17 revealed under-assessment of tax and other irregularities involving ` 471.01 crore in 203 cases which fall under the following categories:

Table 2.1

(` in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non/Short realisation of tax	21	61.06
2.	Evasion of tax	21	44.51
3.	Loss of revenue	05	4.98
4.	Other irregularities	156	360.46

Total	203	471.01
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During the year, the Department accepted under assessments and other deficiencies of ` 213.53 crore in 127 cases. An amount of ` 0.24 crore was realised in nine cases during the year 2016-17.

A few cases having financial impact of ` 37.65 crore, in terms of under assessment/short levy/non-levy of tax and other provisions of the Acts are discussed in the paragraphs 2.4 to 2.19.

2.4 Evasion of tax due to concealment of purchase

A dealer concealed inter-State purchase of ‘tobacco’ worth ` 3.67 crore resulting in evasion of tax amounting to ` 0.73 crore.

[Superintendent of Taxes (ST), Nongpoh; August 2016]

Under Section 45 of the MVAT Act, if the returns furnished by a dealer are incorrect, the Superintendent of Taxes (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, ‘tobacco and tobacco products’ are taxable at 20 *per cent*.

A dealer¹ engaged in sale of ‘tobacco and tobacco products’ submitted returns for the period from July 2013 to December 2014 wherein he disclosed purchase of goods valued at ` 75.76 crore. Examination of the inter-State purchase records of the dealer, however, revealed that during the same period, the dealer purchased goods valued at ` 79.43 crore. The dealer thus concealed taxable purchase of ` 3.67 crore having a tax effect of ` 0.73 crore². The dealer stopped all trade related activities³ after December 2014 indicating closure of business.

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. The ST did not take cognisance of the actual inter-State purchases made by the dealer, details of which were available in the dealer’s records.

¹ M/s Sai Agencies.

² 20 *per cent* of ` 3.67 crore = ` 0.73 crore.

³ The dealer stopped applying for road permits and declaration forms.

Failure of the ST to timely assess the dealer resulted in concealment of purchase with consequent evasion of tax amounting to ` 0.73 crore. Additionally, penalty not exceeding ` 1.46 crore and minimum interest of ` 0.35 crore⁴ were also leviable.

The case was reported to the Taxation Department, Government of Meghalaya in October 2016 and reminded in August 2017 and January 2018. The ACT stated (February 2018) that there was no evasion of tax as the total purchase made by the dealer between July 2013 and December 2014 was ` 80.19 crore which tallied with his tax returns submitted. The reply is not acceptable, since the dealer declared purchases amounting to ` 75.76 crore in his quarterly tax returns. Also, the dealer had not submitted any tax returns after December 2014. The Department did not furnish any details in support of the dealer's claim of purchase of ` 80.19 crore or if he had submitted of revised returns for the period.

No further reply had been received from the Taxation Department, Government of Meghalaya (February 2018).

2.5 Concealment of inter-State purchase

A dealer concealed purchase of 'cigarettes' worth ` 12.63 crore in course of inter-State trade and evaded tax of ` 2.53 crore

[ST, Circle-III, Shillong; February 2017]

Under Section 44 of the MVAT Act, every dealer of goods specified in Schedule-V of the MVAT Act shall be liable to pay tax at the first point of sale of such goods in the State. 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. In Meghalaya, 'cigarettes and tobacco' are listed under Schedule-V of the MVAT Act and are taxable at 20 per cent.

A dealer⁵ submitted returns for the period between April 2013 and September 2015 wherein he disclosed local purchase of 'cigarettes' and other items. He accordingly submitted returns claiming exemption from payment of tax on subsequent sale of 'cigarettes'. During the aforesaid period, the dealer disclosed total sale of 'cigarettes' amounting to ` 354.22 crore. The dealer did not furnish returns after September 2015.

Audit examination of the records of the dealer revealed that during the same period, the dealer purchased 'cigarettes' amounting to ` 12.63 crore in course of inter-State trade using 'C' forms. However, the dealer did not disclose inter-state purchase and any taxable sale of 'cigarettes' in his quarterly returns. The dealer, thus, concealed the

⁴ Calculated upto 31.03.2017

⁵ M/s Hardeodas Jagannath.

turnover of ` 12.63 crore and evaded tax amounting to ` 2.53 crore⁶. Additionally, penalty not exceeding ` 5.06 crore and interest amounting to ` 1.74 crore⁷ were also leviable.

The ST could not detect the concealment of taxable sale as he failed to cross check the inter-State purchases reported by the dealer with tax returns filed by him. This resulted in evasion of tax to that extent.

The case was reported to the Taxation Department, Government of Meghalaya in April 2017 and reminded in August 2017 and January 2018.

The ACT opined (February 2018) that the inter-State purchase of ` 12.63 crore by the dealer related to M/s VST limited and M/s ITC limited, and they seemed to be dealing in items other than cigarettes also. Additionally, as per the utilization of ‘C’ forms by the dealer, it appeared that the dealer made inter-State purchase of ‘cigarettes’ amounting to ` 42 lakh only during the period. However, the dealer had been directed to produce his books of accounts and counterfoils of ‘C’ forms issued to him. Audit observed that the dealer made inter-state purchase amounting to ` 2.08 crore from M/s VST limited. The Department had not been able to produce the details of such items purchased. Further, M/s VST Industries Limited is a manufacturer of ‘cigarettes’⁸. Therefore, detailed scrutiny of invoice level records by the dealer in course of inter-State purchase is needed. No details of inter-state purchases made from ITC were communicated to Audit. Result of detailed scrutiny of dealer’s books of account is awaited.

No further had been received from the Taxation Department, Government of Meghalaya (February 2018).

2.6 Short payment of tax due to application of incorrect rate of tax

A dealer paid tax on sale of ‘automobiles’ at 5 per cent instead of 13.5 per cent, resulting in short payment of tax of ` 6.34 crore.

[ST, Circle-III, Shillong; February 2017]

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*.

⁶ 20 per cent of ` 12.63 crore = ` 2.53 crore.

⁷ Calculated upto 31.03.2017.

⁸ M/s Vazir Sultan Company (VST Industries) is a manufacturer of ‘charminar’ brand of cigarettes.

In Meghalaya, 'automobiles' are taxable at 13.5 *per cent*.

A dealer⁹ submitted tax returns for the period from April 2013 to March 2015 wherein he disclosed total sale turnover of ` 119.71 crore. Out of this he declared sale of goods amounting to ` 74.59 crore taxable at 5 *per cent*. The ST completed the scrutiny of returns (July 2015) upto September 2014 and accepted the returns as correct.

Examination of the case records of the dealer revealed that the dealer dealt in automobiles and accessories only, which are taxable at 13.5 *per cent*. The dealer, thus, paid tax at incorrect rate on sale of goods worth ` 74.59 crore resulting in short payment of tax amounting to ` 6.34 crore¹⁰. Additionally, penalty not exceeding ` 12.68 crore and interest of ` 4.26 crore¹¹ were also leviable.

The ST failed to check the application of incorrect rate of tax by the dealer at the time of scrutiny resulting in short payment of tax to that extent.

The case was reported to the Taxation Department, Government of Meghalaya in April 2017 and reminded in August 2017 and January 2018. The ACT stated (February 2018) that the dealer also dealt in tractors, tillers *etc.* which are taxable at 5 *per cent* and there was no application of incorrect rate of taxation. Audit noted that the dealer was an authorized seller of vehicles manufactured by M/s Tata Motors, which did not manufacture tractors, tillers *etc.* Also, the dealer did not disclose any local purchases taxable at 5 *per cent* in his tax returns. Further, the ACT had not furnished any evidence of purchase and sale of these items as mentioned.

No further reply had been received from the Taxation Department, Government of Meghalaya (February 2018).

2.7 Loss of revenue on assessments not completed

A dealer closed down his business and did not pay tax amounting to ` 1.43 crore on closing stock worth ` 28.67 crore.

[ST, Nongpoh; August 2016]

Under Section 11 of the MVAT Act, Input Tax Credit (ITC) is allowed to a registered dealer in respect of his purchase of taxable goods from another registered dealer for resale in the State. Further under Section 45(4) of the MVAT Act, if a dealer closes his business, then the ST shall assess the tax on goods that remain in stock at the time of closure of business on which ITC has already been given credit. As per Rule 28 of MVAT Rules, in the event of failure to furnish return, the certificate of registration of

⁹ M/s Modrina Auto Enterprise.

¹⁰ Differential rate of 8.5 *per cent* on ` 74.59 crore = ` 6.34 crore.

¹¹ Calculated upto 31.03.2017

a dealer shall be suspended. 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 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*.

A dealer¹² disclosed local purchase of goods amounting to ` 74.33 crore (taxable at 5 *per cent*) for the period between January 2008 and March 2012 and claimed ITC amounting to ` 2.97 crore on such purchase. During the same period, the dealer disclosed sales of ` 45.66 crore on which, tax amounting to ` 1.93 crore was payable. The dealer did not pay any tax and adjusted the output tax against the ITC available with him.

The dealer stopped furnishing any returns after March 2012 and discontinued¹³ his business activities in the State. Without taking into account the profit element, goods worth ` 28.67 crore remained with the dealer as on 31 March 2012. The closing stock would be higher if the opening stock as on 31 March 2012 and the profit element are also taken into account¹⁴.

Despite not furnishing the tax returns for such a long period, the ST did not initiate the process to suspend his registration and to assess the tax payable on the closing stock of the dealer. Failure of the ST to monitor the business activities of the dealer and make timely assessments thereby resulted in non-realisation of tax amounting to ` 1.43 crore. Additionally, penalty not exceeding ` 2.86 crore and interest of ` 1.63 crore¹⁵ were also leviable.

On this being pointed out (October 2016), the ST accepted the findings (December 2016) and stated that the dealer had closed his business and efforts were being made to contact him. The ACT stated (February 2018) that the dealer had not responded to the notices served in this regard. Failure of the ST to timely assess the dealer resulted in loss of revenue to that extent.

No further reply had been received from the Taxation Department, Government of Meghalaya (February 2018).

2.8 Under-assessment of tax due to acceptance of obsolete declaration forms

¹² M/s Greystone Ispat Ltd.

¹³ The dealer stopped furnishing quarterly tax returns and applying for road permits and declaration forms which are essential to carrying on business.

¹⁴ Even if we assume a profit of 5 *per cent*, the closing stock works out to ` 30.84 crore having tax effect of ` 1.54 crore.

¹⁵ Calculated upto 31.03.2017.

Acceptance of obsolete declaration forms by the ST resulted in underassessment of tax amounting to ` 65.04 lakh.

[ST, Nongpoh; August 2016]

Under Section 8 of the Central Sales Tax (CST) Act, 1956 read with Rule 12 of the CST (Registration & Turnover) Rules, 1957 inter-State sale of goods is taxable at the concessional rate of two *per cent* if such sale is supported by declarations in Form 'C' from the purchasing dealer, else such sale is taxable at the local rate of tax. Government of Meghalaya notified¹⁶ that eligible industries¹⁷ shall pay CST at the rate of one *per cent*. 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.

The State Governments of Nagaland and Manipur declared all offline/paper 'C' forms as obsolete from 1 January 2012 and 1 November 2012 respectively. This was duly communicated to the Taxation Department, Government of Meghalaya.

A dealer¹⁸ disclosed inter-State sales valued at ` 5.20 crore to dealers in Manipur and Nagaland for the period between January 2012 and March 2014, on which he paid tax amounting to ` 5.20 lakh. The ST accepted the same during assessment on various dates between October 2013 and May 2016. Audit scrutiny of records, however, revealed that the dealer submitted offline/paper 'C' forms from the dealers in Manipur and Nagaland in support of his claim.

Although the notifications from the Taxation Departments of Nagaland and Manipur declaring the offline/paper 'C' forms as obsolete were available in the official records, the ST accepted these obsolete 'C' forms during assessment and allowed the dealer to pay tax amounting to ` 5.20 lakh at concessional rate of 1 *per cent* as against ` 70.24 lakh at 13.5 *per cent*. Irregular acceptance of obsolete 'C' forms thereby resulted in underassessment of tax amounting to ` 65.04 lakh. Additionally, penalty not exceeding ` 1.30 crore and interest of ` 58.21 lakh¹⁹ were also leviable.

The case was reported to the Taxation Department, Government of Meghalaya in October 2016 and reminded in August 2017 and January 2018.

The ACT stated (February 2018) that the 'C' forms submitted by the dealers from Manipur and Nagaland were verified and found to be valid. For inter-State sales to Nagaland, he furnished a revised notification which allowed acceptance of manual 'C' forms upto 30 September 2013. While in case of Manipur, the dealers submitted online 'C' forms. The reply is not acceptable as the ST kept on allowing concessional rate of

¹⁶ vide notification No. ERTS(T) 64/98/314 dated 16.10.06

¹⁷ Eligible under Meghalaya Industries (Tax Remission) Scheme, 2006

¹⁸ M/s AA Nutritions.

¹⁹ Calculated upto 31.03.2017.

taxation on account of manual ‘C’ forms for the quarter ending 31 December 2013 in respect of Nagaland. In case of Manipur, the dealers submitted ‘duplicate’ ‘C’ forms, which should have been rejected by the ST²⁰. It had a tax implication of ` 40.68 lakh²¹.

No further reply had been received from the Taxation Department, Government of Meghalaya (February 2018).

2.9 Evasion of tax by suppressing sales turnover

A dealer concealed sale of ‘electronic goods’ amounting to ` 8.44 crore resulting in evasion of tax amounting to ` 71.74 lakh.

[ST, Circle-IV, Shillong; February 2017]

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 ‘electronic goods’ are taxable at 13.5/14.5 *per cent*²².

A dealer²³ dealing in ‘electronic goods’ disclosed total sales turnover amounting to ` 14.03 crore taxable at five *per cent* and ` 5.63 crore taxable at 13.5/14.5 *per cent* in his quarterly returns for the period from April 2012 to March 2015. The ST completed the scrutiny of returns upto September 2014 on various dates between April 2014 and March 2016 by accepting the returns as correct.

Audit examined the details of local and inter-State purchases made by the dealer during the aforesaid period. It, however, revealed that the dealer purchased goods amounting to ` 6.10 crore taxable at five *per cent* and ‘electronic goods’ amounting to ` 14.07 crore taxable at 13.5/14.5 *per cent* during the same period. The dealer thus submitted false returns and concealed sale of ‘electronic goods’ worth ` 8.44 crore²⁴ thereby resulting

²⁰ judicially held by the Supreme Court Commissioner, Sales Tax v. M/s Prabhudayal Prem Narayan (1988) 71 STC (SC); M/s Delhi Automobiles Private Limited v. Commissioner of Sales Tax (1997) 104 STC 75 (SC).

²¹ including interest upto 31.03.2017.

²² 14.5 *per cent* w.e.f 15.01.2015.

²³ M/s Electro Audio Vision.

²⁴ ` 14.07 - ` 5.63 crore = ` 8.44 crore.

in evasion of tax amounting to ` 71.74 lakh²⁵. Additionally, penalty not exceeding ` 1.43 crore and interest of ` 30.13 lakh²⁶ were also leviable.

Although the details of purchases made by the dealer were available in the case records, the ST failed to notice the discrepancies in the returns filed by the dealer and the particulars of sales turnover. It resulted in evasion of tax to that extent.

The case was reported to the Taxation Department, Government of Meghalaya in October 2016 and reminded in August 2017 and January 2018. The ACT accepted the audit observation (February 2018) and stated that case records of the dealer were re-examined and demand notice for tax due and penalty amounting to ` 37.66 lakh had been sent to the dealer. Details of the assessment made by the ST and realisation, thereof, had not been intimated to Audit.

No further reply had been received from the Taxation Department, Government of Meghalaya (February 2018).

2.10 Short payment of tax due to excess claim of labour charges

A dealer engaged in work contracts claimed excess deduction of ` 3.46 crore as labour charges, resulting in short payment of tax amounting to ` 46.73 lakh.

[ST, Circle-III, Shillong; February 2017]

Under Section 5(c) of the MVAT Act, in case of work contracts, the actual charges towards labour, *etc.* are deductible from the gross turnover to arrive at the taxable turnover. 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. Further under Section 45 of the MVAT Act, if a 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.

A dealer²⁷ disclosed sales turnover amounting to ` 9.93 crore in course of execution of work contracts during the period from April 2014 to March 2015, against which, the dealer claimed ` 4.83 crore as labour charges. The ST completed the scrutiny of returns in October 2015 and accepted the returns as correct.

²⁵ Differential rate of 8.5 *per cent* on ` 8.44 crore = ` 71.74 lakh.

²⁶ Calculated upto 31.03.2017.

²⁷ M/s Sunshine Sawkmie.

Examination of the audited accounts²⁸ of the dealer for the same period, however, revealed that the labour charges incurred by the dealer were ` 1.37 crore. The dealer, thus, irregularly claimed excess deduction towards labour charges amounting to ` 3.46 crore, resulting in short payment of tax amounting to ` 46.73 lakh²⁹. Additionally, penalty not exceeding ` 93.47 lakh and interest of ` 19.63 lakh³⁰ were also leviable.

The ST, at the time of scrutiny, failed to detect the excess claim of exempted sale even though the detailed audited accounts were available in the dealer's case records, thereby resulting in short payment of tax to that extent.

The case was reported to the Taxation Department, Government of Meghalaya in April 2017 and reminded in August 2017 and January 2018. The ACT stated (February 2018) that the dealer had submitted a revised certificate of audit of accounts from the Chartered Accountant wherein the labour charges had been disclosed at ` 1.37 crore. The Chartered Accountant also explained that the error in the previous certified report was due to wrong accounting of labour charges as purchases.

The reply is not acceptable as labour charges claimed by the dealer now stand to 49 *per cent* of the total turnover in the revised audited accounts. This would require detailed examination of books of accounts and other related documents such as Running Account bills *etc.* under Section 5(2)(c) of MVAT Act³¹. Further, the purchases disclosed by the dealer in his quarterly returns and revised audited accounts do not match. The ACT failed to intimate result of assessment of the books of accounts of the dealer by the ST in confirmation of the high labour claims to Audit (February 2018).

No further reply had been received from the Taxation Department, Government of Meghalaya (February 2018).

2.11 Under assessment of tax due to acceptance of false 'C' forms

The ST accepted false declarations in Form 'C' in support of inter-State sale of ` 6.06 crore resulting in under assessment of tax of ` 0.18 crore.

[ST, Williamnagar; February 2017]

Under Section 8 of the Central Sales Tax (CST) Act, 1956 read with Rule 12 of the CST (Registration & Turnover) Rules, 1957 inter-State sale of goods is taxable at the concessional rate of two *per cent* if such sale is supported by declarations in Form 'C' from the purchasing dealer; else such sale is taxable at the local rate of tax. The

²⁸ Audit Report issued by a Chartered Accountant.

²⁹ 13.5 *per cent* of ` 3.46 crore = ` 46.73 lakh.

³⁰ Calculated upto 31.03.2017.

³¹ Under Section 5(2)(c) of MVAT act labour charges *etc.* allowed to be deducted from gross turnover value is 25 *per cent* in the cases where the amount of such charges is not ascertainable from the contract.

provisions of the MVAT Act apply *mutatis mutandis* in case of assessments under the CST Act.

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

During the period from April 2014 to December 2014, a dealer³² disclosed inter-State sale of coal valuing ` 6.06 crore to registered dealers in Assam and submitted two 'C' forms³³ in support of the sale. This was accepted by the ST and the sale was accordingly assessed (November 2016) at the concessional rate of two *per cent*.

Audit cross-verified these 'C' forms with the website³⁴ of the Taxation Department, Government of Assam. It revealed that the 'C' forms submitted by the dealer had been issued by the Taxation Department, Government of Assam to the purchasing dealers for making inter-State purchases from some other dealers in Meghalaya and not from the aforesaid dealer. Thus, the dealer fraudulently declared the sale amounting to ` 6.06 crore to registered dealers by submitting false 'C' form declarations with a view to evade tax.

This was, however, overlooked by the ST at the time of assessments (November 2016) as he failed to verify the correctness of the declarations made by the dealer. This resulted in under assessment of tax amounting to ` 0.18 crore; on which interest of ` 0.08 crore³⁵ and penalty not exceeding ` 0.36 crore were additionally leviable.

The case was reported to the Taxation Department, Government of Meghalaya in May 2017 and reminded in August 2017 and January 2018. The ACT while accepting the facts (February 2018) stated that the ST had re-assessed the dealer and demand notice had been issued to the dealer. Details of the assessment made by the ST and realisation thereof had not been intimated (February 2018).

No further reply had been received from the Taxation Department, Government of Meghalaya (February 2018).

2.12 Evasion of tax on sale of Motor Spirits and High Speed Diesel

A dealer concealed sale of ` 7.13 crore of motor spirits/high speed diesel and evaded tax of ` 1.12 crore.

[ST, Williamnagar; February 2017]

Under Section 11(4) of the Assam (Sales of Petroleum *etc.*) Taxation Act, 1955 (as adapted by Meghalaya) 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

³² M/s Eliash Marak.

³³ 'C' form no AS 0585703 during QE June 2014 and 'C' form no AS 0585803 during QE December 2016.

³⁴ <http://tax.assam.gov.in>

³⁵ Calculated upto 29.11.2016 (Date of Assessment).

of tax due from the dealer. Further under Section 16(1)(c) of the Act, if the dealer 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. In addition, interest on tax payable is leviable under Section 20A of the Act *ibid* as follows:

Table 2.2

For the first 60 days from the due date ³⁶	12 per cent per annum
Beyond 60 days from the due date	24 per cent per annum

For the period between December 2014 and June 2016, a dealer³⁷ disclosed sale of ‘Motor Spirits’ (MS) at ` 2.69 crore and ‘High Speed Diesel’ (HSD) at ` 5.79 crore. The ST accepted the same during assessment between February 2015 and August 2016. However, audit examination of the purchase statement of the dealer revealed that during the same period, the dealer purchased MS valued at ` 5.15 crore and HSD valued at ` 10.46 crore.

The ST failed to take into account these related records while completing the assessment. It thereby allowed the dealer to conceal sale of MS worth ` 2.46 crore and HSD worth ` 4.67 crore, resulting in evasion of tax amounting to ` 1.12 crore³⁸. Additionally, penalty not exceeding ` 1.68 crore and interest of ` 0.23 crore³⁹ were also leviable.

The case was reported to the Taxation Department, Government of Meghalaya in May 2017 and reminded in August 2017 and January 2018. The ACT while accepting the facts (February 2018) stated that the ST had re-assessed the dealer and demand notice had been issued to the dealer. Details of the assessment made by the ST and realisation thereof had not been intimated (February 2018).

No further reply had been received from the Taxation Department, Government of Meghalaya (February 2018).

2.13 Concealment of purchase

A dealer concealed inter-State purchase amounting to ` 15.78 crore and evaded tax of ` 3.16 crore.

³⁶ Due date is the end of the month following the quarter.

³⁷ M/s Genesis Service Station.

³⁸ Tax on HSD: 13.5 per cent on HSD worth ` 4.67 crore = ` 0.63 crore

Tax on MS: 20 per cent on MS worth ` 2.46 crore = ` 0.49 crore

Total purchase of HSD/MS worth ` 7.13 crore = ` 1.12 crore

³⁹ Calculated upto 31.03.2017

[ST, Circle-I, Tura; November 2016]

As per Rule 53 of the MVAT Rules, 2005, a Road Permit in Form 40 issued by the ST is to be carried by the transporter importing taxable goods into Meghalaya and is required to be produced at the taxation check posts. 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. In addition, for non-payment of tax, penalty not exceeding twice the amount of tax involved and interest at two *per cent* per month are also leviable under Section 40 and Section 96 of the Act *ibid*.

A dealer⁴⁰ submitted returns for the period from April 2013 to March 2015 wherein he disclosed total inter-State purchase of ` 2.50 crore, against which, he disclosed sale of ` 2.83 crore. The ST completed the scrutiny (February 2015) of returns upto September 2014 and accepted the returns as correct.

Audit cross-checked the details of import of consignment by the dealer through the taxation check post at Boxirhat⁴¹ in Assam. It was observed that during the aforesaid period, the dealer imported goods valuing ` 18.27 crore. The dealer thus concealed purchase of goods worth ` 15.78 crore and evaded tax of ` 3.16 crore. Additionally, penalty not exceeding ` 6.32 crore and interest of ` 1.98 crore⁴² were also leviable.

At the time of scrutiny, the ST failed to take into account the details of purchase of taxable goods by the dealer using Road Permits in Form 40. In addition, the ST also failed to verify the details of entry of goods into Meghalaya through the taxation entry check post located at Bajengdoba on Meghalaya-Assam border. This resulted in evasion of tax to that extent.

The case was reported to the Taxation Department, Government of Meghalaya between February 2017 and April 2017 and reminded in August 2017 and January 2018.

The ACT stated (February 2018) that as per the case records the total outside purchase made by the dealer was ` 2.67 crore. Further, the ACT stated that the dealer's place of business was such that he could import goods through Assam, which could not be verified by the ST. The reply is not acceptable as details obtained by Audit from the Assam check gate clearly prove that the dealer had transported goods worth ` 18.27 crore as pointed out.

Further, the fact that the ST, under his jurisdiction had dealers who could easily transport goods without being monitored implies absence of internal controls in the Department. The Government may establish a mechanism to obtain information

⁴⁰ M/s Mahamaya Sales Agencies

⁴¹ Located on NH 17 (earlier NH 31) on the Assam-West Bengal border at a distance of around 150 km from Tura.

⁴² Calculated upto 31.03.2017.

periodically from the taxation department of bordering State of Assam so that it may act as an effective internal control to keep instances of under-reporting in check.

No further reply had been received from the Taxation Department, Government of Meghalaya (February 2018).

2.14 Under assessment of tax due to acceptance of inadmissible 'F' forms

Acceptance of inadmissible declarations in form 'F' by the ST in support of stock transfer of coal amounting to ` 22.96 crore resulted in under assessment of tax of ` 1.15 crore.

[ST, Williamnagar; February 2017]

Under Section 6A of the CST Act, 1956 read with Rule 11(5) of the CST (R&T) Rules, 1957, if a dealer moves goods in the course of inter-State trade, by reason of transfer of goods and not by reason of sale, from one place of his business to any other place of his business or to his agent or principal, then such transfer is exempt from tax if the dealer furnishes a declaration, duly filled in form 'F' along with the evidence of dispatch of such goods. Each form 'F' covers such transactions for one calendar month.

For the period from October 2014 to March 2016, a dealer⁴³ claimed exemption on stock transfer of coal valuing ` 22.96 crore to two of his agents⁴⁴ in Assam. He furnished four declarations in form 'F' in support of this claim. The ST accepted the same and assessed the dealer accordingly between September 2015 and April 2016. The dealer availed tax exemption on such stock transfer.

Audit examination of the records of the dealer revealed that the dealer appointed these two dealers of Assam as agents⁴⁵ between April 2016 and September 2016, which was after the period of the said transaction. Thus, the 'F' forms submitted in support of such stock transfer were inadmissible and the tax exemption on stock transfer claimed by the dealer for the aforementioned period was irregular.

The ST failed to verify the status of these agents for the purpose of inter-State stock transfer during the period of transaction and allowed tax exemption to the dealer on the strength of inadmissible 'F' forms. This resulted in under assessment of tax amounting to ` 1.15 crore; on which penalty not exceeding ` 2.30 crore and interest of ` 0.46 crore⁴⁶ were additionally leviable.

The case was reported to the Taxation Department, Government of Meghalaya in May 2017 and reminded in August 2017 and January 2018. The ACT while accepting the facts (February 2018) stated that the ST had re-assessed the dealer and the additional tax had been realised from the dealer. Details of the assessment made by the ST and amount realised had not been intimated (February 2018).

No further reply had been received from the Taxation Department, Government of Meghalaya (February 2018).

⁴³ M/s Grace Coal Agency.

⁴⁴ M/s PE Enterprise and M/s Biman Export.

⁴⁵ M/s PE Enterprise on 08.04.2016 and M/s Biman Export on 20.09.2016.

⁴⁶ Calculated upto 31.03.2017.

2.15 Short payment of tax on work contracts

Application of incorrect rate of tax on work contracts resulted in short payment of tax of ` 0.23 crore.

[ST, Circle-II, Tura; November 2016]

Under Section 5(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. Further, Supreme Court of India held⁴⁷ that the goods incorporated in the works could be classified as a separate category for the purpose of calculation of tax payable and the State Legislature was empowered to tax the goods involved in the execution of a works contract at a uniform rate which might be different from the rates applicable to individual goods. In Meghalaya goods involved in works contract are taxed at a uniform rate⁴⁸ of 13.5 *per cent*.

Two dealers⁴⁹ executed works contract valued at ` 6.72 crore between March 2014 and March 2015 out of which ` 2.48 crore was deducted towards cost of labour and services. On the balance amount of ` 4.24 crore, the dealers paid tax at the rate of four/five *per cent* on ` 2.70 crore and at 13.5 *per cent* on ` 1.54 crore.

The MVAT Act provided uniform rate of tax at 13.5 *per cent* on goods involved in the execution of works contract, levy and collection of tax at the rate of five *per cent* instead of 13.5 *per cent* was irregular. The ST could not detect this lapse as he did not complete scrutiny of returns for the aforesaid period. Failure of the ST to detect application of incorrect tax rate resulted in short payment of tax of ` 0.23 crore⁵⁰; on which penalty of ` 0.46 crore was additionally leviable.

On this being pointed out (April 2017), the ST while accepting the audit observation (May 2017) stated that the dealers had been assessed and demand notice for recovery of tax payable amounting to ` 0.23 crore had been issued to the dealers. Status of recovery had not been received from the Taxation Department, Government of Meghalaya (February 2018).

2.16 Short payment of tax

The ST failed to detect short payment of tax amounting to ` 58.50 lakh.

⁴⁷ Gannon Dunkerley & Co. v. State of Rajasthan and Larsen & Toubro v. Union of India [1993] 88 STC 204 (SC).

⁴⁸ Schedule IV attached to the Act.

⁴⁹ M/s RB Corporation and M/s JD Infrastructure.

⁵⁰ Differential rate of 8.5 *per cent* on ` 2.70 crore = ` 0.23 crore.

[ST, Circle-III, Shillong; February 2017]

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 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.

A dealer⁵¹ dealing in 'automobiles' submitted returns for the period from April 2014 to June 2015 (excluding the quarter ending March 2015), wherein he disclosed tax liability of ` 2.46 crore. Out of the total tax payable, the dealer paid tax amounting to ` 1.88 crore and he failed to pay the balance tax amounting to ` 58.50 lakh.

The ST, at the time of scrutiny of returns (July 2015) for the aforesaid period, however, failed to detect the short payment of tax. Failure of the ST to verify the details of payment of previous tax payable during scrutiny, resulted in short payment of tax and consequent non-realisation of interest to that extent.

For short payment of tax, the dealer was liable to pay interest of ` 21.85 lakh⁵².

The case was reported to the Taxation Department, Government of Meghalaya in April 2017 and reminded in August 2017 and January 2018. The ACT stated (February 2018) that the dealer had paid ` 2.83 crore against the tax liability and hence there was no evasion of tax. The reply is not acceptable as examination of the *challans* furnished by the Department revealed that the dealer made payment of tax of only ` 1.88 crore against the tax liability of ` 2.46 crore for the aforementioned period, resulting in short realisation of tax to that extent.

No further reply had been received from the Taxation Department, Government of Meghalaya (February 2018).

2.17 Evasion of tax by bonded warehouses

Two bonded warehouses irregularly sold alcoholic liquor worth ` 16.29 crore without payment of tax amounting to ` 3.26 crore.
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[ST, Khliehriat; October 2016]

In Meghalaya, licensees of all bonded warehouses selling Indian Made Foreign Liquor (IMFL) and beer have to maintain detailed account of stock of IMFL /beer which has

⁵¹ M/s Modrina Auto Enterprise.

⁵² Calculated upto 31.03.2017

to be submitted to the Commissioner of Excise (CoE) at the end of each quarter. Under Rule 125 of the Assam Excise Rules, 1945 (as adapted by Meghalaya), the CoE shall take stock of all categories of IMFL /beer in stock of the bonded warehouses at the end of each quarter. 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.

In Meghalaya, ‘alcoholic liquor’ is taxable at 20 *per cent*.

2.17.1 A bonded warehouse dealer⁵³ furnished ‘nil’ tax return for the quarter ended September 2015. Audit examined the detailed accounts of the dealer in the office of the CoE. It was observed that the CoE detected irregular despatch of 94,380 cases of IMFL/beer worth ` 11.03 crore by the dealer without payment of excise duty during the same period. The dealer, not only sold IMFL/beer without payment of excise duty but also furnished false tax returns with the intention to evade payment of tax amounting to ` 2.21 crore⁵⁴.

2.17.2 A bonded warehouse dealer⁵⁵ failed to furnish any tax return and pay any tax thereon for the quarter ended June 2015. Audit examined the detailed accounts of the dealer in the office of the CoE. It was observed that the CoE detected irregular despatch of 45,979 cases of IMFL/beer worth ` 5.26 crore by the licensee of the bonded warehouse without payment of excise duty during the same period. The dealer, not only sold IMFL/beer without payment of excise duty but also failed to furnish tax returns with the intention to evade payment of tax amounting to ` 1.05 crore⁵⁶.

Audit observed that the two dealers submitted ‘nil’ return or failed to furnish return although they were engaged in a business with high sale turnover. Despite this, the ST failed to ascertain the actual sale made by the dealers during the aforesaid period and assess the dealers accordingly. In case of the Excise Department, the CoE had issued demand notices for recovery of the excise duty from both the dealers.

Failure of the ST to verify the actual sale of dealers thereby resulted in evasion of tax on sale of IMFL/beer amounting to ` 3.26 crore. Additionally, penalty not exceeding ` 6.52 crore and interest of ` 1.04 crore⁵⁷ were also leviable.

This happened because the State Excise Department did not share the information regarding evasion of excise duty by bonded warehouse to the Taxation Department. The Government may direct the revenue departments to compulsorily share information

⁵³ M/s SS Bonded Warehouse.

⁵⁴ 20 *per cent* of ` 11.03 crore = ` 2.21 crore.

⁵⁵ M/s Banicia Bonded Warehouse.

⁵⁶ 20 *per cent* of ` 5.26 crore = ` 1.05 crore.

⁵⁷ Calculated upto 31.03.2017.

with one another about suspected cases of tax/revenue evasion having revenue implication for other departments.

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

2.18 Interest not levied on late payment of tax

Interest amounting to ` 1.18 crore was not levied on six dealers for late payment of tax.

[Superintendents of Taxes (SsT), Circles-III, Shillong and Circle-I, Tura; February 2016 to March 2016]

Under Section 35 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.

Audit of records of two taxation circles revealed that five dealers paid the admitted tax of ` 14.50 crore for the period between April 2012 and March 2016 after the due date, with delays ranging between one day and 521 days. For belated payment of tax, interest of ` 1.18 crore was payable (*Annexure-I*). The dealers, however, failed to pay the interest for the delay in payment of tax.

Despite delay payment of tax, the SsT did not take any action to calculate the interest and realise the same from the dealers. This resulted in non-realisation of interest to that extent.

The case was reported to the Taxation Department, Government of Meghalaya between March 2017 and May 2017 and reminded in August 2017 and January 2018. The ACT while accepting the facts (February 2018) stated that the ST, Circle-III, Shillong had realised interest amounting to ` 0.92 crore as against ` 1.08 crore in respect of two out of three dealers under his jurisdiction. Realisation of the balance amount had not been intimated (February 2018). In respect of ST, Circle-I, Tura, the ST stated that interest had been realised, however, details of realisation were not intimated to Audit (February 2018).

No further reply had been received from the Taxation Department, Government of Meghalaya (February 2018).

2.19 Non-imposition of penalty for misuse of declaration forms

The SsT did not realise penalty amounting to ` 0.42 crore from four dealers for misuse of declaration forms.

[SsT, Circles-I & IV, Shillong, Nongpoh & Khliehriat; August 2016-February 2017]

As per Section 10A read with Section 10(b) of the CST Act, 1956, if any registered dealer, when purchasing any class of goods, falsely represents that goods of such class are covered by his certificate of registration, the ST may impose upon him by way of

penalty, a sum not exceeding one and half times the tax leviable in respect of sale of goods under Section 8(2) of the Act *ibid*.

Audit examined the assessment records of four SsT⁵⁸ between August 2016 and February 2017. It revealed that four dealers purchased goods amounting to ` 2.42 crore from registered dealers of other states in course of inter-State trade against 44 declarations in Form 'C' during the period from April 2012 to August 2016. Further examination of the case records revealed that the goods so purchased using declaration forms were not covered by the certificate of registration of the dealers. The dealers mis-utilised the declaration forms and were, therefore, liable to pay penalty not exceeding ` 0.42 crore (***Annexure-II***).

The SsT however failed to take any action against the dealers thereby resulting in penalty not being realised to that extent.

The case was reported to the Taxation Department, Government of Meghalaya between October 2016 and May 2017 and reminded in August 2017 and January 2018. The ACT stated (February 2018) that in case of ST, Circle-I, Shillong, there was no mis-utilisation of 'C' forms as the dealer dealt in 'kitchenware' which included 'electrical items' as per his registration certificate. In case of Circle-IV, Shillong, the items procured by the dealer were used in multiplex cinema. The reply is not acceptable, as 'C' forms cannot be used for purchase of capital goods. In case of two other dealers, no reply had been furnished (February 2018).

No further reply had been received from the Taxation Department, Government of Meghalaya (February 2018).

⁵⁸ SsT, Circles-I & IV, Shillong, ST, Nongpoh and ST, Khliehriat.

**CHAPTER – III
STATE EXCISE
DEPARTMENT**



CHAPTER-III: STATE EXCISE DEPARTMENT

3.1 Tax Administration

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. The collection of tax is governed by the provisions of the 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).

3.2 Internal audit

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

3.3 Results of Audit

Test check of the records of 8 units during 2016-17 revealed non-realisation of duties, fees, *etc.* involving ` 16.88 crore in 67 cases which fall under the following categories:

Table 3.1

(` in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non/Short realisation of duties <i>etc.</i>	14	1.47
2.	Loss of revenue	18	6.30
3.	Other irregularities	35	9.11
Total		67	16.88

During the course of the year, the Department accepted under assessments and other deficiencies of ` 3.57 crore in 26 cases. An amount of ` 0.17 crore was realised in eleven cases during the year 2016-17.

A few illustrative cases having financial impact of ` 2.74 crore in terms of under-assessment/short levy/non-levy of tax and other provisions of the Acts are discussed in the paragraphs 3.4 to 3.8.

3.4 Revenue not realised from retail licencees

Two hundred and thirty-eight IMFL retail licencees failed to renew their licences resulting in revenue amounting to ` 1.41 crore not being realised.

[Assistant Commissioner of Excise (ACE), Shillong, Superintendents of Excise (SsE), Nongpoh, Jowai, Khliehriat, Nongstoin, Tura & Williamnagar; April 2016 - March 2017]

Rules 243, 244 and 252 of the Assam Excise Rules, 1945 (as adapted by Meghalaya) provide for payment of annual licence fee for bonded warehouses, retail licencees and bottling plants in advance, at the rates prescribed from time to time for renewal of licences. The validity period of licences is from April of a year to March of the next year. The Excise Department, Government of Meghalaya had fixed the annual fee for renewal of retail licences as under:

Table 3.2

Sl. No.	Type of licence	Licence renewal fee (₹)
I	Retail ‘OFF’ licence ¹	60000
II	Retail ‘ON’ licence (Bar Licence)	45000

Further, Section 29 read with Section 35 of the Assam Excise Act, 1910 (as adapted) stipulates that if any fee or duty payable by the licence holder has not been paid, the licence granted may be cancelled and any amount payable to the Government may be recovered from the defaulters by sale of their movable property or as arrears of land revenue.

Audit of records of the ACE and the SsE revealed that 238 IMFL retail licencees failed to renew their licences in advance for periods ranging between one year and two years (*Annexure-III*). The ACE/SsE did not take any action to direct the defaulting licencees to renew their licences and payment of dues. They did not intimate the CoE also for cancellation of the licences in order to prevent unauthorised operation of these retail licencees in the State. It resulted in consequent non-payment of licence fees amounting to ` 1.43 crore.

On this being pointed out (February 2017), the SE, Tura stated (March 2017) that licences had been renewed and revenue amounting to ` 2 lakh was realised in case of

¹ ‘OFF’ licence is a term for a shop licenced to sell alcoholic beverages for consumption off the premises.

four (out of 32 under his jurisdiction) licences. Realisation in respect of the remaining 28 licences had not been intimated (December 2017).

Failure of the ACE/SsE to regulate the operations of the retail licences within their jurisdiction thereby resulted in non-realisation of revenue of ` 1.41 crore besides violation of the provisions of the Excise Act.

The cases were reported to the Excise Department; Government of Meghalaya between August 2016 and April 2017. The CoE stated (February 2018) that licence fees amounting to ` 53.80 lakh had been realized in respect of 89 out of 238 licences. Out of remaining 149 licences, licence of 33 licences had been cancelled between June 2017 and November 2017 and 116 licences had closed down their operations. Additionally, the action to recover the pending renewal fee was being initiated.

The reply is not acceptable as the Excise Act and rules do not allow for exemption from payment of licence fees from closed licences. Further, test check of excise permits by Audit (February 2018) revealed that atleast two retail outlets (out of 24 closed outlets under the jurisdiction of ACE, Shillong) had been issued permits for purchase of IMFL/beer during the period between May 2017 and December 2017, when they were supposed to be non-operational. It, thereby, implies that the outlets were indeed functional. Thus, the information provided by the CoE was factually incorrect.

No further reply had been received from the Excise Department, Government of Meghalaya (February 2018).

3.5 Revenue not realised due to failure to register brand names

Twenty-seven distilleries/companies/bonded warehouses failed to register the brand names of 198 brands resulting in revenue amounting to ` 75 lakh not being realised.

[CoE, Meghalaya; March 2017]

Under Rule 363 (1) of the Assam Excise Rules 1945, no person can manufacture or sell any brand of alcoholic liquor in the State unless the brand name and the label of that product are registered with the CoE. The registration is valid upto 31 March of the next year after which it may be renewed on payment of prescribed fees. Application for renewal of the certificate of registration for any year has to be made atleast one month prior to start of the year of registration *i.e.* before last day of February of the year preceding. The Excise Department, Government of Meghalaya has fixed the fees for brand name registration at ` 60000 and ` 35000 for IMFL and beer brands² respectively.

² ` 25000 for Bottled in Origin (imported brands).

Audit of records of the CoE revealed that registration of 198 brands manufactured by 27 distilleries/companies were not renewed for the year 2016-17 (*Annexure-IV*). No action was however taken by the CoE to either issue demand notices to the distilleries/companies for renewal of the brand names or to cancel the brand names.

Lack of timely action by the CoE, thus, resulted in revenue amounting to ` 75 lakh not being realised as registration fees. Besides, there was a risk of unregistered products being sold in the State in violation of the provisions of the Excise Rules.

On this being pointed out (April 2017), the CoE stated (February 2018) that registration of additional 59 brands manufactured by ten companies/distilleries had been renewed between April 2016 and February 2017. The CoE further stated that in respect of the remaining 138 brands, the companies had ceased their rights to import these brands into the State. However, the Department was silent on the action taken to stop sale of the liquor of unregistered brands available in the stock of bonded warehouses and retail outlets. No information about the closing stock of these brands as on 31 March 2016 was communicated to Audit.

No further reply had been received from the Excise Department, Government of Meghalaya (February 2018).

3.6 Evasion of excise duty

A bottling plant concealed 0.10 lakh Bulk Litres of Extra Neutral Alcohol and evaded excise duty payment of ` 17.37 lakh.

[SE, Nongpoh; April 2017]

Indian Made Foreign Liquor (IMFL) is manufactured from Extra Neutral Alcohol (ENA) by adding water, colour and flavour to the ENA. The standard norm³ of conversion of ENA per case of liquor is as follows:

Table 3.3

Size (in millilitres)	Requirement of ENA in Bulk Litres (BL)
180 ml	3.85 (BL)
375 ml	4.00 (BL)
750 ml	

In Meghalaya, excise duty on General Brand of liquor is ` 663 per case of 12 bottles of 750 ml or equivalent quantity.

³ Normally ENA is received with an average purity of 96 per cent and IMFL is produced with strength of 42.8 per cent volume/volume.

One case of IMFL of 180 ml has 48 bottles = 48 x 180 ml = 8640 ml or 8.64 BL

Hence 8.64 BL x 42.8/96 = 3.85 BL. Therefore, 3.85 BL of ENA is required.

One case of IMFL of 750 ml has 12 bottles = 12 x 750 ml = 9000 ml or 9 BL

Hence 9 BL x 42.8/96 = 4 BL. Therefore, 4 BL of ENA is required (Same for one case of 375 ml).

Audit of records of the SE Nongpoh revealed that a bottling plant⁴ utilised 21286 BL of ENA between April 2015 and March 2016. It produced 2277 cases of liquor containing 750 ml/375 ml and 441 cases of liquor containing 180 ml bottles therefrom. For production of the above quantity of liquor, 10806 BL of ENA should have been actually utilised as per standard norms (*Annexure-V*). The bottling plant, thus, fraudulently overstated the quantity of ENA actually utilised. It resulted in concealment of 10480 BL of ENA from which 2620 cases of liquor of 750 ml/375 ml bottles⁵ could be manufactured.

The monthly figures pertaining to consumption of ENA and production of IMFL therefrom were available with the SE. The SE, however, did not take any steps to reconcile the difference and ascertain reasons for overconsumption of ENA by the bottling plants. Failure of the SE to properly monitor the functioning of the bottling plants thereby resulted in evasion of excise duty amounting to ` 17.37 lakh⁶.

The case was reported to the Excise Department, Government of Meghalaya in April 2017. On this being pointed out, the CoE stated (February 2018) that evasion of excise duty did not arise as the bottling plant had a closing stock of 25273 BL of blend as on March 2016. The reply is not acceptable since Audit had taken account of the actual quantity of ENA utilized by the bottling plant during the period.

No further reply had been received from the Excise Department, Government of Meghalaya (February 2018).

3.7 Loss of revenue due to cancellation of licences without realisation of licence fees

There was loss of revenue amounting to ` 12 lakh as unpaid licence fee from two bonded warehouses in the absence of security deposits.

[CoE, Meghalaya; November 2016]

Rules 243 of the Assam Excise Rules, 1945 provides for payment of annual licence fee for bonded warehouses in advance, at the rates prescribed from time to time for renewal of licences. The validity period of licences is from April of a year to March of the next year. Further, rule 246 *ibid* provides for realisation of security deposit in the form of Call Deposit (to be pledged in favour of the CoE, Meghalaya) valid for 5 years and renewable on expiry thereof from all the licence holders for due observance of terms and conditions of the licence. The security deposit is liable to be forfeited for violation of any of the provisions of the Excise Act and rules.

Further, Section 29 read with Section 35 and instruction No. 141 of the Assam Excise Act, 1910 stipulates that if the licensee fails to pay licence fee before the start of the

⁴ Marwet Bottling Industries.

⁵ Loss worked out for 375 ml/750 ml bottles only as they have the same excise duty.

⁶ 2620 cases x `663 per case = `17.37 lakh.

next financial year, his establishment is to be closed with the approval of CoE till the fee is paid and on failure to pay fee promptly, the licence is required to be cancelled and any amount payable to the Government may be recovered from the defaulters by sale of their movable property or as arrears of land revenue.

The Excise Department, Government of Meghalaya had fixed the annual fee and security deposit for bonded warehouses as in the following *Table 3.4*:

Table 3.4

Type of licence	Annual Licence Fee (₹)	Security Deposit (₹)
Bonded Warehouse	200000	300000

Audit of records of the CoE revealed that licencees of two bonded warehouses⁷ failed to renew their licences in advance for periods ranging between two years and four years. Licence fee amounting to ₹ 12 lakh was payable on these licences.

The CoE also failed to realise the security deposit amounting to ₹ 6 lakh from the licencees at the time of issuing of licence. Despite non-payment of licence fees in advance, no action was taken by the CoE to close down the bonded warehouses. Further examination revealed that:

3.7.1 In case of the bonded warehouse in Shillong, the CoE directed the ACE, Shillong (September 2015) to recover the arrear dues amounting to ₹ 4 lakh from the licencee. The ACE, however, failed to recover any dues from the licencee. The CoE accordingly requested the Government (February 2016) for cancellation of the licence and the same was cancelled by the Government in August 2016.

3.7.2 In case of the bonded warehouse in Williamnagar, the SE, Williamnagar informed the CoE (May 2013) that the case had been forwarded to *bakijai* for recovery of dues as arrears of land revenue. The CoE accordingly requested the Government (July 2013 and February 2015) for cancellation of the licence and the same was cancelled by the Government (June 2015). The Government, while cancelling the licence, directed the CoE to monitor the recovery of arrear dues amounting to ₹ 8 lakh through *bakijai*.

Failure of the CoE in timely cancellation of licences thereby resulted in unpaid licence fee amounting to ₹ 12 lakh. If security deposits had been realised from these bonded warehouses, the amount due could have been partially recovered.

Further, the procedure followed by the Department/Government with regard to these cases of unpaid licence fees lacked consistency. It did not take any action against the licencee in Shillong, but commenced *bakijai* proceedings against the licencee in Williamnagar.

The cases were reported to the Excise Department, Government of Meghalaya in April 2017. On this being pointed out, the CoE stated (February 2018) that action had been initiated for recovery of the licence fee from the bonded warehouse licencee at Shillong. In respect of the licencee at Williamnagar, the case was still pending in *bakijai* court. Recovery amount had not yet been realised (February 2018).

⁷ M/s B.M. Bonded Warehouse, Shillong (Period of default: 2014-15 to 2015-16)
M/s M.M. Bonded Warehouse, Williamnagar (Period of default: 2012-13 to 2015-16)

No further reply had been received from the Excise Department, Government of Meghalaya (February 2018).

3.8 Evasion of excise duty by bonded warehouses

There was evasion of excise duty amounting to ` 35.13 lakh by three bonded warehouses on account of stock found short during verification.

[SsE, Nongpoh & Jowai; November-December 2016]

The Assam Excise Act, 1910 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 CoE (Rule 71);
- The receipt and removal of spirits from bonded warehouse shall be 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);
- The duty shall be paid before removal from the distillery or the bonded warehouse unless a bond has been executed for such payment (Rule 267).
- 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 of stock registers of the excise licensees revealed that three bonded warehouses⁸ disclosed closing stock of 50,660 cases of different categories of IMFL/beer between November and December 2016. A physical verification of the stock in the three bonded warehouses⁹ was carried out by Audit in the presence of the officers-in-charge of the warehouses between November and December 2016. It revealed that the actual closing stock of IMFL/beer was 41839. The bonded warehouses thus concealed sale of 8821 cases of IMFL/beer resulting in evasion of excise duty amounting to ` 35.13 lakh (*Annexure-VI*).

Excise rules prohibit sale/transfer of liquor without authorisation by the excise officials and also prescribe mechanisms for regular stock taking and accounting of IMFL/beer by the Department. The officers-in-charge, however, failed to check unauthorised sale of IMFL/beer by the licensees in violation of the rule provisions. The CoE also failed to verify the stock details furnished by the officers-in-charge of the bonded warehouses. Absence of proper control mechanism to enforce the provisions of the Excise Act and rules thereby resulted in evasion of excise duty by the bonded warehouses to that extent.

⁸ OK Bonded Warehouse (Jowai), Nico Bonded Warehouse and OS Bonded Warehouse (Nongpoh).

⁹ Physical verification in Jowai was carried out on 28 November 2016 and in Nongpoh was carried out on 14 December 2016.

The Department may strengthen its internal controls to ensure regular verification of stock in all licenced premises so as to prevent unauthorised removal/sale of IMFL/beer by the licencees.

The cases were reported to the Excise Department, Government of Meghalaya in April 2017. On this being pointed out, the CoE stated (February 2018) that stock verification¹⁰ of these three bonded warehouses had been carried out by Excise officials and based on the verification, licence fees amounting to ` 4.72 lakh had been realized in respect of stock found short. The reply is not acceptable since the audit observation pertains to stock found short during a joint verification by audit and excise officials between November 2016 and December 2016 on which excise duty amounting to ` 35.13 lakh was realizable. A report on recovery had not been intimated (February 2018).

No further reply had been received from the Excise Department, Government of Meghalaya (February 2018).

¹⁰ Nico Bonded Warehouse and OS Bonded Warehouse (Nongpoh) on 31 December 2016 and OK Bonded Warehouse (Jowai) on 22 April 2017.

CHAPTER – IV

TRANSPORT



CHAPTER-IV: TRANSPORT DEPARTMENT

4.1 Tax Administration

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. The collection of tax is governed by the provisions of the Motor Vehicles Act, 1988 and Rules made thereunder and the Assam Motor Vehicle Taxation Act, 1936.

4.2 Internal audit

The Transport Department has no separate Internal Audit Wing (IAW). Despite the same being pointed out in Audit Reports from time to time, no action has been taken by the Department to create an IAW to monitor the working of the Department.

4.3 Results of Audit

Test check of the records of 8 units relating to the Transport Department during 2016-17 revealed non-realisation of taxes, fees and fines, *etc.* involving ` 152.56 crore in 52 cases which fall under the following categories:

Table 4.1

(` in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non/Short realisation of revenue	22	49.35
2.	Loss of revenue	07	1.41
3.	Other irregularities	23	101.80
Total		52	152.56

During the course of the year, the Department accepted under assessments and other deficiencies of ` 122.21 crore in 29 cases. No recovery was intimated in any of the cases during the year 2016-17.

A few illustrative cases having financial impact of ` 9.34 crore in terms of underassessment/short levy/non-levy of tax and other provisions of the Acts are discussed in the paragraphs 4.4 to 4.6.

4.4 Short collection of lease amount for weighbridge

Failure to enforce the provisions of the lease agreement for the weighbridge at Gasuapara resulted in loss of revenue amounting to ` 31.43 lakh.

[Commissioner of Transport (CT), Meghalaya; July 2016]

The CT, Meghalaya floated tender in November 2014 for operation of a transport weighbridge at Gasuapara in Garo Hills for a period of three months. In response to the Notice Inviting Quotation (NIQ), two bidders submitted their bids for operation of the weighbridge as detailed below:

Table 4.2

Sl. No.	Name of the bidder	Bid Value per Qtr. (in `)
1.	Shri Nirmol R. Marak	15,00,000
2.	Shri Tangkam M. Sangma	10,00,500

The Transport Department, Government of Meghalaya (GoM) awarded the contract to second highest bidder on the ground that his weighbridge at Gasuapara was ready to use. The CT accordingly entered into an agreement with M/s Tangkam M. Sangma in February 2015 for a period of one year with annual lease amount of ` 45 lakh. The agreement *inter alia* contained the following conditions:

- The lessee would pay ` 3.75 lakh per month (being one-twelfth of the lump sum amount) within the seventh day of the succeeding month;
- In the event of failure of the licensee to make payment within the due date, a penalty of 2 per cent of the said amount would be levied;
- In case of further delay in payment of dues within three weeks from the due date, the lease would be terminated and the second highest bidder would be considered on the same terms and conditions.

As per the agreement, the lessee was authorised to levy weighment fee of ` 200 per truck. The lessee paid the advance amount of ` 3.75 lakh in February 2015 and commenced operating the weighbridge. However, the lessee failed to pay the monthly lease amounts thereafter.

The CT issued reminders in August 2015 and September 2015 for payment of the due lease amounts. In response, the lessee stated (November 2015) that there was no movement of coal trucks through the weighbridge for a substantial period and sought for renegotiation of the annual lease amount.

Despite not complying with terms of the agreement, the CT did not terminate the contract. Instead, the CT continued to issue reminders (February 2016 and March 2016) for payment of government dues. Eventually the CT took control of the weighbridge from the lessee in June 2016 without collecting the government dues.

The lessee thus continued to operate the weighbridge for a period of 16 months from the date of agreement till it was taken over by the Department. Further it was observed from the records of the Mining Department that 17590 coal laden trucks passed through the Mining check post at Gasuapara located near the weighbridge during the period from February 2015 to May 2016. The lessee, thus, collected a minimum of ` 35.18 lakh¹ from operation of the weighbridge.

Failure of the Department to enforce the provisions of the agreement and consequent delay in termination of the lease thereby deprived the GoM of revenue amounting to ` 31.43 lakh²

Audit observed that as per the terms of the NIQ floated by the Transport Department for operation of the weighbridge, the agreement would be executed only after payment of one-third of the lump sum amount accepted. As per the agreement, the successful bidder would have to furnish a Security Deposit of 15 *per cent* of the total bid amount on annual basis before execution of the contract. However, as per the terms of contract awarded, the contractor was allowed to operate on advance payment of ` 3.75 lakh. Non-adherence with the terms of the NIQ and the agreement thereby deprived the GoM of the opportunity of recovering dues amounting to ` 18 lakh³.

The case was reported to the Transport Department, Government of Meghalaya in December 2016 and reminded in August 2017 and January 2018; their reply had not been received (February 2018).

4.5 Loss of revenue on non-realization of penalty on overloading of limestone

Delay in issuing instructions for weighing trucks carrying limestone resulted in loss of revenue due to non-realisation of penalty amounting to ` 10.51 crore on overloading.

[CT, Meghalaya; July 2016]

As per Section 194 read with Section 113 of the Motor Vehicle Act, 1988 (as amended), whoever drives a motor vehicle or causes or allows a motor vehicle to be driven in any public place where the laden weight of the vehicle exceeds the gross

¹ 17590 trucks x ` 200 per truck = ` 3518000

² ` 3518000 – ` 375000 (advance payment) = ` 3143000

³ ` 1500000 (one-third of leased amount) + ` 675000 (Security deposit at 15 *per cent* of leased amount) - ` 375000 (advance paid) = ` 1800000

vehicle weight specified in the certificate or registration, he shall be punishable with a minimum fine of ` 2000 and an additional amount of ` 1000 per tonne of excess load.

The Transport Department entered into an agreement with two private parties⁴ in January 2015 for operation of two new weighbridges at Dawki⁵ and Ratacherra⁶. As per the Government notification, the weighbridges were to issue weighing slips only to coal laden trucks in violation of Section 194 of the Act *ibid*.

Audit examination of records revealed that the CT in May 2015 sought approval from the State Government for issue of instructions to the weighbridges to weigh trucks carrying goods other than coal. The State Government, after a delay of six months, directed the CT in November 2015 to take action for weighing of all the trucks. Subsequently, the CT, after delay of one month and four months, issued instructions in December 2015 and March 2016 respectively to the weighbridge lessees at Dawki and Ratacherra to weigh all the trucks.

Audit cross checked it with the records of the check gates operated by Mining Department located at Dawki and Umkiang⁷. It revealed that during the period from April 2015 to March 2016, the mining check gates detected 0.67 lakh MT of excess quantity of limestone transported by 19165 trucks. The delay in rectification of the original notification by the Transport Department, authorising weighment of trucks carrying goods other than coal, resulted in 19165 overloaded trucks carrying excess limestone of 66796 MT passing undetected through the two weighbridges. Thus, minimum fine amounting to ` 10.51 crore⁸ could not be levied. This resulted in loss of revenue to that extent.

The case was reported to the Transport Department, Government of Meghalaya in December 2016 and reminded in August 2017 and January 2018; their reply had not been received (February 2018).

4.6 Unfruitful expenditure on electricity charges

The Transport Department incurred unfruitful expenditure on electricity charges amounting to ` 43.50 lakh on a non-functional airport.

[CT, Meghalaya; July 2016]

The construction of Baljek Airport in West Garo Hills was taken up in July 1997 by the Airport Authority of India (AAI). The airport was completed in February 2008 at a total cost of ` 12.54 crore and was handed over to the Government of Meghalaya (GoM) in October 2008. The airport was conceived as a Short Take-off and Landing

⁴ M/s Badapkupar Marbaniang (for Ratacherra) and M/s Cheba Pala (for Dawki)

⁵ Located in Jaintia Hills on the international border with Bangladesh

⁶ Located in Jaintia Hills on the National Highway 44 bordering southern part of Assam

⁷ Umkiang is located approximately 20 Kms. from Ratacherra on the same National Highway.

⁸ $[19165 \text{ trucks} \times ` 2000] + [66796 \text{ MT} \times ` 1000] = ` 10.51 \text{ crore.}$

(STOL) project with a runway capable of handling 20-seater Dornier 228 aircrafts only. The airport remained inoperative (December 2017) as none of the scheduled airlines operated Dornier 228 aircrafts any longer.

Subsequently, the State Government decided to upgrade the airport with a view to accommodate the 50-seater ATR aircrafts. The Transport Department assessed the total cost for upgradation of the airport at ` 114.25 crore and submitted the Detailed Project Estimate to the GoM (July 2011). Accordingly, an amount of ` 3.02 crore was sanctioned in March 2012 for acquisition of additional 58 acres of land. The Deputy Commissioner, West Garo Hills completed the proceedings for land acquisition and handed over the same to the Transport Department in July 2014.

After more than nine years since completion of the original project, the Department had not made any effort to make the airport operational. No additional funds had been sanctioned by the GoM for upgradation of the airport. The additional land, acquired for expansion of the airport had also not been handed over to the AAI.

Between October 2008 and July 2015, State Electricity Corporation raised electricity bills amounting to ` 74.02 lakh in respect of Baljek Airport, against which, the CT made the payment of ` 43.50 lakh. The Department, thus, continued to incur expenditure on payment of electricity bills for the non-operational airport. The payment of electricity bills over the years on an idle project had resulted in unfruitful expenditure amounting to ` 43.50 lakh along with additional liability of ` 30.52 lakh yet to be paid (July 2017).

Further delay in project implementation would result in added increase in the cost of upgradation. The Deputy Commissioner, West Garo Hills had noted (May 2013) in the Status Report on the airport that the buildings were getting damaged owing to non-maintenance since the airport had been lying unutilised.

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

CHAPTER – V
FOREST &
ENVIRONMENT
DEPARTMENT



CHAPTER-V: FOREST & ENVIRONMENT DEPARTMENT

5.1 Tax Administration

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

5.2 Internal audit

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

5.3 Results of Audit

Test check of the records of 14 units relating to the F&E Department during 2016-17 revealed under-assessment of tax and other irregularities involving ` 52.49 crore in 73 cases which fall under the following categories:

Table 5.1

(`in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non/Short realisation of revenue	09	10.30
2.	Loss of revenue	10	28.25
3.	Other irregularities	54	13.94
Total		73	52.49

During the course of audit, the Department accepted under assessments and other deficiencies of ` 7.35 crore in 15 cases. No recovery was intimated in any of the cases during the year 2016-17.

A Performance Audit on “Wildlife and Forest Management in Meghalaya” having financial impact of ` 208.35 crore is discussed in paragraph 5.4.

5.4 Performance Audit on “Wildlife and Forest Management in Meghalaya”

Highlights

Meghalaya had two National Parks, three wildlife Sanctuaries and 24 Reserved Forests. Substantial forest areas are under the unclassified category and are owned by private individual, clans, village councils, district councils and other traditional institutions. Only 12 per cent of the recorded forest comprising Reserved Forests and Protected Forest is under the direct control of the Forest Department

- Between 2012-13 and 2016-17, 9622 cases of human-elephant conflict were reported, resulting in death of 25 persons, injury to 22 persons, and damage of crop in 4009 ha area. Proposal for establishing of Elephant Reserves under Project Elephant 2001 in Khasi Hill and Ri-Bhoi districts did not materialise.

Paragraphs 5.4.8.1 and 5.4.8.2

- There were 348 unlicensed/illegal saw mills operating in the State. The Department’s attempts to close them down permanently have been mostly ineffective.

Paragraph 5.4.9

- The Department did not maintain data on the mineral extracted, it was, not in a position to verify whether there was any illegal extraction of mineral

Paragraph 5.4.10

- The total encroached forest area reported was 8600.51 ha. as of March 2017. The Department had filed 1223 court cases for encroachment, however in no case, verdict had been awarded.

Paragraph 5.4.11

- There was dual control in collection of royalty on limestone by Forest and Mining departments. Absence of a mechanism for periodic exchange of information between the two departments, enabled transporters/companies to evade royalty payment.

Paragraph 5.4.13

- Ten cement companies paid royalty of ` 21.20 crore against the demand of ` 66.03 crore. The balance amount of ` 44.84 crore remained unpaid.

Paragraph 5.4.16.1

- Due to non-availability of technician manpower, tissue culture labs, and seed testing centre were partially functioning.

Paragraphs 5.4.17.1 and 5.4.17.2

- After more than 10 years since the release of grant for construction of zoo, work had not progressed.

Paragraph 5.4.18

- The Department did not exercise control and monitor the activities of the field offices effectively. This resulted in under-reporting of export of 142.29 lakh MT of limestone through four forest checkgates resulting in loss of revenue to the tune of ` 99.49 crore.

Paragraph 5.4.23

5.4.1 Introduction

One of the seven sister states of the north-eastern part of the country, Meghalaya, has a geographical area of 22429 sq.km. Meghalaya has two National Parks (NPs), three Wildlife Sanctuaries (WLS') and 24 Reserve Forests (RFs). Nokrek Biosphere reserve is also located in the State. Meghalaya is among the few states in the country having the highest density of elephants.



Fig 5.1 A serene view of forest in Mawphlang village

5.4.2 Forest ownership and management

About 77 per cent of the State extending to 17217 sq. km. is forested. 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 unclassed 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 (RFs) and Protected Forests¹ (PFs) 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 three² Autonomous district Councils (ADCs).

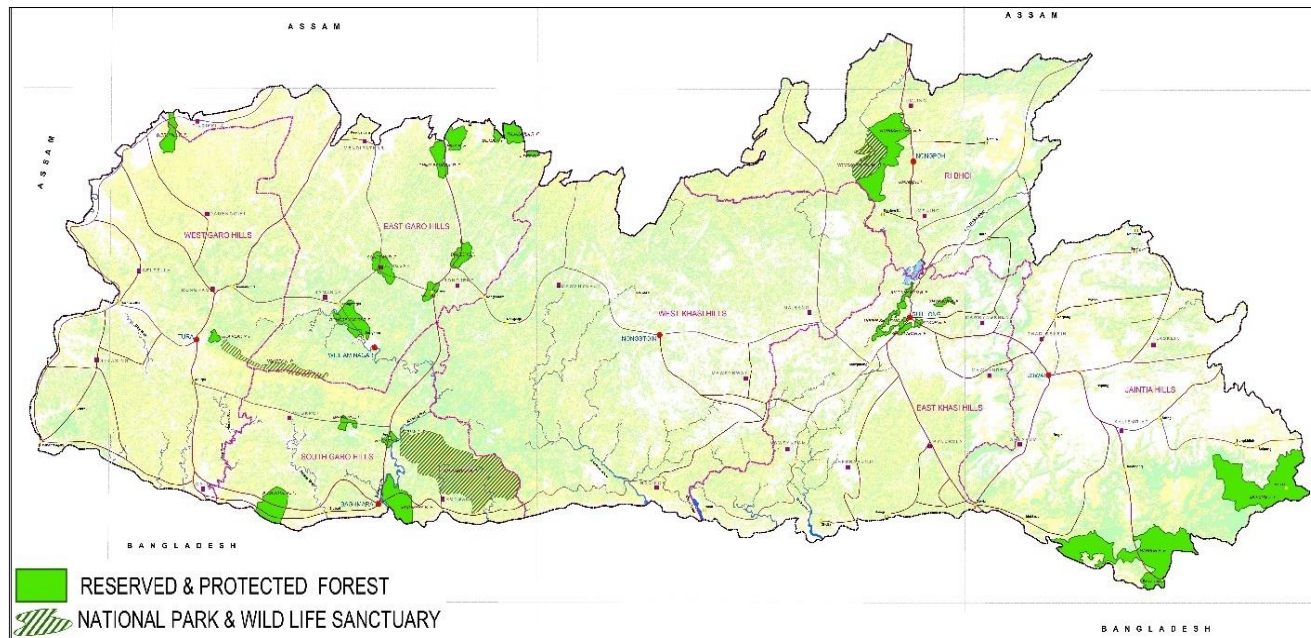


Fig 5.2 Map of State of Meghalaya depicting Protected Areas under direct administrative control of Forest Department

5.4.3 Organisational set up

The Principal Secretary (Forest and Environment) is 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 Divisions³ 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).

5.4.4 Audit Objectives

¹ Reserved Forests and Protected Forests are declared by the State. In RFs, rights to all activities like hunting, grazing, *etc.* are restricted unless specified otherwise. In PFs, rights to these activities are sometimes given to communities living on the fringes of the forest, who sustain their livelihood from forest resources or products.

² Khasi Hills (KH) ADC, Garo Hills (GH) ADC and Jaintia Hills (JH) ADC.

³ Territorial Circle (three Div.), Wildlife Circle (four Div.), Social Forestry & Environment Circle (seven Div.), Research & Training Circle (four Div.)

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

- conservation, protection and rehabilitation activities had been adequately planned and the efficacy of their implementation with focus on:
 - a) *protection of endangered/endemic species;*
 - b) *survey and demarcation of forest land;*
 - c) *anthropogenic activities such as mining, industrialisation, etc.;*
 - d) *action plan for forest fire disaster management; and*
 - e) *prevention of man-animal conflict.*
- regulatory framework, in place, was adequate to ensure maximisation of revenue collection through efficient mobilisation of human resources, *etc.*
- appropriate mechanism for regular monitoring by the management and effective information sharing within the Department existed.

5.4.5 Audit Scope and Methodology

The Audit was conducted during May 2017 to August 2017 covering the period from 2012-13 to 2016-17. The scope of audit was limited to the management of forest areas under the direct control of the Department and other activities undertaken by the Department.

The Performance Audit focussed on the crucial areas of concern for forests in Meghalaya- encroachment/felling of trees, forest fire, illegal mining, man-animal conflict *etc.* in addition to the prevailing revenue collection mechanism.

To assess the performance of the Department on aforementioned considerations, scrutiny of records at 13 units⁴ at the divisional level along with PCCF and heads of four circles at the Directorate level was carried out. Furthermore, Medicinal Plants Board and Compensatory Afforestation Management Planning Authority were also audited.

Scrutiny of records at selected 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.

An Entry Conference was held with the PCCF to discuss the Audit objectives, criteria and scope on 13 April 2017. The draft Report was issued to the Department on 17 October 2017 and an Exit Conference was held with the PCCF on 13 November 2017, wherein the views of the Department in respect of the findings were discussed. Departmental replies, wherever received, have been appropriately incorporated in the Audit report.

⁴ Territorial (three divisions – Garo Hills, Khasi Hills, Jaintia Hills), Wildlife (three divisions – Garo Hills, Khasi Hills, Jaintia Hills), Social Forestry & Environment (three divisions – West Garo Hills, East Khasi Hills, Jaintia Hills), Research & Training (four divisions - Training, Silviculture, Forest Resource Survey and Working Plan)

5.4.6 Audit Criteria

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

1. Indian Forest Act, 1927;
2. Forest Conservation Act and Rules;
3. Assam Forest Regulation, 1891 (as adapted by Meghalaya);
4. Wildlife Protection Act and Rules;
5. Meghalaya Forest (Ejection of unauthorised persons from Reserved Forests) Rules, 1979;
6. Meghalaya Forest (Removal of Timber) (Regulation) Act and Rules;
7. Circulars/Notifications issued by Government of India/Government of Meghalaya.

5.4.7 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation extended by the Forest & Environment Department in conduct of this Performance Audit.

Audit findings

The Performance Audit brought out a number of system and compliance issues which have been brought out in the ensuing paragraphs.

Man, and the Animal

5.4.8 Human-Animal Conflict

Fragmentation and shrinkage of wildlife habitat has threatened the existence of many species. Mega-herbivores like the elephant with a large home range and equally large food requirement have been among the most affected species. This is one of the causes of increased human–elephant conflict and damage to property and life. Elephants usually inhabited the foothills that harbour forests. These animals thrive on the trees in the forest and now as the forests have been drastically degraded and fragmented they were entering the human habitats.

5.4.8.1 Incidents of Crop damage

During the audit period, 9622 cases of human-elephant conflict (HEC) were registered with the Forest Department; resulting in death of 25 persons, injury to 22 persons, and damage of crop in 4009 ha area. An amount of ` 4.41 crore was paid as ex-gratia payment to villagers for loss of life, damage to property and agricultural crop in these cases. Year wise report cases of crop damage is given in the following table:

Table 5.2 Forest Wildlife Division-wise and Year-wise reported cases of crop damage

Forest WL	(Area in hectare)					Total
	2012-13	2013-14	2014-15	2015-16	2016-17	

Division	No. of cases	Area affected	No. of cases	Area affected	No. of cases	Area affected	No. of cases	Area affected	No. of cases	Area affected	No. of cases	Area affected
Garo Hills WL Div.	728	270.16	1127	412.43	928	307.47	1720	1148.62	889	247.40	5392	2386.08
Khasi Hills WL Div.	302	70.72	810	197.87	621	162.98	342	127.30	419	47.64	2494	606.51
Jaintia Hills WL Div.	76	53.39	275	160.00	00	00	12	8.00	138	55.70	501	277.09
Balpakram NP WL Div.	391	239.86	340	204.78	152	84.89	219	146.68	133	63.08	1235	739.29
Total	1497	634.13	2552	975.08	1701	555.34	2293	1430.60	1579	413.82	9622	4008.97

(Source: Details furnished by the Department)

5.4.8.2 Elephant Reserves

Meghalaya is home to around 1800 elephants⁵. It is evident from *Table 5.2* that Garo Hills region⁶ accounts for approx. two thirds of cases of HEC. In view of this, 3500 sq. km. area in South Garo region was notified as Elephant Reserve (ER) under Project Elephant in 2001. Proposal for establishing another ER in Khasi Hill and Ri-Bhoi districts (1331 sq.km) was submitted to Ministry of Environment and Forest (MoEF), Government of India (GoI) (June 2001). Government of India (GoI) accorded in-principle approval for it in June 2008. In meeting of Steering Committee of Project Elephant (December 2014), Chief WL Warden, Meghalaya committed that the State Government would shortly issue final notification for declaring Khasi ER. No notification was issued (December 2017).

DFO, Khasi Hills Wild Life (KHWWL) Division informed the PCCF that area has been identified as important Elephant habitat and it is private or clan owned (February 2010). Department has put in little efforts to communicate that notifying ER would not change the legal status of ownership of the land. The extent of area for which Department has obtained consent from owners for declaring the area as Khasi Hills ER was not on record. Owing to this delay the Department has been deprived of additional funds from GoI for undertaking efforts for mitigating HECs in planned manner.

During a joint inspection by audit team in the Shallang area⁷ (July 2017), to assess the impact of human activities on WL habitat, Audit observed that a natural salt lick⁸ in the area which was once a big gathering place for the elephants had almost vanished. Construction activities, heaps of coal stock, and deforestation could be noticed all along the area. Fresh coal stock was found lying/dumped in these forest areas. All these have reduced the food and water availability for wildlife.



Fig 5.3 Natural salt lick at Smaring - almost vanished

⁵ As per MoEF census of 2017.

⁶ GHWWL Division and Balpakram NP

⁷ under the proposed Khasi Hills Elephant Reserve

⁸ A salt lick is a place where animals go to lick essential mineral nutrients from deposit of salts and other minerals.



Fig 5.4 Coal stock lying open in fringes of RF in West Khasi Hills



Fig 5.5 Paddy farm in the migration path of Elephants

The RO, Nongpoh stated that elephants were migrating from Garbangha RF in Assam towards Nongkhylllem RF of Meghalaya where habitations have come up in the forest fringes. The stone/limestone mining quarries, human settlements and plantations like rubber, broom, *etc.* had affected migration path of elephants resulting in change in their routes and raiding human settlements for food and water.

The Department stated (December 2017) that land falling within the proposed Khasi Hills ER is owned by private individuals and communities and that efforts were being made to obtain their consent for notification of ER. The reply is, however, silent regarding recent development in obtaining the consent as it was observed from the records that public meetings with the land owners/communities were last held in March 2009.

5.4.8.3 *Elephant Corridors*

Around 51000 families of rural Meghalaya practice shifting cultivation commonly called as *jhum* cultivation on 442 sq.km land annually⁹. A good number of these reside in fringe area of protected forests. The high degree of land degradation due to *jhum* has led to severe habitat fragmentation and created scarcity of resources. Since the forest produce in the area are too small to support Elephant herds for long period of time, the elephants move from one patch of forests to another crop fields. On coming across cultivated areas, they raid crops and destroy and any homestead that stand in their way.

In Meghalaya, Protected Forests are disconnected from one another and are scattered wide apart all over the districts. There is no continuous stretch of forest between one Reserve Forest and the next because the private forest surrounding the Reserve Forests are subjected to heavy *jhum* cultivation. These private forest areas are interspersed with human habitations and crop land. Elephant corridors are strips of land used by elephants to migrate from one habitat to the next.

Understanding the importance of securing Elephant corridors for minimizing HEC, Wildlife Trust of India (WTI) in association with MoEF, GoI published a report¹⁰ detailing 88 frequented elephant corridors in India – six of which were identified in Meghalaya. Unlike others, five of these six corridors are more than five kilometres in

⁹ Meghalaya Soil and Water Conservation report, 2001

¹⁰ Right of Passage: Elephant Corridors of India, 2005

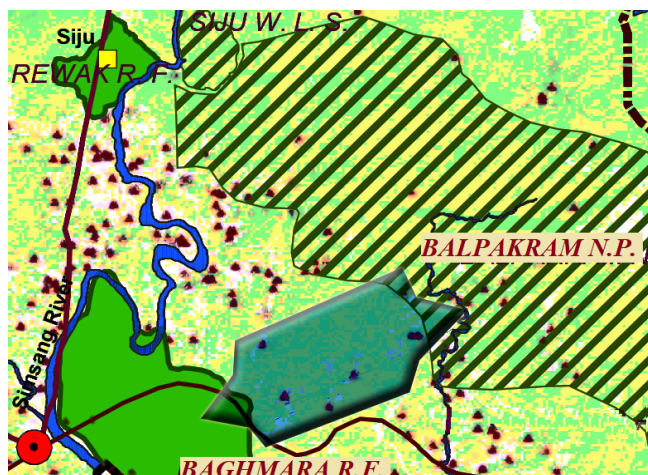
length. Any human settlement in these corridors is highly susceptible to HEC. The State Board on WL, Meghalaya observed (January 2011) that all the DFOs should map the elephant corridors for declaring them as community reserves. The APCCF instructed DFOs, Garo Hills Wild Life (GHWL) Division and Balpakram NP (BNP) Wild Life Division to map the corridor areas and acquire the land for converting them in Community Reserves (June 2012). The DFOs were to seek help of WTI, Tura for the purpose. No action was taken on these matters. WTI was consulted on the matter only in December 2015. The Board in its next meeting in April 2016 again emphasized the matter of preservation and strengthening of elephant corridors, especially the ones which have been encroached and blocked and work out alternatives in case of those which could not be recovered. However, no corridor had been notified by the State Government (November 2017).

Use of ecological corridors is a dynamic process. As such it is important to regularly survey and monitor the new paths along with the existing ones to manage them and prevent straying in human areas. Audit observed that no dedicated survey for elephant corridors had been carried out by the Department.

The Department stated (December 2017) that discussions with the land owners for acquisition of land falling in two¹¹ critically important Elephant Corridors had been initiated. Result of such discussions and the proposed timelines by which such corridors would be created had not been intimated.

Fig 5.6 Major elephant corridors of Meghalaya

Baghmara – Balpakram Corridor



Length – 6 km Width – 4.5 km

Major land-use: Forest, plantation and agriculture (*jhum*)

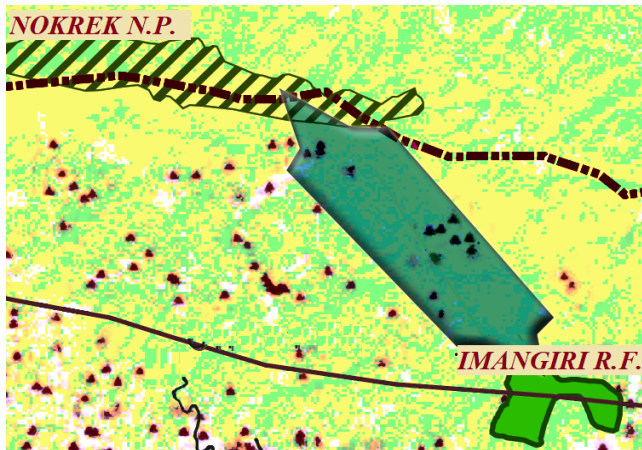
Frequency of usage by elephants: Regular

Legal status of the corridor: Clan land (*Akhing* land)

Status: Corridor is obstructed due to construction of a school building. *Jhumming* has come down, but haphazard plantation is a concern.

Nokrek – Imangiri Corridor

¹¹ As identified by Elephant Task Force, MoEF - *Baghmara – Balpakram and Siju - Rewak*



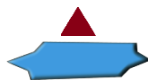
Length – 10 km Width – 3-4 km

Major land-use: Forest, settlement and *jhum* cultivation

Frequency of usage by elephants: Regular

Legal status of the corridor: Private land (*Akhing* land)

Status: Three Community Reserves have been declared in the corridor. Limestone mining and temporary mining roads opening up in the habitat is a threat.



represents human settlements.

represents Elephant Corridor connecting two forests.

(Source: Compiled from the information obtained from Departmental records)

5.4.8.4 Incidents of Electrocution

In the past few years there had been many reports of elephants being electrocuted due to overhead cables that hang low. The reason for such incidents was because the ground clearance of the overhead cables passing through elephant highways and crossings did not meet the prescribed norms¹². Also, the electric poles were found to be very weak. The issue was brought to notice by DFO (GHWL Div.) to APCCF (August 2012) with a suggestion that the matter be taken up with Meghalaya Energy Corporation Limited (MeECL).

The State WL Board also expressed concern about the rising cases of death of elephants by electrocution (April 2016) and instructed the Department to take up the matter with the authorities in the MeECL to take urgent action to correct sagging lines and replace weakened electric poles to reduce and prevent such occurrences. Action taken on the matter was not on record. Meanwhile at least six elephants¹³ had lost their lives by electrocution in the Garo Hills during last five years. A pregnant elephant was electrocuted when it came in contact with a high-tension wire in Garo Hills (23 May 2017). An FIR was filed against Sub-Divisional officer of MeECL, Baghmara for negligence which caused the death.

The Department needs to make sure that MeECL incorporates suitable design modification in the electric poles in such corridors. Frequent incidents of electrocution reflect to the lack of information on the elephant routes and their crossings. Elephant routes need to be mapped so that developmental works can be avoided in the elephant routes to the extent possible.

5.4.8.5 Mitigation Measures

¹² Prescribed norms include adequate ground clearance, fault clearing by Circuit Breaker, provision of spike guards, barbed wire fencing etc.

¹³ Based on reports of the Wildlife Divisions

In addition to ex-gratia payment, the Department did take up some other activities e.g. construction of Elephant Proof barriers¹⁴ and deployment of Village Protection Squads around Balpakram National Park and plantation of fruit bearing trees *etc.* in the fringe areas of the WL sanctuary under Project Elephant. An expenditure of ` 3.22 crore was incurred on these activities between April 2012 and March 2017. Most of these activities were carried out in an unplanned manner. There was no comprehensive effort for mapping high conflict areas and erecting permanent barriers at different strategic points in order to prevent wild elephants from entering settlements.

The Department has started the Community Reserve initiative under which people conserve forest in and around the village and the initiative is showing positive outcomes. Department also carried out awareness drives about importance of Elephant Reserves. However, the Department has not been able to obtain consent from the villagers for declaring Elephant Reserves or acquire land for establishing elephant corridors. The Department has been ineffective in monitoring and controlling construction works in high conflict areas.

Ex-gratia payments towards WL depredation cases were released to the affected villagers after considerable delay, in some cases after more than eight years. This delay may be attributed to lack of funds with the Department and the long verification process¹⁵. Delay in awarding compensation propagates hostile spirit in the villagers towards elephants as they see them as enemy. The Department may consider the option of releasing *ad-hoc* relief amount after preliminary inquiry, especially in cases of serious injuries or death. The DFO may be equipped with an imprest fund for this purpose. Effective mitigation will increase tolerance towards elephants and reduce the risk of aggressive retaliation.

The Department while accepting (December 2017) the audit recommendation stated that the proposal to provide the DFOs with an imprest fund will be looked into.

Anthropogenic activities

5.4.9 Prevalence of illegal saw mills

Hon'ble Supreme Court in its order dated 15 January 1998 had opined that the proliferation of wood-based industries was the main cause of degradation of forests in the north eastern states and hence it directed that the establishment of such industries be regulated. Consequently, Meghalaya Forest-Based Industries Rules, 1998 were enacted.

Rule 4(1) *inter alia* stipulates that all wood-based industries shall be established only in industrial estates notified by Government. Licensed saw mills duly cleared by the

¹⁴ Elephant proof sausage barrier is a trench dug 1.8 m deep and 2.75 m wide with intervening septa of 2.5 m-2.7 m of length.

¹⁵ FIR followed by the joint inspection by district administration and forest department and assessed by the concerned line departments.

State-level Committee are allowed to operate within the approved industrial estates and saw mills operating outside the industrial estates are deemed illegal.

The State Government had declared seven areas in Meghalaya as industrial estates and had granted licenses to 78 wood-based industries between June 1999 and April 2014 to operate at these notified locations.

Table 5.3 Industrial Estates for wood-based industries

Sl. No.	District	Location	No of licenced wood based industries	
			Saw mills	Veneer Mills
1	West Khasi Hills	Mawiaban	6	6
2	RiBhoi	Umiam	20	17
3		Byrnihat	11	7
4		Nongpoh	1	0
5	West Jaintia Hills	Khlieh Tyrshi	5	3
6	West Garo Hills	Tura	1	0
7	East Garo Hills	Darugre	1	0
Total			45	33

(Source: Details furnished by the Department)

Information furnished by the three territorial divisions (July 2017) revealed that 348 unlicensed/illegal saw mills were operating in their territorial jurisdiction as on March 2017.

Table 5.4 Illegal Saw mills operating in the State

Year	Garo Hills		Khasi Hills		Jaintia Hills	
	No. of illegal saw mills operating	No. of saw mills closed down	No. of illegal saw mills operating	No. of saw mills closed down	No. of illegal saw mills operating	No. of saw mills closed down
2012-13	94	86	83	*	112	-
2013-14	33	33	*	*	145	-
2014-15	49	-	175	*	148	2
2015-16	31	-	164	*	161	17
2016-17	31	-	*	*	160	7
(* Information not available/furnished with/by the divisions)						

(Source: Details furnished by the Department)

The Department had been ineffective in closing down the illegal saw mills which had been detected by the Department itself. In JH Div., hardly any illegal saw mill was closed by the Department. Consequently, the number of illegal saw mills operating had remained unchanged during the last three years. Audit analysed the action taken in all the three territorial divisions and observed that:

- In Jaintia Hills, the DFO took up the matter (June 2014) with the Executive Engineer (EE), MeECL, Jowai to disconnect power connection of 13 illegal saw mills. Accordingly, MeECL disconnected (November 2014) the power supply to these illegal mills. In respect of the remaining 135 illegal saw mills, cases were not forwarded to MeECL. The DFO informed (March 2016) the Deputy Commissioner (DC), JH District, Jowai that 160 illegal saw mills were operating in the division with a request to take action for their closure. Further action taken by the DC or DFO was not found on record.

- In Khasi Hills, 164 illegal saw mills were detected as operational upto March 2016. The DFO took up the matter with the DC and the SP (June 2015) to provide logistical support for closure of illegal saw mills, but it did not evoke any response from the concerned authorities. DFO did not follow-up the matter. The DFO forwarded the list of 31 saw mills (December 2016) to the EE, MeECL, Shillong with a request to disconnect their power supply. Thereafter, the DFO never pursued the matter with the MeECL, nor did the MeECL inform the Department about the action taken on the matter.



Fig 5.7 Sawn timber buried underneath earth in an illegal saw mill in Khasi Hills

- In Garo Hills, 31 illegal saw mills were detected as operational upto March 2017. These mills are mostly found in the plain belt of the West Garo Hills. Attempts to close them down have been mostly ineffective. These mills have plundered the plantations raised under various schemes in these areas. They are also known to be involved in illegal timber removal from the Dibru Hills RF. No action taken by the DFO to close these saw mills down was on record.

The Forest Department did not put any efforts to identify the source of timber for these saw mills and the means with which the sawn timber was being sold in the markets. As observed in *Para 5.4.12*, the Department has seized several trucks of sawn timber, but had shown little interest in following-up the court cases of transporting of illegal timber. The fact that large tract of forests is under the control of ADCs complicates the existing situation. Weak enforcement by the Department to check movement of forest produces within the State ensured that the Department's response to the problem had been highly reactive.

The Department needs to devise a system to make sure the finished product of big illegal saw mills is not able to reach the organized markets. Audit observed that the DFOs did not inspect any of the retail sawn timber outlets during the period of audit.

Mention of illegal operation of saw mills was made in the earlier Audit Report¹⁶. The Department stated to Audit that its efforts to close down illegal saw mills permanently were ineffectual. FIRs lodged with the police and assistance taken from the Meghalaya Energy Corporation Limited (MeECL) achieved little success. In some cases, the power line was connected illegally and without any meter. The owners have even been known to shift the mills from Meghalaya to Assam when the authorities proceed for closing down operations.

The inability of the Department in finding a permanent solution for closure of saw mills is a matter of serious concern with grave implications for the ecology and

¹⁶ CAG Audit Report for State of Meghalaya for the year ended 31 March 2011

environment. In Garo Hills, Sal forests outside of the Reserve Forests have almost disappeared due to indiscriminate felling of timber and *jhumming*.

The Department stated (December 2017) that in order to tackle the problem of illegal sawmills, District Level Special Task Force with representatives from forest, district administration, police, MeECL and ADC had been notified in each district. Meetings in all Garo Hills districts had been held and joint enforcement teams would be mobilized for closure of illegal sawmills.

5.4.10 *Illegal Mining in the State*

The state of Meghalaya is mountainous, with stretches of valley and rivers and highland plateaus, and it contains rich deposits of valuable minerals like coal, limestone, uranium and sillimanite.

The Supreme Court in its 2009 judgement¹⁷ held that sand mining had an adverse effect on bio-diversity and ordered that any lease¹⁸ for extraction of minor minerals including their renewal should be granted by the State Governments only after getting Environmental Clearance (EC) from MoEF. The GoM in January 2012 prohibited extraction of stone/boulders from river beds and instructed DFOs not to issue any Transit Pass or allow removal of stone/boulders from river beds without prior approval of the Government. Further, the National Green Tribunal (NGT) in its judgement dated August 2013 restrained mining activity or removal of sand from river beds anywhere in the country without obtaining EC from MoEF/State Environment Impact Assessment Authority (SEIAAA).

During the period of audit, the status of grant of Environmental Clearances (ECs) for mining of minor minerals¹⁹ and limestone is given in *Table 5.5*. No EC was granted by SEIAA for mining of river sand/stone.

Table 5.5 Details of ECs granted in the State

Year	Number of ECs granted	Location	Area (in Ha)
2012-13	Nil	Nil	Nil
2013-14	4	Ri-bhoi and West KH	36.92
2014-15	Nil	Nil	Nil
2015-16	Nil	Nil	Nil
2016-17	14	West GH, South West GH, East JH and Ri-bhoi	47.33 Ha and 20000 sq. feet.

(Source: Compiled from Departmental records)

5.4.10.1 *Illegal extraction of sand/stone from river beds*

Although no Environmental Clearances were issued for sand/stone mining in Khasi and Garo Hills, it was observed during the course of the audit that extractions of sand

¹⁷ Special Leave Petition (C) No 19628-19629 of 2009.

¹⁸ For an area less than five hectare

¹⁹ Building Stone, Gravel, Clay and Sand *etc.*

and boulders from river beds was prevalent in these divisions²⁰. It was further observed that the DFO, GH Territorial Division issued transport passes for removal and transport of the extracted sand/stone, thus regularising the illegal extraction in the area. It was in violation of the Government order as well as the judicial pronouncements.

The Department stated (December 2017) that the permits were issued by the DFO for the already extracted stock of minor minerals prior to June 2015. The reply is not acceptable as the DFO issued transit passes for transportation of river sand in contravention of the Supreme Court Order of 2009 and the GoM order of 2012.

5.4.10.2 *Monitoring of extracted minerals*

The High Court of Meghalaya in its judgement dated June 2015 prohibited all mining activities in the State unless EC was granted for extraction of minerals. However, the already extracted minerals were allowed to be transported and the DFOs were instructed (December 2016) to assess the already extracted minerals. Accordingly, the DFOs assessed (January 2016 to March 2016) the extracted minerals under their divisions as *Table 5.7*

Table 5.6 Stock of minerals assessed by Forest Department

Territorial Div.	Limestone (in MT)	Stone/boulders (in cu. m.)
Khasi Hills Div.	942100	90350
Garo Hills Div.	--	11190
Jaintia Hills Div.	4566396	345091
Total	5508496	446631

(Source: Compiled from Departmental records)

Examination of records revealed the following:

- The Department failed to make appropriate guidelines for transportation of the assessed minerals. There was no mechanism for issuing of permits specific to the extracted minerals. There was no provision of periodic inspection by the Forest officials to assess the left-over stock of the minerals with the suppliers. Also, the only source of information for the quantity of minerals removed was through Transit Pass issued by the Department, which contains the details of quantity authorized to be transported. If the checkgates detect overloading, a fine was levied, however the excess quantity being transported was not reconciled with the account of left-over stock.
- The Department did not maintain data of the minerals transported during the period from July 2015 to December 2015. There was no record of the details of royalty being received from transportation of the already assessed minerals. Based on the Department's assessment, 55.08 lakh MT of limestone and 4.47 lakh MT of

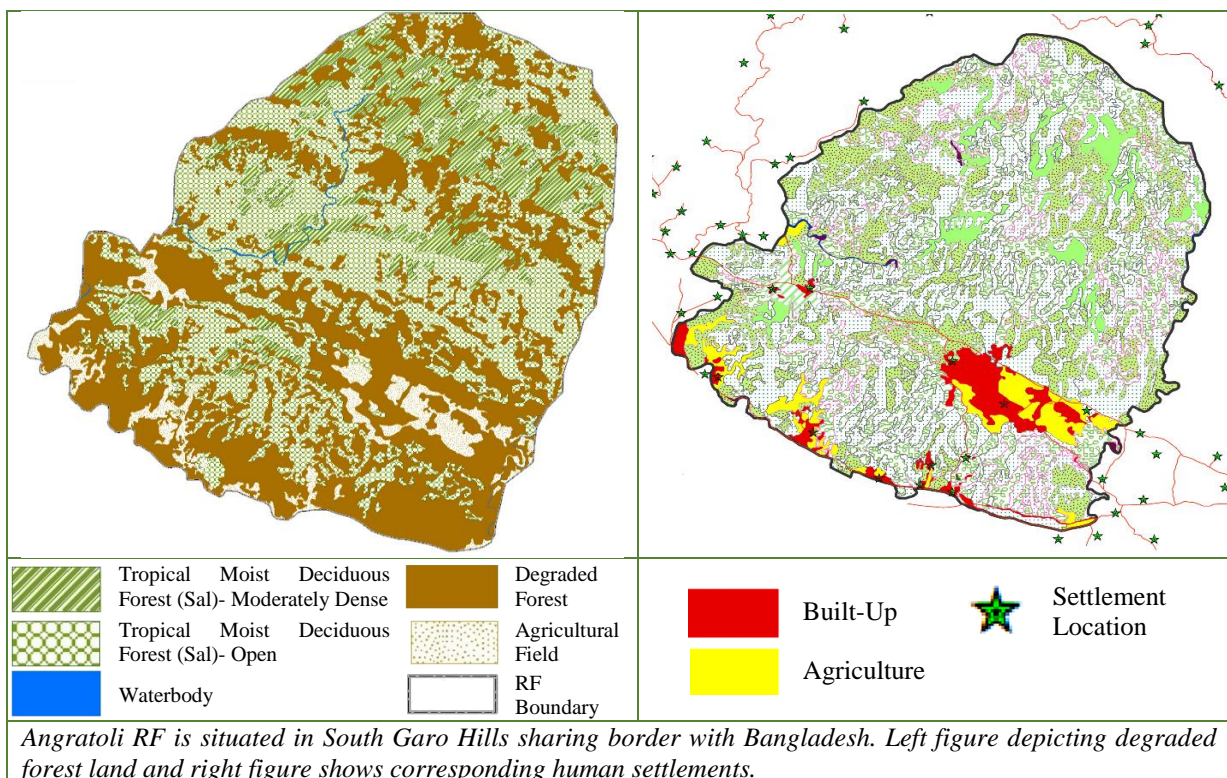
²⁰ Nine cases of illegal extraction of sand/stone from river beds were detected in Khasi and Garo Hills by the Department.

boulders had already been extracted on which royalty amounting to ` 54.79 crore²¹ was realisable. During the period from April 2016 to March 2017, the Department realised ` 37.25 crore as royalty from transport of limestone and boulders. Thus, as per Department’s own estimates, atleast ` 17.54 crore was yet to be realised from the transport of the balance quantity of minerals already extracted. The Department did not maintain data on the minerals extracted, it was however, not in a position to verify whether there was any illegal extraction.

5.4.11 Encroachment in the Reserve Forests

In general, the forest fringe area is conspicuously different from the inner forest due to close contact with local communities. The communities living in the forest fringes depend heavily on the forest for their fuel wood and fodder needs. Forests are self-sustainable eco-systems. However, due to pressure of increasing population and relaxed regulation, land outside the protected areas has greatly degraded and dense forests outside RFs have almost perished.

Fig 5.8 Angratoli RF - Status of land degradation and human settlements



5.4.11.1 Unabated illegal encroachment in reserved forests

It was observed during the audit that encroachment in Reserve Forests in the State is increasing continuously. The total area reported to have been encroached as on March

²¹ 5508496 MT x ` 80 per MT (limestone) = ` 440679680 plus 446631 MT x ` 240 per MT (boulders) = ` 107191440; Total = ` 547871220

2012 was 8536 ha, against which 1136 court cases were filed. During the audit period, additional 64 ha area was reported encroached rendering the total reported encroached area to 8600 ha as on March 2017.

Table 5.7 Details of forest area encroached division-wise

Name of the Territorial Division	Year	Area encroached (in Ha)		Area Cleared (in Ha)	
		No of cases	Area	No of cases	Area
Garo Hills Division	1980-2012	162	464.03	Nil	Nil
	2012-13	5	7.31	Nil	Nil
	2013-14	5	6.58	Nil	Nil
	2014-15	9	5.47	Nil	Nil
	2015-16	8	5.86	Nil	Nil
	2016-17	9	19.06	Nil	Nil
Khasi Hills Division	1980-2012	3	1.28	Nil	Nil
	2012-13	2	0.13	Nil	Nil
	2013-14	Nil	Nil	Nil	Nil
	2014-15	Nil	Nil	Nil	Nil
	2015-16	Nil	Nil	Nil	0.06
	2016-17	26	1.95	Nil	Nil
Jaintia Hills Division	1980-2012	971	8070.88	Nil	Nil
	2012-13	2	0.51	Nil	Nil
	2013-14	Nil	Nil	Nil	Nil
	2014-15	3	2.2	Nil	Nil
	2015-16	3	0.14	Nil	Nil
	2016-17	15	15.11	Nil	Nil
Total		1223	8600.51	Nil	0.06

(Source: Departmental records)

From the previous table, it is seen that majority of the encroachment was reported in Jaintia Hills Division (8088.84 ha).

The Department has filed 1223 court cases for encroachment up to March 2017, however in no case, verdict has been awarded. Some of these cases date back to 1990's. The DFOs did not follow up/pursue the cases sent to the court. During audit, the DFOs stated that once a case is filed, it is monitored by the departmental lawyer. The position of cases filed was not being monitored centrally at the Directorate level. The inability of the Department to clear these cases has emboldened other miscreants to encroach further and further in the forest land. No action taken by the DFOs under Rule 3²² of the Meghalaya Forests (Ejectment of Unauthorised persons from RFs) Rules, 1979 was available on record.

The MoEF in February 2004²³ had directed that in respect of any fresh occupation of forest land, the State Government shall hold the concerned DC, SP and DFO personally responsible for such encroachment and they would be liable for disciplinary action in such respect. Also, encroachment monitoring committees had to be constituted at State, Circle and District levels, who were to meet quarterly, to monitor the status of eviction from encroached land. Audit observed that the GoM had not implemented these directives.

5.4.11.2 *Non-availability of information pertaining to encroachment prior to October 1980*

²² DFO may evict any person who has unauthorizedly occupied land in a RF.

²³ MoEF letter dated 05 February 2004 to Chief Secretaries and PCCFs of all states.

Section 6 of the Forest (Conservation) Act, 1980 (with amendments in 1988) provides for regularization of encroached land for forest dwellers, who are in continuous possession of forest land prior to 25 October 1980, shall be eligible to be considered for settlement of land right. In no case where encroachment which had taken place after 24 October 1980 regularization was to be carried out.

In response to an audit query about details of forest area encroached before 1980, GH Div. replied that the information was not available. Other Divisions also did not furnish the information. No survey had been conducted to ascertain the rights of the settlers/encroachers. In the absence of the information about encroachment prior to October 1980, the Department was not in a position to take up the matter with the GoI for regularisation of such encroachment cases.

5.4.11.3 *Unauthorised issue of Land Holding Certificate within Reserved Forest*

Audit observed that three land holding certificates for land within Narpuh RF area were issued by the JH ADC to private parties. Though the DFO raised the issue with the ADC, no information was available about cancellation of the certificates.

The Department had not reconciled the RF area in the State with the Land Records & Survey Department. Failure of the Department to reconcile the records of RFs with the Land Department had contributed towards such irregular issue of land holding certificates by the district councils.

5.4.11.4 *Impact of Encroachment*

Encroachment is invariably followed by clearing of land. Sometimes the encroached land is used for the settlements, however, in most cases it is for the agricultural purpose. Generally, the encroached land is the extension of agricultural farms in the fringes of the protected forests. It leads to fragmentation of the wildlife habitat resulting in incidents of Human Elephant Conflict (*Para 5.4.8*).

In Meghalaya, common practice employed by villagers to clear the land for farming is through *jhumming*. This is the most frequent cause of forest fires. In Meghalaya, 62 per cent of the forests are tropical moist deciduous type, which makes them highly susceptible to forest fires. During the period 2012-17, 8472 forest fire points were reported in Meghalaya by Forest Survey Institute, MoEF – 80 per cent of which were in the month of March alone.

There were atleast 10 RFs in Garo Hills in which forest villages²⁴ were present. The population in the Forest Villages had increased and they freely constructed houses in the vicinity of the land holder. Proper demarcation of Forest boundary had not been done by the Department.

Extreme vigilance is required on part of the Department to detect and evict any encroachment in and around Forest villages before any permanent structure comes up.

²⁴ Settlements inside protected area where legal rights of transfer of title are applicable.

The Department stated (December 2017) that the RFs had been properly demarcated and it had undertaken serious efforts to tackle the problem of encroachment. However, the fact that the encroachment of forest land was on the rise and that the Department had not able to win a favourable verdict in any of the court cases relating to ownership of encroached forest land indicates otherwise.

Revenue collection systems

5.4.12 Removal and disposal of timber

Timber felling without authorization is illegal in Meghalaya so an offender can be prosecuted at the time of actual felling of trees, transport, trade or use of timber product. Felling and removal of trees from a RF without valid pass constitutes a forest offence²⁵ punishable with fine of twice the amount of such damage. A Forest Officer or Police Officer is empowered²⁶ to seize the forest produce in such an event and magistrate can direct the sale of the seized produce.

In Meghalaya claimed seized timber is referred to the judiciary through offence reports and disposed after court's verdict, as per extant practice. However, unclaimed or wind fallen timber is allotted to Forest Development Corporation of Meghalaya Limited (FDCML) after approval of the Government on advance payment of royalty.

Only 12 *per cent* of the recorded forest area is under the administrative jurisdiction of the State Forest Department. The Department has no authority to control felling of timber outside its jurisdiction as the remaining 88 *per cent* is either controlled by the ADCs, communities or private owners. This multiplicity of jurisdiction results in a complex state of affairs where stopping illegal timber felling at the time of actual felling was very difficult. The only instrument available with the Department to deter illegal felling was to catch the offenders during transportation of timber, where it has *pan-State* jurisdiction.

5.4.12.1 Delay in disposal of offence cases

As discussed in *Para 5.4.9*, there is a proliferation of illegal sawmills in the State which is invariably linked to the problem of illegal felling of trees in the State. Audit test checked the offence reports under DFOs in all three territorial divisions. It revealed that 276 cases of illegal felling of timber were detected during transportation by the Department and 62 cases of encroachment and illegal felling of trees in the RFs were spotted during the Audit period. 245 offence cases relating to illegal felling and

transportation of timber, measuring 3486.34 cu. m. valued at ` 80 lakh, were pending with the judiciary (July 2017). Delay in disposal²⁷ of these



Fig 5.9 Seized illegal timber under GH Div.

Act, 1891 (as adapted by GoM)

timber within a year.

offence cases would result in degeneration of the timber and loss of its commercial value. The fact that so many offence cases relating to illegal felling of timber were pending, calls for a systemic approach on part of senior management to follow-up and dispose these cases at the earliest. This would also work as an effective deterrent.

5.4.12.2 Delay in allotment/lifting of timber

The DFOs on receipt of timber lots²⁸ from the respective Range officers forward the request to the PCCF for allotment of timber who then obtains government's approval for disposal. All allotments to the FDCML are made on an order of State Government.

Audit observed that during the period between 2012-13 and 2016-17:

- The DFO, Garo Hills had forwarded details of 2481.13 cu. m. of timber valued at ` 1.57 crore for the period from April 2012 to March 2017 to the PCCF.
- The Government, however, belatedly accorded approval for disposal of 1174.79 cu. m. of timber valued at ` 75 lakh between September 2015 and February 2017 for disposal of timber lots of 2013-14, 2014-15 and 2015-16. In respect of the 1306.34 cu. m. of timber for 2012-13 and 2016-17 valued at ` 82 lakh, approval was yet to be granted by the Government (November 2017).
- Out of the allotted 1174.79 cu. m. timber, the FDCM lifted only 837.79 cu. m. and rejected 385 pieces of timber measuring 82.76 cu. m. from the year 2013-14, stating that the same had deteriorated and were no more fit for utilisation. This resulted in loss of government revenue amounting to ` 4 lakh.
- In respect of other lots for the years 2013-14, 2014-15 and 2015-16, the allotted timber measuring 254.24 cu. m. valued at ` 12 lakh was yet to be lifted by FDCML. Action taken by the Department to approach FDCML regarding the delay was not on record.

Delay in obtaining approval from the State Government by the Department and in lifting of timber by FDCML would result in the timber getting deteriorated and unfit for disposal.

5.4.12.3 Lack of facilities for safe-keeping of timber

During the audit, a physical verification of the timber stock kept within the premises of the DFOs of Jaintia Hills and Garo Hills divisions was conducted. It was observed that that seized timber was kept in the open within the premises of the Department without any facilities for its safe-keeping and being exposed to the vagaries of nature. Some of the seized timber had decayed.

It was also observed that the FDCML has reported to the DFO, Garo Hills division that ten lots of allotted timber, measuring 105.59 cu. m. and valued at ` 5 lakh, were

²⁸ either seized or wind fallen

missing from the concerned range. This is attributable to the absence of proper storage and safe-keeping of timber, thus resulting in financial loss to the Department.



Fig 5.10 JH and GH Territorial Divisions - [a] Seized timbers kept in the open; [b] Timber has decayed

5.4.13 *Duality of control on collection of royalty on limestone resulting in loss of revenue to the Government*

Limestone is listed as a Second Schedule mineral in the Mines and Minerals (Development and Regulation) Act, 1957 and the rate of royalty is fixed by the GoI and therefore treated as a major mineral. In Meghalaya, however, limestone is listed as a minor forest produce also regulated as per the Assam Forest Regulation Act, 1891. Therefore, royalty on limestone is collected by Forest Department and Mining & Geology Department both. The Forest Department collects royalty (at ` 80 per MT) on limestone from forest areas whereas the Mining Department collects royalty on limestone from non-forest (leased) areas. Additionally, the Mining Department realises ` 20 per MT as cess on limestone under the provisions of the Meghalaya Mineral Cess Act.

As per extant practice, the Mining Department realises royalty and cess from transporters and issues Mineral Transport *Challans* (as proof of payment of royalty) and Mineral Cess *Challans* (as proof of payment of cess). These *challans* are then verified at mining checkgates at the exit points of the State and penalty/additional royalty/cess is realised subject to non-production of *challans* or excess carriage of limestone. However, in respect of limestone on which royalty is realised by the Forest Department, separate permits are issued and are verified at the forest checkgates only. This peculiar situation had resulted in avenues for escaping with excess quantity of limestone being transported without detection, thus causing loss of revenue to the State as explained in the succeeding paragraphs:

5.4.13.1 *Non-realisation of cess by Mining Department on which royalty was realized by Forest Department*

As per Forest Department records, 45.42 lakh MT of limestone was extracted/ removed/ transported from the State from non-leased forest areas between 2012-13 and 2016-17, on which Forest Department collected royalty accordingly. However, Mining Department realised cess only on 28.20 lakh MT of limestone. This resulted

in non-collection of cess from on 17.22 lakh MT of limestone amounting to ` 3.44 crore²⁹.

5.4.13.2 Non-realisation of royalty in Garo Hills

Between 2012-13 and 2016-17, 66 thousand MT of limestone was transported outside the State from Garo Hills. The Divisional Mining Officer, Williamnagar realised only cess on this and did not realise royalty stating that there were no leased areas in Garo Hills. At the same time Forest Department also did not collect royalty because the limestone was not disclosed as from non-leased limestone origin. This confusion led to evasion of royalty on limestone amounting to ` 41.77 lakh³⁰ in Garo Hills.

5.4.13.3 Evasion of royalty by cement companies

During the audit, it was observed that six cement companies under DFO, JH Territorial Div. received 2.16 lakh MT of limestone between April 2013 and March 2015 and accordingly paid the due royalty to the DFO. Cross check with the records of the Divisional Mining Officer, JH Div., revealed that during the same period, the cement companies disclosed 7.98 lakh MT of limestone received from non-mining lease areas on which they paid cess only. Due to absence of co-ordination between the two departments, the cement companies concealed 5.82 lakh MT of limestone resulting in evasion of royalty of ` 4.04 crore (*Annexure VII*).

In absence of a mechanism for periodic exchange of information between the two departments, the transporters/companies continued to evade royalty on limestone by disclosing different information about the place of extraction (leased or non-leased area). It is difficult to ascertain the Department responsible for the loss and demand accountability in such a scenario. Government needs to address this issue of dual control over collection of royalty on limestone.

The Department stated (December 2017) that duality of control on limestone is inevitable as limestone is both a major as well as a minor mineral depending on its end use. The reply is not acceptable as limestone is a notified mineral under Section 3(ea) of the Mines and Minerals (Development and Regulation) Act, 1957 and not a minor mineral as defined under Section 3(e) of the Act *ibid*.

5.4.14 Delay in communicating information about revision of fees/royalty

Forest Department collects royalty on Minor minerals and Forest produce and levies fee on exports of these goods. GoM fixes and revises these rates based on the recommendations of the Department. After notification, this information is required to be communicated to respective field offices, departmental check-gates for effective enforcement and to other government departments which utilize these produces and

²⁹ 17.22 lakh MT x ` 20 per MT = ` 3.44 crore.

³⁰ 66303.75 MT x ` 63 per MT = ` 41.77 lakh.

are mandated to collect royalty from the contractors and remit it with Forest Department.

5.4.14.1 *Short/non-levy of Export Fees*

Forest Department revised fee on export of minor minerals and forest produce on 11 October 2013 as shown in *Table 5.8*.

Table 5.8 Rate of Export Fee on Forest produces

(Amount in `)

Type of forest produce	Fee per truck	
	Old Rate	Revised Rate
Bamboo and minor minerals	300	1000
Firewood/Sawn timber/Timber	200	5000

(Source: Compiled from Departmental records)

Scrutiny of monthly revenue statements furnished by Byrnihat Range and Southern Range under DFO, KH Territorial Div. revealed that they continued to levy fee at old rates till December 2013. Meanwhile atleast 11572 trucks carrying minor minerals, bamboo and timber exited from the State (November – December 2013) on which export fee amounting to ` 1.80 crore was collected against payable of ` 2.03 crore resulting in short-realisation³¹ of ` 23 lakh. (*Annexure VIII*)

5.4.14.2 *Short/non-levy of royalty from user-agencies*

In Meghalaya, all user departments³² utilising minerals for execution of works contracts are responsible for deduction of royalty from the contractors' bills and depositing the same to the concerned forest divisions. Forest Department revised the rates of royalty on forest produce on 19 June 2014 as shown in *Table 5.9*.

Table 5.9 Rate of Royalty on Minor minerals

(Amount in `)

Minor Mineral	Royalty (per cu. m.)	
	Old Rate	Revised Rate
Stone	80	240
Sand	30	90
Earth and Clay	32	100
Blindage	30	90
Granular Matter	80	240

(Source: Compiled from Departmental records)

³¹ Date-wise break-up of number of Trucks for the month of October 2013 was not available. Short realization would be ` 77.81 lakh if Oct 2013 is also taken into account.

³² Department which undertake works on behalf of the Government e.g. Works Department

Audit examination of records under all three territorial divisions pertaining to payment of royalty by the user agencies revealed that 4.83 lakh cu. m. of sand, 12.60 lakh cu. m. of stone, 53 thousand cu. m. of earth, 11 thousand cu. m. of blindage³³ and 68 thousand cu. m. of granular matter³⁴ were extracted. They were utilised for various works by the contractors of 46 different departments/divisions between July 2013 and March 2017. Royalty amounting to ` 36.87 crore was realisable. However, the departments collected ` 9.68 crore as royalty from the contractors' bills and remitted the same with the DFOs. The DFOs did not take up the matter with the user agencies. This resulted in short realisation of royalty of ` 27.18 crore from contractors (*Annexure IX*).

Similar observations about loss of revenue on account of revision of rates have featured in previous audit reports³⁵. The rate of royalty on limestone was revised from ` 45 per MT to ` 63 per MT with effect from 28 September 2010. However, the field offices³⁶ continued to levy the royalty at old rates, resulting in loss of revenue of ` 1.15 crore. The Department needs to look into the issue and establish swift medium of communication regarding important instructions so that there is no delay in complying with the latest instructions.

The Department while accepting (December 2017) the audit observation stated that any future revision of rate would be made effective after a certain period of time for proper dissemination of information to the Divisions/ Ranges.

5.4.15 *No provision of timely revision of royalty/fee*

Forest Department charges royalty on Minor minerals and Forest produce extracted from forest areas and levies fee on exports of these goods out of the State. On the recommendation of the Department, GoM fixes and revises these rates based on the Department's proposal. Revision is done on account of prevailing market rates and to incentivise/dis-incentivise the extraction of some particular produce.

The issue for not revising the rate of royalty and export fee since November 1998 and October 1999 was raised in previous Audit Report³⁷. Subsequently, Government directed the Department (October 2011 and December 2011) to submit a proposal for revision of rate of royalty and export fee. Government revised these rates in June 2014 and October 2013 respectively. In this respect Audit observed:

➤ *Delay in revision of rate of royalty on minor mineral*

³³ Sand when used for road construction is called blindage.

³⁴ Granular matter is crushed stone.

³⁵ CAG Audit Report for the State of Meghalaya for the year 2011-12 and 2013-14

³⁶ RFO, Southern Range under the DFO, KH Territorial Div. and DFO JH Territorial Div.

³⁷ CAG Audit Report for the State of Meghalaya for the year ending 31 March 2011

The Department submitted the proposal for revision of royalty in April 2013 in compliance with Government's directive of October 2011. These revised rates were subsequently approved and notified by the Government in June 2014.

The Department delayed submitting the proposal for revision of royalty rates by 15 months. Further, during the period³⁸ from April 2012 to March 2013, all three territorial divisions realised ` 3.01 crore as royalty on extraction of 52.15 lakh cu. m. of minor minerals. Delay on part of the Department in sending the revised proposal to the Government, accounts for non-realisation of additional revenue of ` 6.07 crore. (*Annexure X*)

➤ *Delay in revision of export fees on forest produce*

The Department submitted the proposal for revision of export fee on forest produce in October 2013 after 20 months of Government's directive of December 2011. These revised rates were subsequently approved and notified by the Government in October 2013.

During the period³⁹ from April 2012 to September 2013, all three territorial divisions realised export fee amounting to ` 61 lakh on 20554 out-of-State bound trucks laden with forest produce. Delay on the part of the Department in taking prompt action on the Government's directive resulted in non-realisation of additional revenue of ` 69 lakh (*Annexure XI*).

Audit observed that there is no system of periodic revision of rates of royalty/fee in Meghalaya unlike other States e.g. Assam. There has been substantial delay in Department's response in submitting the proposal for revised rates after Government's direction. This deprived the Government of additional revenue which could have been collected on account of timely revision of these rates.

The Department while accepting (December 2017) the audit observation stated that the audit recommendation for timely revision of rates would be examined.

5.4.16 Status of Arrear revenue

As on March 2017, Forest Department had ` 47.30 crore as outstanding revenue to be collected. The details of arrears are shown in *Table 5.10*.

Table 5.10 Details of Outstanding Revenue Collection

(Amount in cr)

Name of the entity	Arrear receivable
Forest Development Corporation	0.91

³⁸ Month-wise details could not be made available to audit during the PA. Hence the period from November 2011 to March 2012 is not taken into account.

³⁹ Month-wise details for the year 2011-12 could not be made available to audit during the PA. Hence the period from December 2011 to March 2012 is not taken into account.

of Meghalaya Ltd. (FDCML)	
Cement companies	44.84
Total	45.75

(Source: Compiled from Departmental records)

5.4.16.1 Arrear Revenue and action taken thereon

It is evident from the *Table 5.12* that 98 per cent of arrears were on account of non-payment of royalty by the cement companies. The DFO, JH Div. issued 118 demand notices between November 2011 and February 2017 to ten cement companies for payment of outstanding royalty amounting to ` 66.03 crore on 92.37 lakh MT of limestone consumed between April 2010 and August 2015 (*Annexure XII*). In response to the demand notices, the cement companies paid royalty of ` 21.20 crore. Balance amount of ` 44.84 crore remained unpaid. No further action was taken by the DFO to realise this outstanding amount.

As per the Assam Forest Regulation, 1891 (as adapted by Meghalaya), the Forest Development Corporation of Meghalaya Limited (FDCML) is allowed to lift timber from the Department after payment of royalty in advance. As on March 2017, the FDCML was yet to clear the outstanding amount of ` 0.91 crore towards payment of royalty on timber. The arrears accrued because the FDCML was allowed to lift timber without payment of royalty in contravention of Rule 2 of the Transit Rules framed under sections 40 and 41 of the Act.

5.4.16.2 Position of Bakijai Cases

Under Section 75 of the Assam Forest Regulation, 1891 (adopted by Meghalaya) all money due to Government if not paid when due, is to be recovered as if it were arrears of land revenue. In such cases where revenue could not be realised through departmental procedures, these should be forwarded to the *Bakijai* Officers⁴⁰ for recovery.

The Department had forwarded 112 arrear cases with revenue implication of ` 1.55 crore pertaining to forest receipts to the *Bakijai* officers between June 1966 and June 2006. The Department did not forward any additional case to the *Bakijai* officer for recovery after June 2006.

The *Bakijai* officers did not intimate recovery of arrear revenue to the Department in any of the cases. The Department failed to monitor or further pursue the matter once the case was referred to *Bakijai* officers. Despite failing to realise Government revenue, the reason for not referring these cases to the *Bakijai* officers was not available. Consequently, government revenue remained unrealised to that extent.

Infrastructure

⁴⁰ The Deputy Commissioner for the district is the *Bakijai* officer in Meghalaya.

5.4.17 Facilities for Plant Propagation

Silviculture Division is engaged with maintaining and improving growth, composition, health, and quality of forests and protection of endemic and threatened plant species in Meghalaya. The activities *inter alia* include *ex-situ* cultivation and *in-situ* conservation through herbal garden, nurseries *etc.* and afforestation efforts in abandoned areas. For this purpose, the Department has set up nurseries, tissue culture laboratory, seed bank *etc.*

5.4.17.1 Tissue Culture Laboratory

A tissue culture laboratory was constructed at Upper Shillong at a cost of ` 1.89 crore and was made operational in July 2013. The objective of this lab is to employ tissue culture technology⁴¹ to produce high quality planting material of commercially important species, medicinal plants, bamboo and orchids and to conserve endangered and endemic plants by restocking wild population with tissue culture grown seedlings for large scale propagation.

As per the records, thirty species⁴² of endangered and rare plants, were being tested and cultured and stocked in the tissue culture lab. Audit observed that the infrastructure of the lab was not adequate for large scale production of cultured seedlings and due to limited cultured planting materials, only pitcher plant was being cultured. The bacteriological chamber remained unutilized due to lack of technician/professional for carrying out the tests.



Fig 5.11 Bacteriological lab lying idle



Fig 5.12 Inadequate space for production of planting material in culture room

Without prioritizing to make efforts for the first lab to run at its full capacity, the Department spent an additional ` 1.50 crore towards construction of two more tissue culture labs at Sohra and Tura. These labs were completed in March 2015. However, requisite lab equipment and technical manpower for running the labs had not yet been provided till date of audit, thus rendering the lab inoperational.

5.4.17.2 Seed Testing Centre

With a view to make quality seeds available for plantations, Forest Department constructed a seed testing centre at Umkhuti in 1993. The main

⁴¹ Plant tissue culture technology relies on the fact that many plants can be grown from a small part of the whole plant. The main advantage of this technique is the production of disease-free plants.

⁴² *Nepenthes Khasiana*, *Nymphea Tetragona*, Orchids *etc.*



Fig 5.13 Seed-testing equipment lying idle

objective of the Centre was to collect seeds of superior trees/stands, process, grade, store and supply to Forest Department and other government departments, non-governmental agencies, farmers and others interested in seed of forest tree species for propagation.

The centre is required to have infrastructure for processing, grading, optimal storage and periodic testing of seeds. Audit observed that the equipment⁴³ for the laboratory were lying idle. Due to poor choice of location⁴⁴ and lack of maintenance funds, it remains non-functional even after 24 years of construction. The building is being utilized as Training Centre since January 2016.

5.4.17.3 Nursery

During the period from 2012-13 to 2016-17, the Division incurred ` 72 lakh on raising of seedlings of rare and endangered species and medicinal plants in the four nurseries and plantations at Lumsohpetbneng. Audit observed that the facility lacked proper maintenance of the plants raised. The Mist Chamber⁴⁵ was being operated manually.

The plantation journals for the nurseries and stock registers of seedlings were also not maintained. In absence of these, the survival of the seedlings raised and actual achievement of the plantations carried out could not be assessed. The DFO stated (August 2017) that the site at Lumsohpetbneng was rocky and pine covered and this adversely affected the survival of the plantations. Failure of the DFO to take this into account for site selection resulted in unfruitful expenditure of ` 6 lakh on plantations.



Fig 5.14 Non-functional Mist Chamber at Umkhuti Nursery

In short, after an expenditure of ` 3.39 crore⁴⁶, the Department had one partly functional tissue culture lab, two in-operational tissue culture labs and one in-operational seed testing centre. This was, all due to the Department's inability to get technicians for running the labs. Without addressing this issue of unavailability of professional persons in a systemic manner. It would cast serious doubts on the feasibility of any future project which requires outside technical expertise. The Department should dedicate sincere efforts to address this matter at planning stage itself.

The Department stated (December 2017) that lack of technical manpower was the main hindrance in making these facilities operational and the Department was taking active steps to solve this issue.

⁴³ Seed drier, Germination cabinet, Seed grading machines

⁴⁴ It does not have water connection from PHE or perennial/ natural source of water.

⁴⁵ Relative humidity is maintained artificially at high level in Mist Chamber through automated control systems. This method results in higher success rate in propagation of hard wood cuttings.

⁴⁶ Expenditure incurred in construction of Seed testing lab was not available.

5.4.18 Construction of State Zoo at Umtrew

Twelfth Finance Commission recommended (2005) a grant of ` 30 crore for construction of a Zoological Park at Umtrew in Ri-bhoi district and accordingly released ` 12 crore (March 2007) to the Department. The objectives for construction of the zoo was *inter alia* to provide conservation, breeding for endangered wild species and provide shelter to wild animals rescued from forests.

After more than 10 years since the release of grant, work on the state zoo had not progressed. The reasons for the delay in construction of state zoo as observed by Audit are as under:

- The master plan for the zoo was to be prepared in June 2008. The Department submitted the plan to the Central Zoo Authority (CZA) in September 2014 and it got approved in December 2014.
- Instead of spending the amount released by the GoI on construction of the zoo, the Department diverted ` 8.36 crore in September 2008 to Forest Development Corporation of Meghalaya, which invested these funds in fixed deposits and earned interest on it. FDCML refunded the amount to the Department over a period of next five years. In absence of approved plan, the Department was not in a position to utilize these funds. However, the reason for transferring the funds to FDCML which deprived the Department of the interest earned⁴⁷ was not on record.
- Site identified for the project was not owned by the Department. The Department made a proposal (January 2010) for land acquisition from private parties for construction of the approach road as well as creation of wetland for aquatic animals. However, till date of audit (June 2017), the Department was not able to acquire the land. Importantly, the approach road to the zoo could not be acquired and now a new approach road had been proposed which might require modification in the master plan, consequently further delaying the project.
- The master plan prepared by the Department projected an expenditure of ` 92.07 crore over a period of ten years. The Department had not worked out the source of the balance ` 62.07 crore. The Central Zoo Authority (CZA), while approving the master plan, had laid down that the responsibility of mobilizing the funds was with the State Government. The possibility of the zoo remaining a non-starter on account of not having out the balance funds cannot be ruled out.

The Department intimated (December 2017) that acquisition of remaining 4.01 ha land is under process. Also, the modified master plan with new approach road had been approved by the CZA.

⁴⁷ Based on the then prevailing interest rates, the interest earned by FDCML was ` 2.29 crore (after Income Tax deductions).

The fact however remained that the project had been marred due to mishandling of the project by the Department.

5.4.19 *Lack of manpower*

The WL divisions were responsible for checking wildlife illegalities in the entire State. The Department had created five beat offices only in KH Div. No beat offices were established in GH and JH Divisions, which had the highest density of RF. In case of the beat offices in KH, it was observed that the beat office at Riangdo under Nongstoin Range, an area prone to elephant crossings, was being manned by one muster roll staff.

Availability of manpower (including muster roll) in the ranges to check wildlife illegalities ranged from one person for every 67 sq. km. (Garo Hills) to one person for every 159 sq. km (Jaintia Hills) (*Annexure XIII*). DFOs have time and again cited their inability in effectively performing their duties due to shortage of manpower available with them. DFO, JH WL Div. communicated to APPCF (June 2015) that the staff strength of the Division remained the same even after creation of Narpuh WL sanctuary. DFO, KH WL Div. wrote that staff posted in ranges was being utilized for other activities such as supervision of departmentally managed construction works, *etc.*, in addition to patrolling duties for checking wildlife illegalities. The inadequacy of manpower was reflected in the poor reporting of offence cases across all divisions and loss of revenue due to smuggling of forest produce.

The tissue culture labs and GIS lab lacked qualified technical staff for managing them. There was no full-time veterinarian in the animal rescue centre.

The Department while accepting (December 2017) the facts stated that review of the existing organisational setup was under process. Proposal for creation of additional posts of frontline staff had been submitted to GoM.

5.4.20 *Communication devices*

To monitor and protect the forest areas from forest offences, constant communication between the ranges, beats and patrol parties linked with the Divisional Headquarters is essential.

- The Department procured Very High Frequency (VHF) wireless and High Frequency (HF) wireless sets and other communication devices at a cost of ₹ 49.43 lakh between November 2012 and January 2017. However, the repeater stations and base stations which were required to provide signal/frequencies for communication were not created and license for use of these equipment were also not obtained. As a result, the wireless devices procured by the Department remained unutilized and consequently, due to non-use, some of the HF wireless sets and equipment had become non-functional.

- The access road to the repeater stations was tough, rendering it difficult to restore the stations in case of breakdown. The site selection for the stations was poor as there was no signal transmission from the station to Territorial/Wildlife Divisions. Audit also observed that no forest official had been deployed to look after the repeater stations.

5.4.21 Arms & ammunition

Arms & ammunition were procured by the Forest Department in order to equip the forest officials for checking forest offences and act as a deterrent to the miscreants.

- Most of the guns were lying idle since guns could not be handed over to casual employees (around 135) who mainly perform patrolling duties. Only basic training for arms was given to the foresters.
- In JH WL Div., no ammunitions were provided and hence the arms could not be issued to the ranges. The same was neither requisitioned for by the division nor procured and issued to the division by the PCCF.
- Only in KH WL Div., arms and ammunition were issued to the ranges.

Thus, the ranges in these divisions were ill-equipped to check forest offences during exigencies.

Internal Control System

Internal controls are safeguards that are put in place by the management to obtain assurance that its operations are proceeding as planned. Forest Department was entrusted with twin responsibilities of conservation of forest resources and maximization of Government revenue. Hence, it was imperative that the Department had robust internal controls in place.

Audit carried out an assessment of the internal controls of the Forest Department during the course of PA. The findings have been reported in the ensuing paragraphs.

5.4.22 Monitoring and supervision at apex level

The Department did not have an efficient monitoring and control mechanism by ways of which the activities of the field offices can be examined. The role of the management was merely limited to aggregating working plans received from field offices, disbursal of grants to them against sanctioned schemes and collecting utilisation certificates of such grants. Management did not assess the performance of field offices against the targets set.

5.4.22.1 Management Information System (MIS)

A comprehensive MIS provides for easy accessibility to key information from the field offices at regular interval which serves as input for effective planning and monitoring the performance of the Department. It was a means by which an organization's resources are directed, monitored and measured.

Audit observed that the Department did not have a system in place for obtaining periodic information from the field offices. This practice went down to the level of DFOs. For every information, directorate would write to DFOs and DFOs to ROs and so on. Consequently, the field offices themselves did not maintain records for vital information. The Department lagged proactive approach in planning and there were inordinate delays in aggregating information when required.

➤ ***Key information not available***

It was observed that the following information were not available with the Department and could not be furnished to audit.

- Progress of offence cases in civil courts.
- Quantity of timber removed from ADC controlled forests.
- Number of illegal/legal sawmills operating in Khasi Hills Division.
- Source of timber for illegal sawmills and details of timber being sold in retail outlets in the State
- Details of encroachment prior to October 1980.
- Royalty and cess collected by Mining Department from non-mining/areas and details of limestone being transported outside the State through mining checkgates.
- Habitat demarcation of endangered species in the State.

In the absence of such information, the Department could not effectively tackle the menace of illegal felling and removal of timber or protect its revenue interests as could be seen in the previous paragraphs.

➤ ***Submission of incorrect information by field offices***

In response to an audit query, the DFOs, Jaintia and Garo Hills territorial divisions furnished data on encroachment from October 1980 to March 2012, wherein the encroachment in Reserved Forests was shown as 348.07 ha. Audit, however, observed from the encroachment records, that the total encroachment in the two divisions during the same period was 8597.15 ha. The two divisions thus provided incorrect information as the same was not available in the divisions.

Submission of incorrect information by field offices casts aspersion on the quality of data maintained by the field offices and submitted to the GoM and Central Agencies.

➤ ***Action taken on media reports***

During the period from 2012-13 to 2016-17, atleast 15 incidents⁴⁸ on various illegalities were reported in media. Audit observed that the Department did not have a procedure in place to verify the contents of these reported cases. No status report on

⁴⁸ Illegal Mining (6), Illegal felling (6), Poaching (1), Forest Fire (1), *Jhumming* (1)

action taken was available on record. In absence of such mechanism, the higher authorities were not in position to monitor the performance of field offices. Also, Audit could not verify the action taken by the field offices.

5.4.22.2 *Supervision by senior officers*

The Department did not have any system of periodic visits by senior officers to the field offices. During the audit period, details of field inspection carried out by the CFs or the PCCF were not made available to audit. Consequently, the management was not in a position to verify the ground status of the implementation of various schemes.

Monitoring of court cases was not done after filing the cases and status of arrear revenue collection, records of field patrolling by beat officers *etc.* were not collected. No action was taken to improve departmental performance in these aspects.

There were no targets for the DFOs and no means to appraise their performance *vis-à-vis* the targets set. In cases of affected forests due to encroachment and operation of illegal saw mills in Jaintia Hills and Garo Hills, the management did not monitor the progress made by the DFOs to clear encroachment or close down saw mills.

5.4.23 *Lack of control over field offices*

Audit observed that the Forest Department exercised little control over the functioning of field offices. Field offices (DFOs) also failed to monitor the functioning of the ranges, the beat offices and the checkgates. Inconsistencies noticed in the functioning of the Forest Department due to weak management controls over the field offices are discussed below.

➤ *Under-reporting of transported limestone by checkgates*

The Forest Department had set up check post at all major exit points of the State in order to prevent unauthorised transport of forest minerals without payment of royalty. However, there is no system in place in the Department to obtain monthly/periodic reports of transport of forest produce through the checkgates and to cross-check it with the records of other departments.

Audit observed that between April 2012 and March 2017, four⁴⁹ forest checkgates recorded transport of 18.73 lakh MT of limestone. Audit cross-verified the data with that of Mining Department's and Customs Department's checkgates, situated in the same locations as the forest checkgates. It revealed that during the same period, 163.22 lakh MT⁵⁰ of limestone was transported through the checkgates.

In the absence of suitable control and monitoring mechanism, the four forest checkgates under-reported transportation of 142.29 lakh MT of limestone which resulted in loss of revenue to the tune of ` 99.49 crore⁵¹.

⁴⁹ Umkiang, Dawki, Shella Bazar and Bholaganj.

⁵⁰ Mining checkgate record in case of Umkiang (2.01 lakh MT) and Customs checkgate in case of Dawki, Bholaganj and Shella Bazar (161.21 lakh MT).

⁵¹ 84.37 lakh MT x ` 63 per MT (old rate) plus 57.92 lakh MT x ` 80 per MT (new rate).

The Department needs to obtain information periodically from other departmental checkgates to keep the instances of under-reporting in check. Additionally, the Government may also consider setting up of integrated checkgates for taxation, forest, mining, transport departments *etc.*

The Department while accepting the audit observation (December 2017) stated that the issue of under-reporting was being pursued.

➤ ***Timber lots missing from department's stock***

The timber before being handed over to the FDCML, was kept in the custody of the concerned ROs under the divisions. Audit observed that the FDCML reported to the DFO, GH Territorial Div. (September 2014 and June 2015) that 36 lots of timber measuring 105.59 cu. m. valued at ` 5 lakh which had been allotted to the FDCML in 2014 were missing from the Southern Range. However, the DFO did not take any action against the officials concerned for dereliction of duty. The fact that the DFO was unaware of the quantity in stock indicated poor monitoring in the Department.

5.4.24 Conclusion

Audit observed a number of deficiencies in the way the Department had been functioning. Audit observed encroachment in the protected forests, illegal felling of timber and illegal extraction of minerals were widespread. The effects of indiscriminate exploitation of forest resources were being felt by locals and it compelled the courts to intervene and direct extreme measures *e.g.* ban on coal mining, extraction of sand from river beds, and felling of timber *etc.*

There were large number of incidents of human-animal conflict, death of elephants due to electrocution and the Department was unable to secure Elephant habitat and corridors. The Department had failed to discharge some of its core functions related to protection and conservation of forests and wildlife. Manpower available with the divisions was inadequate to detect and control illegal activities. Facilities like Tissue culture labs, Seed testing lab were barely operational. The Department has not been able to make progress in construction of State Zoo after ten years of releasing of funds.

The Department suffered revenue loss of ` 115.68 crore due to absence of suitable arrangement for speedy disposal of timber, duality of royalty collection on limestone and delay in communication of revised royalty rates. There was little monitoring over the activities of field offices and no co-ordination with other departments for sharing of information, which resulted in massive under-reporting of overloading by checkgates.

5.4.25 Recommendations

- Forest Department should actively interact with Police and Civil administration for exchange of information and coordination to limit incidents of illegal mining, illegal felling of timber and encroachment.
- The Department might speed-up the process of acquiring land in elephant corridors and restrict the construction works to mitigate man-animal conflicts. The Department should ensure that Meghalaya Electricity Corporation incorporated suitable design modifications in the electric poles in such corridors.
- The Department should ensure that adequate staff is deployed for field patrolling to check wildlife irregularities. Additionally, it may account for availability of technical personnel while assessing the feasibility of those projects for which outside technical expertise would be required for daily operations.
- The Department may establish a mechanism to obtain information periodically from other departments so that it may act as an effective control to minimize instances of under-reporting by checkgates. Additionally, the Government may consider setting up of integrated checkgates for taxation, forest, mining, transport departments *etc.*

CHAPTER – VI
MINING & GEOLOGY
DEPARTMENT



CHAPTER-VI: MINING & GEOLOGY DEPARTMENT

6.1 Tax Administration

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

6.2 Internal audit

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

6.3 Results of Audit

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

Table 6.1

(` in crore)

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

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

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

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

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

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

Section 9 (2) of the Mines and Minerals (Development and Regulation) (MMDR) Act, 1957 lays down that every licensee or permit holder or lessee shall pay the prescribed royalty in respect of minerals removed or consumed by him. In Meghalaya, royalty on coal was ` 675 per MT¹. Further, penalty at 25 per cent of the royalty amount was additionally leviable for non-payment of royalty.

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

6.4.2 In DMO, Williamnagar it was observed that 0.82 lakh MT of coal was exported to Bangladesh through three Mining check gates² between April 2014 and May 2015. No coal export was recorded thereafter till March 2016. Cross-check of records of three LCS check gates at the same locations revealed that during the period from April 2014 to March 2016, 2.61 lakh MT of coal was exported to Bangladesh.

Audit observed that there was no system in place in the Mining Department to cross verify and reconcile the figures/data of the Mining check gates with the records of the LCSs. It, thereby led to under reporting of export of 5.50 lakh MT³ of coal to Bangladesh by the Mining check gates. This resulted in short realisation of royalty amounting to ` 37.13 crore⁴; on which, penalty of ` 9.28 crore⁵ was additionally leviable from exporters.

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

¹ vide a notification dated 22 June 2012.

² Gasuapara, Dalu and Baghmara checkgates.

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

⁴ 5.50 lakh MT x ` 675 = ` 37.13 crore.

⁵ 25 per cent of ` 37.13 crore = ` 9.28 crore.

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

6.5 Outstanding royalty on assessed coal not realised

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

[DMO, Jowai; March 2017]

In Meghalaya, coal mining was banned by the National Green Tribunal (NGT) from April 2014⁶. The NGT, *inter alia*, constituted a committee to assess the actual quantity of coal extracted by the mine owners before the ban came into effect and also frame guidelines for transportation of the assessed coal. The committee accordingly framed the guidelines in September 2014 for transportation of the extracted coal. Thereafter, the Mining Department, GoM directed in November 2014 that payment of royalty on the declared/assessed coal should be made by the mine owners within 45 days from the date of issue of permits by the DMR.

It was observed during audit (March 2017) that there were 3394 mine owners in East and West Jaintia Hills districts under the jurisdiction of the DMO. The committee assessed coal at 40.38 lakh MT in respect of 2053 of the mine owners⁷. Thus, the royalty amounting to ` 272.57 crore⁸ was realisable on this assessed quantity. Against which, the DMO realised royalty amounting to ` 220.79 crore⁹ on 32.71 lakh MT, thereby resulting in non-realisation of royalty of ` 51.78 crore on 7.67 lakh MT of coal.

The information pertaining to assessed coal in respect of mine owners and details of royalty paid by the mine owners against such assessed coal was available in the case records. The DMO, however, did not take any action either to direct the mine owners to deposit the balance royalty or take action against the mine owners for non-payment of royalty on the balance quantity of coal. Thus, inaction of the DMO in realising the outstanding royalty from the mine owners led to non-realisation of royalty amounting to ` 51.78 crore on which penalty of ` 12.95 crore¹⁰ was also leviable.

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

⁷ Upto March 2017.

⁸ 40.38 lakh MT X ` 675 per MT = ` 272.57 crore.

⁹ 32.71 lakh MT X ` 675 per MT = ` 220.79 crore.

¹⁰ ` 272.57 crore - ` 220.79 crore = ` 51.78 crore.

Penalty at 25 per cent of royalty = ` 12.95 crore.

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

6.6 Evasion of cess on limestone

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

[DMO, Jowai; March 2017]

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

Audit examined the monthly reports submitted to the DMO pertaining to receipts and utilisation of limestone by cement companies. It revealed that between April 2015 and March 2016, two cement companies¹¹ failed to submit information pertaining to the quantity of limestone utilised and did not pay any cess thereon. Further another cement company¹² disclosed utilisation of 13809.93 MT of limestone during the period. Audit cross-checked this with the records of the Divisional Forest Officer, Jaintia Hills Territorial Division, Jowai. It revealed that during the same period, these cement companies actually utilised 4.94 lakh MT of limestone. Thus, due to absence of a proper system of periodic exchange of information between Mining and Forest Departments, the cement companies concealed information pertaining to utilisation of 4.80 lakh MT of limestone. It resulted in evasion of cess of ` 1.92 crore (*Annexure-XIV*).

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

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

6.7 Short payment of cess on limestone

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

[DMO, Jowai; March 2017]

Section 3 of the Meghalaya Mineral Cess Act, 1988 provides for levy of cess on limestone from any person who extracts or removes the minerals from any mine or

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

¹² M/s Hill Cements Ltd.

quarry in the State. The rate of cess on limestone was revised from ` 20 per MT to ` 40 per MT from 7 April 2015 and further revised to ` 60 per MT from 21 March 2016.

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

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

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

Shillong
The

(STEPHEN HONGRAY)
Principal Accountant General (Audit)
Meghalaya

Countersigned

New Delhi
The

(RAJIV MEHRISHI)
Comptroller & Auditor General of India

ANNEXURES

ANNEXURE - I <i>(Ref: Para 2.18)</i> Interest not levied on late payment of tax							
Taxation Circle	Name of the Dealer	Period	Tax Payable (₹)	Tax paid within due date (₹)	Tax paid after due date (₹)	Period of delay (in days)	Interest payable (₹)
Superintendent of Taxes, Circle - III, Shillong	M/s R.P. Motors	January 2014 to June 2015	23273887	236515	23037372	01 day to 338 days	2672678
	M/s Lambok Enterprise	January 2014 to March 2016	29041324	12564579	16476745	01 days to 123 days	534885
	M/s Stanley Roy Construction	January 2013 to March 2016	363256467	267116952	96139515	07 day to 521 days	8088254
	M/s Dristi Enterprise	April 2012 to September 2015	8575946	1747134	6828812	02 days to 349 days	424249
Superintendent of Taxes, Circle - I, Tura	M/s Gloria Bonded Warehouse	January to March 2016	2546674	0	2546674	59 days to 74 days	103840
TOTAL			470171205	325142087	145029118		11823907

ANNEXURE -II
(Ref. Para 2.19)

Non-imposition of penalty for misuse of declaration forms

Taxation Circle	Name of the Dealer	Period	Nos. of 'C' forms utilized	Purchase Value (₹)	Tax Payable @13.5% (₹)	Tax Paid @2% (₹)	Tax amount short levied (₹)	Penalty (₹)
Superintendent of Taxes, Circle - I, Shillong	M/s Gopika Paul Ranjan & Sons	November 2013 to August 2016	25	1417000	191295	28340	162955	244433
Superintendent of Taxes, Circle - IV, Shillong	M/s Galleria Anjalee	July 2014 to September 2015	10	4512729	609218	90255	518964	778446
Superintendent of Taxes, Nongpoh	M/s Excel Foods	June 2012 to June 2015	6	3693000	498555	73860	424695	637043
Superintendent of Taxes, Khliehriat	M/s S. S. Enterprise	April 2012 to June 2015	3	14608116	1972096	292162	1679933	2519900
TOTAL			9	24230845	3271164	484617	2786547	4179822

ANNEXURE-III**(Ref: para 3.4)****Non-renewal of licences by the licencees**

Name of Commissioner/SE	Category	Sl. No.	Name of Licencee	Period not renewed	Amount of Licence fee payable (₹)
Assistant Commissioner of Excise, Shillong	IMFL Licencees	1	Smti Phidamon Lamare	2016-17	60000
		2	Shri K.M. Warjri	2016-17	60000
		3	Smti Juliana Khongwir	2016-17	60000
		4	Shri Aloka Das	2016-17	60000
		5	Shri Dayobha Pyrbot	2016-17	60000
		6	Smti Janet Dkhar	2016-17	60000
		7	Smti Arlynda Warjri	2016-17	60000
		8	Shri Darius Shangpliang	2016-17	60000
		9	Smti B. Biam	2016-17	60000
		10	Shri Klikstar Shangpliang	2016-17	60000
		11	Shri L.J. Blah	2016-17	60000
		12	Shri Jaspal Singh	2016-17	60000
		13	Smti Kerbhalin Kurbah	2016-17	60000
		14	Smti Martinette Shallam	2016-17	60000
		15	Shri Control Marbaniang	2016-17	60000
		16	Shri F.P. Marbaniang	2016-17	60000
		17	Shri Ember Laloo	2016-17	60000
		18	Shri Baiengskhem Diengdoh	2016-17	60000
		19	Smti B.C. Syiem	2016-17	60000
		20	Shri Rajesh D. Sangma	2016-17	60000
		21	Shri Anthony Momin	2016-17	60000
		22	Smti Lung Pathaw	2016-17	60000
		23	Smti M. Wahlang	2016-17	60000
		24	Smti J.R. Lyngwa	2016-17	60000
		25	Smti Juliana Syiemiong	2016-17	60000
		26	Shri J.R. Kurbah	2016-17	60000
		27	Shri Ripil Rymbai	2016-17	60000
		28	Shri Tidor Kharmawlong	2016-17	60000
		29	Smti Dolly Khonglah	2016-17	60000
		30	Shri Gandhi Sumer	2016-17	60000
		31	Shri Kamino Tyngkan	2016-17	60000
		32	Smti Priya K. Warbah	2016-17	60000
		33	Smti Evelyne Wahlang	2016-17	60000
		34	Shri S.K. Choudhury	2016-17	60000
		35	Smti Newyearly Thangkhiew	2016-17	60000
		36	Smti Amy June Shangpliang	2016-17	60000
		37	Smti Happy Janong	2016-17	60000
		38	Shri Richard Ranee	2016-17	60000
		39	Shri Vikash Sun	2016-17	60000

Name of Commissioner/SE	Category	Sl. No.	Name of Licencee	Period not renewed	Amount of Licence fee payable (₹)
		40	Shri Stephan Sumer	2016-17	60000
		41	Shri Pynsuklang M. Hynniewta	2016-17	60000
		42	Shri D.M. Singhanian	2016-17	60000
		43	Smti Jharna Jyrwa	2016-17	60000
		44	D.K. Choudhury	2016-17	60000
		45	Smti Sushmita Banerjee	2016-17	60000
		46	Shri J.S. Kharshiing	2016-17	60000
		47	Shri Shankarlal Singhanian	2016-17	60000
		48	Smti Yona Khylllep	2016-17	60000
		49	Smti G.M. Blah	2016-17	60000
		50	Smti R. Marboh	2016-17	60000
		51	Smti N.R. Lyngdoh	2016-17	60000
		52	Smti Devilin Shylla	2016-17	60000
		53	Smti Khamtilin Massar	2016-17	60000
		54	Smti Anu Pariat	2016-17	60000
55	Shri Apkyrmen Lyngdoh	2016-17	60000		
Superintendent of Excise, Nongpoh	IMFL Licencees	56	I.Sohshang	2016-17	60000
		57	Tracy Massar	2016-17	60000
		58	FRM Tariang	2016-17	60000
		59	B.Nongrum	2016-17	60000
		60	Erica Dkhar	2016-17	60000
		61	R.Nomgrum	2016-17	60000
		62	J.Gordon Dorphang	2016-17	60000
		63	J.E. Lyngdoh Pyngrope	2016-17	60000
		64	John D.Sangma	2016-17	60000
		65	Nandita Sangma	2016-17	60000
		66	P.P.Wahlang	2016-17	60000
		67	George H.G.Lyngdoh	2016-17	60000
		68	Sukdashisha Syiemlieh	2016-17	60000
		69	J.A.Kharpran	2016-17	60000
		70	Shemjila D. Shira	2016-17	60000
		71	Matilda Shadap	2016-17	60000
72	Doris Lyngdoh	2016-17	60000		
73	Esnolin Marboh	2016-17	60000		
74	Casty Mary Lyngdoh	2016-17	60000		
75	Chamili Lyndem	2016-17	60000		
76	Sherin Lyndem	2016-17	60000		
77	K.Nath	2016-17	60000		
78	Gudhuli Sohpdang	2016-17	60000		
79	K.Khongwar	2016-17	60000		
80	Nita Narleng	2016-17	60000		
81	J.Khongwir	2016-17	60000		

Name of Commissioner/SE	Category	Sl. No.	Name of Licencee	Period not renewed	Amount of Licence fee payable (₹)
		82	Raja Jyrwa	2016-17	60000
		83	Pushpa Majhong	2016-17	60000
		84	Sanjeev Lyngshing	2016-17	60000
		85	Lucy Sawkmie	2016-17	60000
		86	Siki Ronghang	2016-17	60000
		87	Beatrice Mukhim	2016-17	60000
		88	Ronit Lyngdoh	2016-17	60000
		89	D.Ch.Momin	2016-17	60000
		90	Santi Rani Jyrwa	2016-17	60000
		91	Koste Lyngdoh	2016-17	60000
		92	R.Lyngdoh	2016-17	60000
			Bar Licencees	93	John E.Lyngdoh Pyngrope
94	Maphisena Diengdoh			2016-17	45000
95	Mandita Sangma			2015-16 2016-17	45000 60000
Superintendent of Excise, Jowai	IMFL Licencees	96	K. Papang	2016-17	60000
		97	Wulda Suchiang	2016-17	60000
		98	Anora Kharsyntiew	2016-17	60000
		99	Phrialin Siangshai	2016-17	60000
		100	Emmon Dkhar	2016-17	60000
		101	Heinjaitmon Suchiang	2016-17	60000
Superintendent of Excise, Khliehriat	IMFL Licencees	102	Smti. Sukmaya Shadap	2016-17	60000
		103	Smti Lawrencia Padit	2016-17	60000
		104	Shri Kampher Suchiang	2016-17	60000
		105	Shri Clip Dkhar	2016-17	60000
		106	Smti Anastasia Susngi	2016-17	60000
		107	Smti Delis Shatto	2016-17	60000
		108	Smti Hunmon Langstang	2016-17	60000
		109	Shri Showme Suchiang	2016-17	60000
		110	Shri Rikio Shylla	2016-17	60000
		111	Shri Heimonki Saioo	2016-17	60000
		112	Smti Ieidlin Suchiang	2016-17	60000
		113	Smti Kmenbha Kyndiah	2016-17	60000
		114	Smti Rimiko Dhar	2016-17	60000
		115	Smti Nimis Dkhar	2016-17	60000
		116	Shri Johny Rymbai	2016-17	60000
		117	Smti Lucy Bamon	2016-17	60000
118	Shri Jasper Bareh	2016-17	60000		
119	Smti Myplease Siangshai	2016-17	60000		
120	Smti Roy Siangshai	2016-17	60000		
121	Smti Kini Siangshai	2016-17	60000		
122	Shri Indrik Saioo	2016-17	60000		

Name of Commissioner/SE	Category	Sl. No.	Name of Licencee	Period not renewed	Amount of Licence fee payable (₹)
		123	Smti Lily Dkhar	2016-17	60000
		124	Shri Hermon Lamin	2016-17	60000
		125	Shri Khroo Shylla	2016-17	60000
		126	Shri Francis Dkhar	2016-17	60000
		127	Shri Marious Siangshai	2016-17	60000
		128	Shri Wanshwa Nongtdu	2016-17	60000
		129	Shri Shillong Dkhar	2016-17	60000
		130	Shri Bhalang Siangshai	2016-17	60000
		131	Shri Jackey Rymbai	2016-17	60000
		132	Smti T.S.D. Dkhar	2016-17	60000
		133	Shri Ken Langstang	2016-17	60000
		134	Shri Yorest Sympli	2016-17	60000
		135	Smti Salina Talang	2016-17	60000
		136	Smti Wansuk Syiem	2016-17	60000
		137	Smti F.M. Syiem	2016-17	60000
		138	Shri Wangmo Siangshai	2016-17	60000
		139	Smti Brass Talang	2016-17	60000
		140	Smti Nirmali Siangshai	2016-17	60000
		141	Smti Iariphai Siangshai	2016-17	60000
		142	Shri Niwot Sungoh	2016-17	60000
		143	Shri Pithom Siangshai	2016-17	60000
		144	Shri Teimon Chyrmang	2016-17	60000
		145	Shri Shialang Dkhar	2016-17	60000
		146	Smti Hum Shylla	2016-17	60000
		147	Smti Nika Siangshai	2016-17	60000
		148	Shri Billy Nongtdu	2016-17	60000
		149	Shri Lambok Chyrmang	2016-17	60000
		150	Shri Plol Siangshai	2016-17	60000
		151	Shri Martin Shylla	2016-17	60000
		152	Smti Pailut Chyrmang	2016-17	60000
		153	Shri Jongnga Rymbai	2016-17	60000
		154	Shri Helinda Bamon	2016-17	60000
		155	Shri Korius Bamon	2016-17	60000
		156	Shri Jubilis Swer	2016-17	60000
		157	Shri John Bareh	2016-17	60000
		158	Shri Tyrshain Phawa	2016-17	60000
		159	Shri Abraham Kyndait	2016-17	60000
		160	Smti Reportdeibha Siangshai	2016-17	60000
		161	Shri Michael Pala	2016-17	60000
		162	Smti Melis Bang	2016-17	60000
		163	Smti Chasmon Malang	2016-17	60000
		164	Shri Sakhiat Dkhar	2016-17	60000

Name of Commissioner/SE	Category	Sl. No.	Name of Licencee	Period not renewed	Amount of Licence fee payable (₹)
	Bar Licencees	165	Shri Kyrshanbor Swer	2016-17	45000
		166	Shri Balentine Shylla	2016-17	45000
Superintendent of Excise, Nongstoin	IMFL Licencees	167	M/s Pyndeng Wine Store, Nongstoin	2016-17	60000
		168	M/s Kyrsoi Wine Store, Nongstoin	2016-17	60000
		169	M/s Nangkyntiew Wine Store, Nongstoin	2016-17	60000
Superintendent of Excise, Tura	IMFL Licencees	170	Merine R. Marak	2016-17	60000
		171	Gonil Koch	2016-17	60000
		172	Rocky Bashaka	2016-17	60000
		173	Pulak Rabha	2016-17	60000
		174	Rohitha Koch	2016-17	60000
		175	Binod Kr. Rabha	2016-17	60000
		176	Chenang K. Sangma	2016-17	60000
		177	Medina Ch. Marak	2016-17	60000
		178	Sargam A. Sangma	2016-17	60000
		179	Shankar Rabha	2016-17	60000
		180	Suchitra Rabha	2016-17	60000
		181	Dilip Ch. Momin	2016-17	60000
		182	Mirduchanda Deb	2016-17	60000
		183	Kiron M. Sangma	2016-17	60000
		184	Peir Anjali R. Marak	2016-17	60000
		185	Sengbirth K. Sangma	2016-17	60000
		186	Breejesh Ch. Momin	2016-17	60000
		187	Enolish R. Marak	2016-17	60000
		188	Amarsing Newar	2016-17	60000
		189	Jimberth R. Marak	2016-17	60000
190	Kamraj G. Momin	2016-17	60000		
191	Jerosh Ch. Marak	2016-17	60000		
192	Devander Jain	2016-17	60000		
193	Raksil Ch. Momin	2016-17	60000		
194	Benidick R. Marak	2016-17	60000		
195	Grinath M. Marak	2016-17	60000		
196	Doyali Rabha	2016-17	60000		
197	Rajesh M. Sangma	2016-17	60000		
198	Annup Kr.	2016-17	60000		
199	Ambika A. Sangma	2016-17	60000		
200	Merine R. Marak	2016-17	60000		
	Bar Licencee	201	Rikman	2016-17	45000
Superintendent of Excise, Williamnagar	IMFL Licencees	202	Persina Sangma	2016-17	60000
		203	Habillash Marak	2016-17	60000
		204	Benuritha Marak	2016-17	60000

Name of Commissioner/SE	Category	Sl. No.	Name of Licencee	Period not renewed	Amount of Licence fee payable (€)
		205	Bethina Sangma	2016-17	60000
		206	Fridayline Sangma	2016-17	60000
		207	Malitha Marak	2016-17	60000
		208	Dhelia Sangma	2016-17	60000
		209	Easyborn Marak	2016-17	60000
		210	Bobitha Sangma	2016-17	60000
		211	Lahatson Marak	2016-17	60000
		212	Daudstone Marak	2016-17	60000
		213	Biginath Marak	2016-17	60000
		214	Manseng Sangma	2016-17	60000
		215	John Patrick Marak	2016-17	60000
		216	Ritcheng Marak	2016-17	60000
		217	Trumen Marak	2016-17	60000
		218	Limbirth Marak	2016-17	60000
		219	Jointilla Sangma	2015-16	60000
				2016-17	60000
		220	Police Canteen	2016-17	60000
		221	Happy Marak	2016-17	60000
		222	Ludson Marak	2016-17	60000
		223	Leriritha Marar	2016-17	60000
		224	Pildarine Sangma	2016-17	60000
		225	Sunilla Sangma	2016-17	60000
		226	Marco S Mankin	2016-17	60000
		227	Tobinath Sangma	2016-17	60000
		228	Najib Momin	2016-17	60000
		229	Megillish Momin	2016-17	60000
		230	Bablu Sangma	2016-17	60000
		231	Senggaline Sangma	2016-17	60000
		232	Luna Marak	2016-17	60000
		233	Jinson Momin	2016-17	60000
		234	Werinish Momin	2016-17	60000
		235	Threnolish Sangma	2016-17	60000
		236	Lucitha Sangma	2016-17	60000
		237	Martylina Sangma	2016-17	60000
		238	Gretchen N Sangma	2016-17	60000
			TOTAL		14310000

ANNEXURE - IV**(Ref Para 3.5)****Revenue not realised due to failure to register brand names**

Sl. No.	Name of the Company	Name of the Distillery	Brand's name	Size (in ml)	Amount Due (₹)			
1	Tonia Liquor Industries, Goa	M/s Tonia Liquor Industries, raicho Ambo, Raia	James Carter Rare Premium Whisky	750	60000			
				375	60000			
				180	60000			
						White Magic Vodka Double Special Premium	750	35000
							375	35000
							180	35000
						Saudades Young Sparkling Wine	750	35000
2	CMJ Breweries Pvt. Ltd.	CMJ Breweries, Pvt. Ltd., Byrnihat	He-man 9000	650	35000			
			Kaltenberg Royal Strong Beer	500	35000			
3	Pernord Ricard (P) Ltd	Pernord Ricard india (P) Ltd C/o (Sub - Lessee) at Gwalior Alcobrew Pvt. Ltd. Rairu Farm, Gwalior.	Seagram Imperial Blue Superir Grain whiskey	750	60000			
				375	60000			
				180	60000			
		Pernord Ricard India (P) Ltd C/o Veritas Logistic Pvt. Ltd., A-136/1,Okhla Industrial Area-II, New Delhi-110020.	Chivas Regal 12 years Blended Scotch whiskey	750	25000			
				Chivas Regal 18 years Blended Scotch whiskey	750	25000		
					Royal Salute Scotch whiskey	700	25000	
				The Glenlivet Single	750	25000		
				Ballentine's Finest Scotch Whiskey	750	25000		
				Absolut Vodka	750	35000		
				Jacob's creek Chardonay	750	35000		
				Jacob's creek Chiraz Cabernet	750	35000		
				Jameson Tripple Distilled Irish Whiskey	750	25000		
				Absolut Citron	750	35000		
		Jacob's creek classic chardonay wine	750	35000				
Absolut pepper vodka	750	35000						
Pernord Ricard India (P) Ltd., 104, Ashoka, Estate, Barakhamba Road, New Delhi-110001	Chivas Regal 12 years Blended Scotch whiskey	750	25000					
4	Mohan Meakin Ltd.	MDH Beverages Pvt Ltd. Umiam, Ri Bhoi Dist.	Old Monk Deluxe Rum (P)	750	60000			
5	Bols Kyndal	Gemini distillery Goa Phase II B Sanscoale Ind. Estate Zuarinagar Goa	Bols XO Excellnce Brandy	375	60000			
				180	60000			
			Bootz Dark Jamaican Rum	750	60000			
				375	60000			
			Bols Premiere XO Excellnce Brandy	180	60000			
				750	60000			
				375	60000			
180	60000							
6	United Spirits Limited	Four seasons wines Ltd winery village Roti Dist. Pune Maharashtra	Golconda Premium Red wine	750	35000			

Sl. No.	Name of the Company	Name of the Distillery	Brand's name	Size (in ml)	Amount Due (₹)	
		Konkan Agro Marine Industries Pvt. Ltd. Babargoan, Aurangabad, Maharashtra	Vat 69 Blended Scotch Whisky	1000	25000	
		Ajanta Bottlers & Blenders Hatia Dist Ranchi	Antiquity Blue Ultra Premium whiskey	750	60000	
				375	60000	
				180	60000	
			Signature premiere Grain whiskey	750	60000	
				375	60000	
				180	60000	
			Signature rare aged whiskey	750	60000	
				375	60000	
				180	60000	
			Royal challenge finest premium whiskey	750	60000	
				375	60000	
				180	60000	
		CMJ Breweries Pvt Ltd, Byrnihat	white mischief vodka	750	35000	
				375	35000	
				180	35000	
		United Spirits,Ltd., C/o-TGL03-Mumbai Warehouse TULSI Global Logistic Pvt. Ltd. (Custom B/W) Shed B-3, Adinath Commercial Complex, Near JWC Terminal, Main Bombay Goa Highway Near Palaspe Gaon, Panvel of Nelhi W/L,Central Warehousing Corpn. (Custom B/W). F-82, Okhla Indl. Ara Phase-1, New Delhi.	Johnie walker Red Label Blended Scotch whisky	750	25000	
			Johnie walker Black Label Blended Scotch whisky	750	25000	
			johnie walker Blue Label Blended Scotch whisky	750	25000	
			Johnie walker Double Black Blended Scotch whisky	750	25000	
			Johnie walker Gold Label Reserve blended scotch whisky	750	25000	
			Johnie walker Platinum Blended blended scotch whisky	750	25000	
			Baileys the Original Irish Cream	750	25000	
			Ciroc SNAP frost Vodka	750	35000	
			Rare J & B Blended Scotch Whisky	750	25000	
			The Singleton Single Malt Scotch whisky of Glenord	700	25000	
			Jagajit Industries Pvt. Ltd.	King Henry VIII Blende Scotch Whisky	750	25000
					AC Black Whisky	750
		375				60000
		180		60000		
		iice Triple Distilled Pure Grain Premium Vodka		750	35000	
				375	35000	
				180	35000	
		iice Flavorz Green Apple Flavoured Vodka		750	35000	
				375	35000	
				180	35000	
		iice flavors Orange flavoured Vodka		750	35000	
				375	35000	
			180	35000		
		Crown Beers India Pvt Ltd.	Budweiser Premium King of beer	650	35000	
				330	35000	

Sl. No.	Name of the Company	Name of the Distillery	Brand's name	Size (in ml)	Amount Due (₹)		
		Prevelige Industries Khandala Maharashtra		500	35000		
			Budweiser Magnum Strong beer	650	35000		
				330	35000		
			Crown Beers India Pvt.Ltd Survey No.301, Mallepally (V), Telengana	Budweiser Premium King of beer	650	35000	
				330	35000		
				Budweiser Magnum Strong beer	650	35000	
				330	35000		
9	Bacardi India Ltd.	Bacardi India Pvt. Ltd at India Glyads Ltd. Kashipur, U.S. Nagar, Uttarakhand	Breezer Lime	275	35000		
			Bacardi Superior Rum	750	60000		
				375	60000		
				180	60000		
10	Devans Modern Brewery	CMJ Breweries	Kotsberg strong prm. Beer	650	35000		
			kotsberg strong super prm. Beer	500	35000		
			kotsberg original pill beer	650	35000		
			Rocky Super Strong beer	650	35000		
11	Allied Blenders & Distilleries	CMJ Breweries	Officer's choice Black Equisite & Rare whiskey	375	60000		
				180	60000		
12	Edrington Kyndal India Pvt.Ltd, Haryana	Gemini Distillery Goa	Cutty Sark Blended scotch whiskey	750	25000		
				375	25000		
				180	25000		
13	NEB	NEB	J & D Whisky	750	60000		
				375	60000		
14	United Breweries Ltd	Denzong Albrew Pvt. Ltd., Darpaney, Mulukhey, Rhenock, East Sikkim	Kingfisher Premium Lager Beer	650	35000		
			Kingfisher Strong Premium Beer	650	35000		
15	Beam Global Spirits & Wine (India) Pvt Ltd, Kolkata	Beam Global Spirits & Wine (India) Pvt. Ltd., C/o Veritas Logistics Pvt. Ltd. A-136/1, Okhla Industrial Area, Phase II, New Delhi	Sauza Tequila Gold	700	35000		
			Sauza Tequila Silver	700	35000		
			Canadian Club Whisky	750	35000		
16	Himalaya Distilleries Ltd	Himalaya Distilleries Ltd.	Hercules XXX Rum	750	60000		
17	SAB Miller India Ltd	SAB Miller India Ltd, Unit: Pals, L-5, MIDC, Waluj, Aurangabad, Maharashtra	Miller High life Beer	650	35000		
				330	35000		
				500	35000		
			Miller Ace Beer	650	35000		
				330	35000		
				500	35000		
18	Carlsberg Pvt. Ltd.	M/s Parag Breweries, Bagnan, P.O. Bagnan, Chaitanyabati, Dist Hooghli, West Bengal	Carlsberg All Malt Premium Beer	650	35000		
				Carlsberg Elephant Strong Super premium Beer	650	35000	
				Tuborg Green Beer	650	35000	
					330	35000	
				M/s Carlsberg India Pvt. Ltd., Plot No.1, Maura Raghunathpur, PS Rani Talab, Bikram, Dist. Patna, Bihar	Carlsberg All Malt Premium Beer	650	35000
					Carlsberg Elephant Strong Super Premium Beer	650	35000
			Tuborg Strong Green Beer		650	35000	
			M/s Carlsberg India Pvt Ltd, H-17/1/1,	Carlsberg All Malt Premium Beer (Can)	500	35000	

Sl. No.	Name of the Company	Name of the Distillery	Brand's name	Size (in ml)	Amount Due (₹)
		MIDC, Waluj, Aurangabad, Maharashtra	Carlsberg Elephant Strong Super premium Beer (Can)	500	35000
			Tuborg Green Beer Can	500	35000
19	Tilaknagar Industries Ltd	Mayell & Fraser (P) Ltd. Silkkim	Courrier Napoleon Finest French Brandy Green	750	60000
				375	60000
				180	60000
			Mansion House French Brandy	750	60000
				375	60000
				180	60000
			Mansion House Premium Whisky	750	60000
				375	60000
				180	60000
			Black Power Grain Whisky	750	60000
				375	60000
				180	60000
			Savoy Club Orange Gin	180	35000
20	Grover Zampa Vineyards Ltd.	Grover Zampa Vineyards Ltd, Raghunathapura, Devanahalli, Doddaballapura Road, Doddaballapura, Bangalore Rural	Grover's La Reserve	750	35000
			Grover Art Collection Shiraz	750	35000
			Grover Art Collection Sauvignon Blanc	750	35000
			Raya Red wine	750	35000
			Raya White	750	35000
			Red Lips Port Wine	750	35000
				375	35000
21	Vinicola Pvt Ltd.	Vinicola Pvt Ltd, 248, Borda, Margao, Goa	Sacramental Wine	750	35000
22	Axis Enterprises	Axis Enterprises (Private Custom Bonded Warehouse) SikRIA Compound, G.S. road, Guawahati, Assam	Grant's Blended Scotch Whisky	700	25000
			Woodbridge by Robert Mondavi Merlot Wine	750	35000
			Valdivieso Reserve Pinot Noir Wine	750	35000
			Lindemans Premier Brut Cuvee wine	750	35000
			Lindemans Premier Selection Chardonay wine	750	35000
			Lindemans Premier Selection Shiraz Cabernet wine	750	35000
			Hardys' Chardonay Semillon wine	750	35000
			Hardys' Shiraz Cabernet Sauvignon wine	750	35000
			Corona Extra Beer	355	25000
			Hoegarden Beer	330	25000
23	Diageo India Pvt. Ltd., Guwahati	TGL03-Mumbai Warehouse TULSI Global Logistic Pvt. Ltd. (Custom B/W) Shed B-3, Adinath Commercial Complex, Near JWC Terminal, Main Bombay Goa Highway Near Palaspe Gaon, Panvel of Nelhi W/L, Central	Johnie walker Red Label Blended Scotch whisky	750	25000
			Johnie walker Black Label Blended Scotch whisky	750	25000
			Johnie walker Blue Label Blended Scotch whisky	750	25000
			Johnie walker Double Black Blended Scotch whisky	750	25000
			Johnie walker Gold Label Reserve blended scotch whisky	750	25000

Sl. No.	Name of the Company	Name of the Distillery	Brand's name	Size (in ml)	Amount Due (₹)
		Warehousing Corpn. (Custom B/W). F-82, Olchla Indl. Ara Phase-1, New Delhi	Johnie walker Platinum Blended blended scotch whisky	750	25000
			Baileys the Original Irish Cream	750	25000
			Ciroc SNAP frost Vodka	750	35000
			Rare J & B Blended Scotch Whisky	750	25000
			The Singleton Single Malt Scotch whisky of Glenord	700	25000
24	Aspri Spirits Pvt. Ltd.	T-11, Okhla Industrial Area Phase-2, New Delhi	Two Oceans Shiraz Wine	750	25000
			Two Oceans Chardonnay Wine	750	25000
			Riunite Lambresco Enulia Wine	750	25000
			Vignes De Paul Valmont Rouge Fnicte Wine	750	25000
			Golden Sparrow Sangiovese Rubicone Wine	750	25000
			Golden Sparrow Chardonnay Rubicone Wine	750	25000
			Victor Fuconnier Napoleon Pure Grape Brandy VSOP	700	25000
			Stolichnaya Vodka	750	35000
			Don Angel Tequila Blanco	700	35000
			Glengrant Single Malt Scotch Whisky	700	25000
25	KDC Bonded W/H, Pvt. Ltd.	KDC Bonded W/H, Pvt. Ltd. Parmeshwari Buildings, 5th Floor Room No.10 Chatribari, Guwahati	Dewers White Label	750	25000
			Grey Goose Vodka	750	25000
			Bombay Sapphire Dry gin	750	25000
			Camino Real Tequila Blanco	750	25000
26	Imperial beverages Global Pvt.Ltd.	Imperial beverages Global Pvt.Ltd.C/o Allways Logistics Pvt. Ltd.,Khasa No-15/15 Warehouse No.3 Near Telephone Exchange, Samelka new Delhi	Sir Pitterson Blended Scotch Whisky	700	25000
			Tequila San Jose Gold	700	25000
			Tequila San Jose Silver	700	25000
			William Peel single Malt Whisky	700	25000
			Fable Wine Merlot	750	25000
			Fable Wine Chardonnay	750	25000
			St.Jean Wine Syrah	750	25000
			Fruits & Wine Peach	750	25000
			Cocktail Pitterson Majito	700	25000
			Cocktail Pitterson sex on the beach	700	25000
			Liquor Choclat	700	25000
Liquor Grand Orange	700	25000			
27	T.D. Bonded Warehouse	T.D. Bonded Warehouse (Custom Division) Them Marwet	Carlo Rossi Red	750	25000
			Carlo Rossi White	750	25000
			Glenfiddich Single	700	25000
			Grants Blended Scotch Whisky The Family Reserve	750	25000
			Sauza Tequila Silver	1000	25000
			Absolut Vodka	750	25000
			Ballentine's Finest Blended Scotch whisky	750	25000
			Jacob's Creek Chardonnay	750	25000

Sl. No.	Name of the Company	Name of the Distillery	Brand's name	Size (in ml)	Amount Due (₹)
			Jacob's Creek Chiraz Cabernet	750	25000
			Heineken Beer	330	25000
			Chivas Regal 12 yrs Blended Scotch whisky	750	25000
	Total				7500000

ANNEXURE-V											
(Ref: Para 3.6)											
Evasion of excise duty											
Name of the Bottling Plant	Period	Quantity of IMFL produced in cases		Total	ENA requirement in bulk litres		Total	Actual ENA utilised (in BL)	ENA concealed (in BL)	No. of cases	Excise Duty payable @ ` 663 per case (in `)
		750/375 ML	180 ml		4 BL per case for 750/375 ML	3.85 per case for 180 ML					
M/s Marwet Bottling Industries	April 2015 to March 2016	2277	441	2718	9108	1698	10806	21286	10480	2620	1737085

ANNEXURE-VI

(Ref: Para 3.8)

Evasion of excise duty by bonded warehouses

Unit	Bonded Warehouse	Brand Name	Stock as per Bonded Register (in cases)	Physical Stock (in cases)	Shortage (in cases)	Rate of Ad Valorem (per case) (₹)	Amount evaded (₹)	
SE, Jowai	OK Bonded Warehouse, Jowai	Super Premium	198	132	66	1539	101574	
		Premium Brand	1033	965	68	1138	77384	
		Deluxe Brand	21218	17073	4145	675	2797875	
		Beer (650 ml)	8718	4570	4148	80	331840	
		Beer (330 ml)	1	0	1	95	95	
		Beer (275 ml)	516	465	51	156	7979	
		Total	31684	23205	8479		3316747	
SE, Nongpoh	Nico Bonded Warehouse	BIO	119	117	2	900	1800	
		Super Premium	142	129	13	1539	20007	
		Premium Brand	1132	1112	20	1138	22760	
		Deluxe Brand	4831	4724	107	675	72225	
		General Brand	366	354	13	663	8619	
		NEB	122	121	1	524	524	
		Wine	570	548	22	180	3960	
		Beer (650 ml)	4135	4117	18	80	1440	
		Beer (500 ml)	452	443	9	113	1019	
		Beer (330 ml)	21	18	4	95	380	
	Beer (275 ml)	701	661	40	156	6258		
			Total	12591	12344	249		138992
		OS Bonded Warehouse	Super Premium	108	106	2	1539	3078
			Premium Brand	505	495	10	1138	11380
			Deluxe Brand	3069	3009	60	675	40500
			General Brand	65	64	1	663	663
	Wine		122	119	2	180	360	
	Beer (650 ml)		2335	2318	17	80	1360	
		Beer (500 ml)	183	180	3	113	339	
		Total	6385	6290	95		57680	
GRAND TOTAL							3513419	

ANNEXURE-VII							
(Ref: Para 5.4.13.3)							
Statement showing evasion of royalty by cement Companies							
Sl. No.	Name of the unit	Period	Quantity as per DMO's records	Quantity as per DFO's records	Quantity of limestone evaded	Rate (per MT)	Amount (in `)
1	Meghalaya Power Ltd.	Apr 13 to Mar 14	33772.73	9808.23	23964.50	63	1509764
2	Adhunik Cement Ltd	Apr 13 to Oct 14	210891.99	0.00	210891.99	63	13286195
		Nov 14 to Mar 15	185399.09	0.00	185399.09	80	14831927
3	Hills Cement Ltd.	Apr 13 to Oct 14	128115.38	63386.79	64728.59	63	4077901
		Nov 14 to Dec 14	25350.78	18773.72	6577.06	80	526165
4	Cement Manufacturing Co. Ltd.	Apr 14	30143.68	1020.95	29122.73	63	1834732
5	Green Valley Industries Ltd	Apr 14 to May 14	43397.31	9727.62	33669.69	63	2121190
6	Meghalaya Minerals & Mines Ltd	Apr 14 to Oct 14	52914.74	52914.74	0.00	63	0
		Nov 14 to Dec 14	88603.54	60823.54	27780.00	80	2222400
Total			798589.24	216455.59	582133.65		40410275

ANNEXURE-VIII
(Ref: Para 5.4.14.1)

Statement showing short levy of export fee

(in ₹)

Month	Minor Mineral		Bamboo		Timber			Revenue Collected	Revenue Realizable	Revenue Foregone			
	No. of Trucks	Amount collected	Amount realizable	No. of Trucks	Amount collected	Amount realizable	Amount realizable						
Byrnihat Range	Nov.13	4497	3924800	4497000	683	582200	683000	1284	5392800	6420000	9899800	11600000	17002000
	Dec.13	3013	3013000	3013000	376	376000	376000	909	4453800	4545000	7842800	7934000	91200
Southern Range	Nov.13	810	243000	810000	0	0	0	0	0	0	243000	810000	567000
Total		8320	7180800	8320000	1059	958200	1059000	2193	9846600	10965000	17985600	20344000	2358400

ANNEXURE-IX (Ref: Para 5.4.14.2)
Statement showing short levy of royalty from user agencies

Sl No.	Name of the Department	Period	Quantity of Minor Minerals utilised (in cum)				Royalty Payable	Royalty Paid	Royalty Short Paid	
			Stone	Sand	Earth	Blindage				Granular Matter
1. DFO, Khasi Hills Territorial Division, Shillong										
1	EE, East Khasi Hills (D) Division, MePDCL, Shillong	Aug 2014 to Dec 2014	301	125	0	0	0	83490	44722	38768
2	Dy. General Manager (East) Shillong Distribution, MePDCL, Shillong	Oct.14	50	27	0	0	0	14389	4796	9593
3	EE (C) Hydraulic Structure Maintenance Division, MePGCL, Sumer	Nov 2014 to Mar 2015	120	36	0	0	0	31982	10660	21322
4	Chief Finance and Accounts Officer, MUDA	Oct.14	10343	5231	0	0	0	2953145	984390	1968755
5	EE, Material Management, Stores, Shillong	Mar.14	225	112	0	0	0	64105	21368	42737
6	Dy. General Manager (West), MeCL, Shillong	Apr.15	810	276	0	0	0	219270	78478	140792
7	Executive Engineer, (T/C) PWD (R), Western Circle Cum DPIU, PMGSY, WKH	Oct 2014 to Mar 2017	87200	43238	15915	226	0	26431188	7876515	18554673
8	Executive Engineer, PWD (R), Nongpoh	Oct 2014 to Mar 2017	137568	21623	23675	3991	68510	54131400	6377018	47754382
9	Executive Engineer, (WR), EKH, Shillong	Feb 2016	7228	1284	0	0	0	1850334	0	1850334
10	Accounts Officer, SIRD, Nongsder, Meghalaya	Apr 2016 to Feb 17	3928	916	0	267	0	1049307	350300	699007
11	Executive Engineer, T&T, MeCL, Shillong	Aug 2014 to Jul 2016	6026	1283	0	0	0	1561650	413170	1148480
12	Addl. Chief Engineer (C), New Umtru HE Project, Byrnihat	Jan 2015 to Jan 2017	55912	27215	0	0	0	15868342	6301989	9566353
13	General Manager, Meghalaya State Warehousing Corporation Ltd, Shillong	Apr 2016	47	14	0	0	0	12599	6387	6212

Sl No.	Name of the Department	Period	Quantity of Minor Minerals utilised (in cum)					Royalty Payable	Royalty Paid	Royalty Short Paid
			Stone	Sand	Earth	Blindage	Granular Matter			
14	Principal, Extension Training Centre, Nongstder	Mar 2016 to Oct 2016	548	321	0	0	0	160325	53443	106882
15	Executive Engineer, PWD Mairang	Sep 2014 to Jan 2017	21156	17090	0	0	0	6615565	2271088	4344477
16	Director of Tourism, Shillong	Sep 2014 to Jul 2016	21347	6092	0	0	0	5671669	2160255	3511414
17	Executive Engineer, PWD (R), NH Shillong	Oct 2015 to Feb 2017	103423	19895	0	0	0	26612035	4266974	22345061
18	Executive Engineer, (PHE), Greater Shillong Water Supply, Mawphlang	Nov 2014 to Sep 2016	1773	827	0	0	0	499829	394853	104976
19	EE R&B MePDCL	Oct 2016 to Nov 2016	75	34	0	0	0	21056	8029	13027
20	Executive Engineer, (TC) PWD(R), DPIU, PMGSY, East Khasi Hills, Shillong	Sep 2016 to Mar 2017	26070	8651	0	0	0	7035311	2928708	4106603
Total (A)			484149	154291	39590	4484	68510	150886989	34553143	116333846
2. DFO, Garo Hills Territorial Division, Tura										
21	EE, Water Resources, Tura	Dec.14	25740	5235	0	0	0	6648750	576378	6072372
22	Director of Tourism, Meghalaya, Shillong	Oct 2015 to Jul 2016	2182	2335	0	0	0	733812	227829	505983
23	Assistant Manager (FIN), National Building Construction Corporation Ltd	Dec 2015 to Oct 2016	6052	2325	0	0	0	1661751	700485	961266
24	Executive Engineer (C), Garo Hills Division, MePDCL, Tura	Jul 2016 to Mar 2017	3173	3021	0	0	0	1033396	568246	465149
25	Executive Engineer, PWD (Rds), Williamnagar	Oct 2015	239	62	0	0	0	62821	20940	41881
26	Executive Engineer (PHE), Ampati Division, Ampati	Dec 2014 to Nov 2016	2108	12556	0	0	0	1635911	255916	1379995

Sl No.	Name of the Department	Period	Quantity of Minor Minerals utilised (in cum)					Royalty Payable	Royalty Paid	Royalty Short Paid
			Stone	Sand	Earth	Blindage	Granular Matter			
27	Executive Engineer, PWD (R), Ampati Division, Ampati	Mar 2015 to Aug 2016	152357	126394	3081	0	0	48249146	13130074	35119072
28	Executive Engineer, DPIU, PMGSY, Williamnagar	Dec 2014 to Feb 2017	90522	36983	0	0	0	25053824	8079958	16973866
29	Project Engineer, PWD (R) Rongai Valley Medium Irrigation Project, Chibinaang, West Garo Hills	Dec 2015	60	207	0	0	0	32963	11739	21224
30	Executive Engineer, PHE, Tura North Division	Nov 2014 to June 2016	35676	10796	0	0	0	9533911	1065130	8468781
31	Finance Officer, NEHU Complex, Shillong	Nov 2014 to Jan 2016	21738	728	0	0	0	5282728	172441	5110287
32	Executive Engineer PWD (Rd), NH cum Tura Central Division	Mar 2015 to March 2016	4701	3335	0	0	0	1428509	518734	909775
33	Executive Engineer (TC) PWD (Rd) Cum DPIU, PMGSY, Tura	Sep 2015 to Nov 2016	70660	49723	0	0	0	21433455	5739071	15694384
34	Executive Engineer, PWD (Rd), Tura North Division	Aug 2016	3893	3071	0	0	0	1210808	1061273	149535
Total (B)			419101	256771	3081	0	0	124001786	32128214	91873571
3. DFO, Jaintia Hills Territorial Division, Jowai										
35	Executive Engineer, Khliehriat Distribution Division, MePDCL	Jul.15	45	31	0	0	0	13700	4810	8890
36	Divisional Soil and Water Conservation Officer, Jowai	Feb 2015 to Apr 2015	727	298	0	0	0	201376	67125	134251
37	Chief Executive Officer, Jowai	Feb to Apr 2015	229	83	0	0	0	62486	20829	41657
38	Executive Engineer, PWD (Roads) South Jowai Division, Jowai	Dec.14	4465	988	0	0	0	1160438	386812	773626
39	Executive Engineer, PWD (Roads), Jowai Central Division	Sep 2014 to Dec 2014	46590	5058	461	4592	0	12096163	5105351	6990812
40	Executive Engineer (TC), P.W.D. (Roads) DPIU, PMGSY, Jaintia Hills, Jowai	Jun 2014 to Dec 2017	73663	17205	3305	80	0	19565349	5354109	14211240

Sl No.	Name of the Department	Period	Quantity of Minor Minerals utilised (in cum)					Royalty Payable	Royalty Paid	Royalty Short Paid
			Stone	Sand	Earth	Blindage	Granular Matter			
41	Executive Engineer, PWD (Roads) NEC Division	Dec 2014 to Mar 2015	54265	20790	6456	0	0	15540381	5791153	9749228
42	Executive Engineer PWD (Roads) North Jowai Division, Jowai	Sep 2014 to Mar 2017	150794	19069	93	1930	0	38089673	10399059	27690614
43	Executive Engineer, PWD Building Division, Jowai	Mar.15	1816	654	0	0	0	494717	214411	280306
44	Executive Engineer (CEW) AH & Vety. Deptt, Jowai, Jaintia Hills District	Aug.14	875	102	0	0	0	219096	73032	146064
45	National Buildings Construction Corporation Ltd.	Jul.15	21400	6337	0	0	0	5706251	2408997	3297254
46	Executive Engineer, (PHE) Electrical Division, Jowai Division	Aug 2016	1941	1641	0	0	0	613440	311708	301732
Total (C)			356810	72256	10315	6602	0	93763071	30137396	63625675
Grand Total			1260061	483318	52986	11086	68510	368651846	96818753	271833092

ANNEXURE-X											
Statement showing extraction of minor minerals by the three Territorial division during the period from April 2012 to March 2013 (Ref: Para 5.4.15)											
Name of the Territorial Division	Sand			Gravel, Broken stone, etc.			Earth/clay			Royalty realisable @ `100/cu.m	
	Quantity (cu.m)	Royalty realised @ `30/cu.m	Royalty realisable @ `90/cu.m	Quantity (cu.m)	Royalty realised @ `80/cu.m	Royalty realisable @ `240/cu.m	Quantity (cu.m)	Royalty realised @ `32/cu.m	Royalty realisable		
DFO (T) Jowai	61338	1840143	5520429	50090	4007200	12021600	5982	191411	598160		
DFO (T) Tura	50109	1503256	4509770	106481	8518454	25555361	0	0	0		
DFO (T) Shillong	16175	485250	1455750	128484	10278720	30836160	102878	3292096	10287800		
Total	127622	3828649	11485949	285055	22804374	68413121	108860	3483507	10885960		
Item	Quantity (cu. m.)	Royalty realised (`)	Revenue realisable at proposed rates dated April 2013 (`)	Revenue foregone due to non-revision (`)							
Sand	127622	3828649	11485949	7657299							
Gravel, broken stone etc.	285055	22804374	68413121	45608747							
Clay, earth	108860	3483507	10885960	7402453							
Total	521536	30116530	90785030	60668499							

ANNEXURE-XI

(Ref: Para 5.4.15)

Statement showing delay in revision of export fees on forest produces

Sl No	Name of forest produces	Proposed rate	SHILLONG			JOWAI			TURA				
			No of trucks	Export fee realised	Export fee realisable at proposed rate	Short Realization	No of trucks	Export fee realised	Export fee realisable at proposed rate	Short Realization	No of trucks	Export fee realised	Export fee realisable at proposed rate
1	Round timber	2000	0	0	0	0	0	0	0	9	4500	18000	13500
2	Sawn timber	600	9376	2812500	5625600	2813100	1989	576000	1193400	9	1800	5400	3600
3	Firewood	1000	2287	688800	2287000	1598200	0	0	0	0	0	0	0
4	Bamboo	800	0	0	0	0	1434	430200	1147200	209	62700	167200	104500
5	Broomstick	500	5144	1543200	2572000	1028800	0	0	0	97	5820	48500	42680
Total													
Sl No	Name of forest produces		Number of trucks	Export fee realised	Export fee realisable at proposed rate	Export fee realised	Export fee realisable at proposed rate	Export fee realised	Export fee realisable at proposed rate	Short Realization	Short Realization	Short Realization	Short Realization
1	Round timber		9	4500	18000	4500	18000	4500	18000	13500	13500	13500	13500
2	Sawn timber		11374	3390300	6824400	3390300	6824400	3390300	6824400	3434100	3434100	3434100	3434100
3	Firewood		2287	688800	2287000	688800	2287000	688800	2287000	1598200	1598200	1598200	1598200
4	Bamboo		1643	492900	1314400	492900	1314400	492900	1314400	821500	821500	821500	821500
5	Broomstick		5241	1549020	2620500	1549020	2620500	1549020	2620500	1071480	1071480	1071480	1071480
Total			20554	6125520	13064300	6125520	13064300	6125520	13064300	6938780	6938780	6938780	6938780

ANNEXURE-XII										
(Ref: Para 5.4.16.1)										
Statement showing position of Arrear Revenue										
Sl. No	Name	Period when limestone utilised	No. of Demand Notice issued	Quantity received (in MT)	Royalty payable (in `)	Quantity for which royalty (in MT)	Royalty paid (in `)	Quantity received (in MT)	Royalty outstanding (in `)	
1	Meghalaya Minerals and Mines Ltd	Jan 2012 to Aug 2015	17	604034	41486525	0	0	604034	41486525	
2	Amrit Cement Ltd	Jun 14 to Aug 15	13	549921	42840797	0	0	549921	42840797	
3	Green Valley Industries Ltd	May 11 to Aug 15	34	225696	15451519	15292	963383	210405	14488135	
4	Hill Cement Company Ltd	Apr 10 to Aug 15	1	1256474	81462468	44444	2000000	1212029	79462468	
5	Meghalaya Power Ltd	Sep 14 to May 15	3	100281	8022497	51378	2605566	48903	5416931	
6	Cement Manufacturing Company Ltd	Apr 14 to Jul 15	7	440703	34875768	405980	32478396	34723	2397372	
7	Adhunik Cement Ltd	May 14 to Jun 15	11	454272	34612909	0	0	454272	34612909	
8	Jaintia Cement Ltd	Feb 15 to May 15	0	36060	2884810	4725	378000	31335	2506810	
9	Meghalaya Cement Ltd	Sep 11 to Aug 15	22	3185704	219907662	832009	56697912	2353695	163209751	
10	Star Cement Ltd	Apr 14 to May 15	10	2384263	175945336	1645632	116854839	738631	59090498	
	Total		118	9237408	660338913	2999460	211978096	6237947	448360817	

ANNEXURE-XIII (Ref: Para 5.4.19) Statement showing position of manpower posted							
Name of the Wildlife Division	Total area (in sq. km)	Name of the ranges in the division	No. of beats in the district	Manpower available			Ratio of manpower to area
				Post	As on 01.04.12	As on 31.03.17	
Jaintia Hills	3819	Jowai Range	-	RO	2	1	1:159
		Umkiang Range		Forester	5	6	
				Forest Guard	9	4	
				MR	7	13	
Khasi Hills	2820	Headquarters Range	-	RO	3	3	1:109
		Park Range		Forester	5	5	
				Forest Guard	9	9	
				MR	-	-	
	5247	Nongstoin	1	RO	1	1	
				Forester	1	1	
				Forest Guard	1	1	
				MR	10	15	
	2376	Nongpoh	3	RO	1	1	
				Forester	5	5	
				Forest Guard	7	7	
				MR	28	49	
Garo Hills	3715	Protection Range, Northern Nokrek Range, Southern Nokrek Range, Park Range	-	RO	4	4	1:67
				Dy. Ranger	1	1	
				Range Assistant	1	1	
				Forester	7	10	
				Forest Guard	14	14	
				MR	41	50	
	2603	Protection Range, Dadenggre Range	-	RO	1	1	
				Dy. Ranger	1	-	
				Forester	2	2	
				Forest Guard	4	4	
				MR	13	8	

ANNEXURE-XIV									
(Ref: Para 6.6)									
Evasion of cess on limestone by cement companies)									
Month	Quantity of Limestone utilised (in MT)						Quantity Evaded (in MT)	Cess (in `)	
	Amrit Cements		Green Valley Cement		Hills Cement				
	As per DFO	As per DMO	As per DFO	As per DMO	As per DFO	As per DMO			
Apr-15	-	-	5050.12	NA	29758.27	-	34808.39	1372842	
May-15	-	-	10596.32	NA	24953.74	3879.52	31670.54	1266822	
Jun-15	58068	NA	10114.52	NA	23240.34	2552.19	88870.67	3554827	
Jul-15	23292	NA	10363.15	NA	244992.22	3634.49	275012.88	11000515	
Aug-15	9522	NA	3944.3	NA	39826.91	3743.73	49549.48	1981979	
Total	90882	NA	40068	NA	362771	13810	479912	19176985	

ANNEXURE-XV

(Ref: Para 6.7)

Short payment of cess on limestone

SL. No.	Date	From whom cess realised	Cess realised at 20/40 per MT(in `)	Quantity (in MT)	Cess realisable (in `)	Short realised (in `)	Details of payment made		Date of revision	Delay in days
							TC No	Date		
1	07-04-2015	M/s Meghalaya Minerals & Mines Ltd.	18000	900	36000	18000	245	07-04-2015	07-04-2015	1
2	23-04-2015	Shri.H.Dong	54000	2700	108000	54000	851	21-04-2015	07-04-2015	17
3	12-05-2015	M/s Star Cement Ltd.	4416624	220831	8833248	4416624	1192	28-04-2015	07-04-2015	36
4	12-05-2015	M/s Cement Manufacturing Company Ltd.	205485	10274	410969	205484	1191	28-04-2015	07-04-2015	36
5	12-05-2015	Ms/ Meghalaya Power Ltd.	70728	3536	141457	70729	1195	28-04-2015	07-04-2015	36
6	12-05-2015	M/s Meghalaya Cement Ltd.	2123680	106184	4247360	2123680	811	20-04-2015	07-04-2015	36
7	19-05-2015	Shri.L.Gympad	7380	369	14760	7380	2292	19-05-2015	07-04-2015	43
8	11-06-2015	M/s Meghalaya Cement Ltd.	212960	10648	425920	212960	2886	01-06-2015	07-04-2015	66
9	11-06-2015	M/s Star Cement Ltd.	3946746	197337	7893493	3946747	2202	18-05-2015	07-04-2015	66
10	19-06-2015	Smt. Pomila Lamare	9720	486	19440	9720	5065	19-06-2015	07-04-2015	74
11	23-06-2015	Ms/ Meghalaya Power Ltd.	221207	11060	442415	221208	4743	16-06-2015	07-04-2015	78
12	23-06-2015	M/s Star Cement Ltd.	497005	24850	994010	497005	4742	16-06-2015	07-04-2015	78
13	09-07-2015	M/s Adhunik Cement Ltd.	3815063	190753	7630126	3815063	4583	12-06-2015	07-04-2015	94
14	19-08-2015	M/s Star Cement Ltd.	3173467	158673	6346934	3173467	7876	13-08-2015	07-04-2015	135
15	19-08-2015	Ms/ Meghalaya Power Ltd.	221208	11060	442415	221207	7609	06-08-2015	07-04-2015	135
16	23-03-2016	M/s Meghalaya Minerals & Mines Ltd.	380000	9500	570000	190000	15539	23-03-2016	21-03-2016	3
17	31-03-2016	M/s Meghalaya Cement Ltd.	451920	11298	677880	225960	15604	30-03-2016	21-03-2016	11
18	31-03-2016	M/s Adhunik Cement Ltd.	18584393	464610	27876590	9292197	15644	30-03-2016	21-03-2016	11
19	31-03-2016	M/s Adhunik Cement Ltd.	9265440	231636	13898160	4632720	15645	30-03-2016	21-03-2016	11
Total						47675026	1666707	81009176	33334150	

Glossary

Chapter I- General

ACM	Audit Committee Meeting
ATN	Action Taken Note
BE	Budget Estimate
C&AG	Comptroller and Auditor General
GoI	Government of India
GoM	Government of Meghalaya
IR	Inspection Report
PA	Performance Audit
PAC	Public Accounts Committee
Pr. AG	Principal Accountant General
VAT	Value Added Tax

Chapter II- Taxation Department

ACT	Assistant Commissioners of Taxes
CoE	Commissioner of Excise
CoT	Commissioner of Taxes
CST	Central Sales Tax
DCT	Deputy Commissioner of Taxes
ERTS	Excise, Registration, Taxation and Stamps
HSD	High Speed Diesel
IAW	Internal Audit Wing
IMFL	Indian Made Foreign Liquor
ITC	Input Tax Credit
MS	Motor Spirits
MSL	Motor Spirit and Lubricants Taxation
MVAT	Meghalaya Value Added Tax
ST	Superintendent of Taxes
VAT	Value Added Tax

Chapter III- State Excise Department

ACE	Assistant Commissioner of Excise
BL	Bulk Litre
CoE	Commissioner of Excise
DCE	Deputy Commissioner of Excise
ENA	Extra Neutral Alcohol
IAW	Internal Audit Wing
IMFL	Indian Made Foreign Liquor
SE	Superintendent of Excise

Chapter IV- Transport Department

AAI	Airports Authority of India
ATR	Avions de Transport Régional
CT	Commissioner of Transport
DTO	District Transport Officer
GoM	Government of Meghalaya
IAW	Internal Audit Wing
MT	Metric Tonnes
NGT	National Green Tribunal
NIQ	Notice Inviting Quotation

NWP	National Web Portal
PA	Performance Audit
STOL	Short Take-Off and Landing

Chapter V- Forest & Environment Department

ADC	Autonomous District Council
APCCF	Additional Principal Chief Conservator of Forests
BNP	Balpakram National Park
CAMPA	Compensatory Afforestation Management Planning Authority
CCF	Chief Conservator of Forests
CZA	Central Zoo Authority
DC	Deputy Commissioner
DFO	Divisional Forest Officer
DMO	Divisional Mining Officer
EC	Environmental Clearance
ER	Elephant Reserve
FDCML	Forest Development Corporation of Meghalaya Limited
FIR	First Information Report
GIS	Geographic Information System
HEC	Human-Elephant Conflict
MeECL	Meghalaya Energy Corporation Limited
MIS	Management Information System
MoEF	Ministry of Environment and Forest
MT	Metric Tonne
MTC	Mineral Transport Challan
NGT	National Green Tribunal
NP	National Park
PA	Performance Audit
PCCF	Principal Chief Conservator of Forests
PF	Protected Forest
RF	Reserved Forest
RFO	Range Forest Officer
RO	Range Officer
SEIAA	State Environment Impact Assessment Authority
SP	Superintendent of Police
VHF	Very High Frequency
WLS	Wildlife Sanctuary
WL	Wildlife
WTI	Wildlife Trust of India

Chapter VI- Mining & Geology Department

DMO	Divisional Mining Officer
DMR	Director of Mineral Resources
LCS	Land Custom Station
MMDR	Mines and Minerals Development and Regulation

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