

CHAPTER-I

INTRODUCTION

1.1 Minerals are valuable natural resources. Being finite and non-renewable, their exploitation is guided by long term national goals and perspectives, which in turn are influenced by the global economic scenario. Mineral exploration and development is closely linked with development of the economy and upliftment of the local population. However, as it simultaneously intervenes with the environment and the social structure, a harmony and balance is to be maintained between conservation and development.

Minerals can be divided into two categories-Major minerals which are further classified as hydrocarbons or energy minerals (such as coal, lignite *etc.*), atomic minerals, metallic and non-metallic minerals, and minor minerals which include building stone, flagstone, ordinary clay, ordinary sand and any other mineral notified by the Central Government.

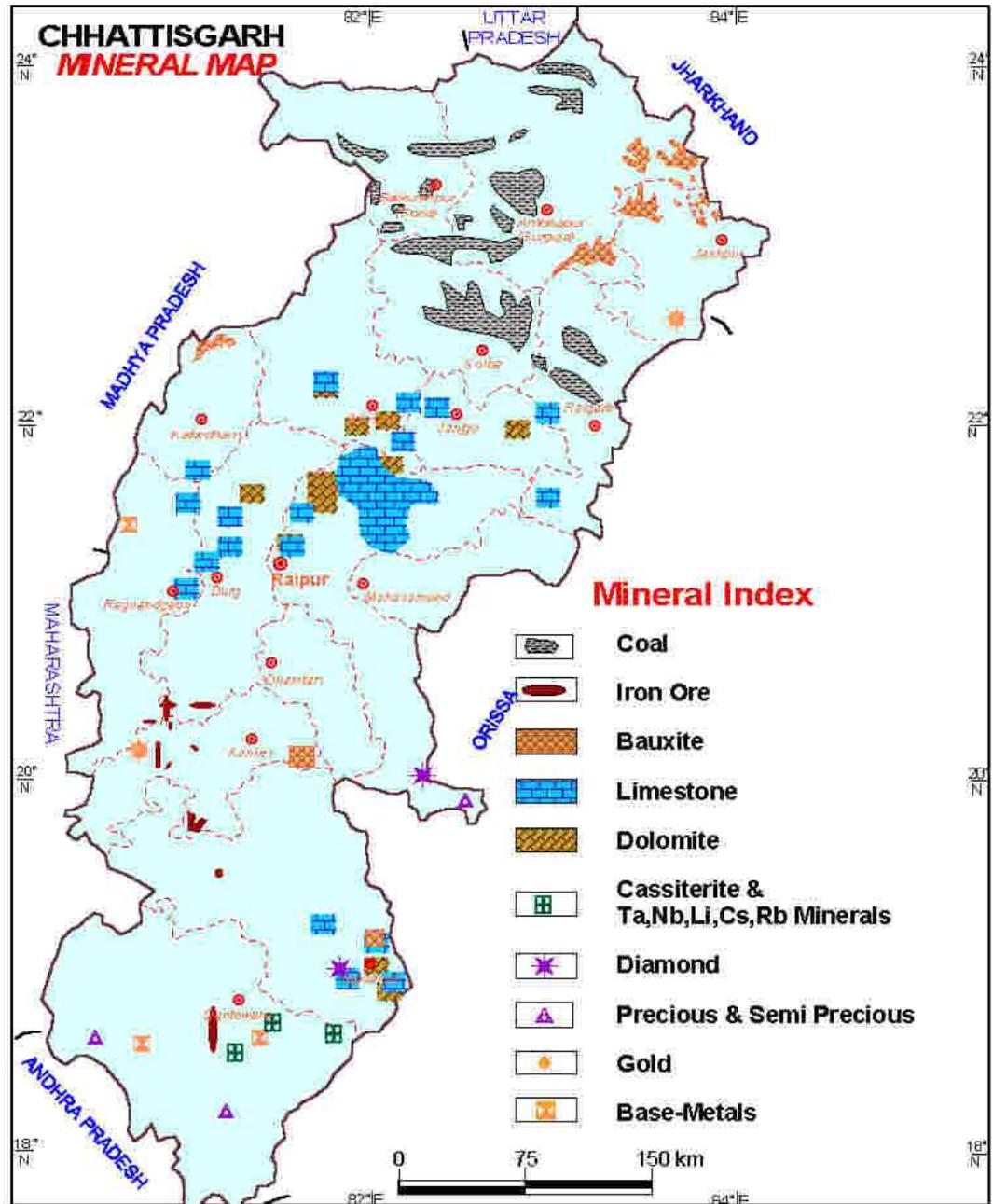
1.2 Management of mineral resources

Chhattisgarh is endowed with 28 varieties of major minerals such as iron ore, coal, diamond, limestone, bauxite, tin ore, fireclay, corundum *etc.* and minor minerals such as building stones, ordinary clay and ordinary sand *etc.* The State accounts for mineral deposits approximately 19 *per cent* (2731 million tonnes) of iron ore, 17 *per cent* (44483 million tonnes) of coal and 11 *per cent* (847 million tonnes) of dolomite.

Iron ore deposits are available in Dantewada, Bastar, Durg, Kanker and Rajnandgaon districts. Coal is found in Korba, Korea, Raigarh and Surguja districts while bauxite is available in Surguja and Kabirdham districts.

The State is the only tin producer in the country¹ and accounts for approximately 21 *per cent* of India's coal production making it the foremost coal producing State.

¹ Source: Data published by Chhattisgarh Government



(Source: Office of the Director, Geology and Mining)

1.3 Mineral Policy of the State

1.3.1 Management of mineral resources is the responsibility of both the Central Government and the State Governments in terms of entry 54 of the Union list (List I) and entry 23 of the State list (List II) of the Seventh Schedule of the Constitution of India. So long as Parliament does not make any law in exercise of its powers in entry 54, the powers of the State legislature in entry 23 would be exercised by the State legislature. The Central Government has enacted the Mines and Minerals (Development and Regulation) Act, 1957 which lays down the legal framework for regulation of mines and development of all minerals other than petroleum and natural gas. In addition, the Mineral Concession (MC) Rules, 1960 for regulating grant of permits, licenses and leases in respect of all minerals (other than atomic minerals and minor minerals) and the Mineral Conservation and Development (MCD) Rules, 1988 for conservation and systemic development of minerals (except coal, atomic minerals and minor minerals) have been framed.

1.3.2 The State Government framed the Chhattisgarh Minor Mineral (CMM) Rules, 1996 which governs mining of minor minerals. It had also promulgated the 'Mineral Policy 2001' which spelt out measures to promote proper use of mineral resources for sustainable economic development. The specific objectives of the policy were to ensure:

- Sustainable development and use of the State's mineral wealth.
- Encouragement of value addition.
- Creation of a conducive business environment to attract investment in the mining sector.
- Simplification of procedures and complete transparency in decision making.

1.3.3 To give a fillip to investment in the mining sector and to attract technology, the National Mineral Policy, 2008 was announced in March 2008. The policy stated that the Central Government in consultation with the State Governments would formulate legal measures to ensure uniformity in mineral administration and to ensure that the development of mineral resources keeps pace and is in consonance with the national policy goals.

A model State Mineral Policy was circulated (October 2009) by the Central Government to the State Governments requiring them to develop suitable mineral policies within the ambit of the National Mineral Policy for their States keeping in view their local requirements. However, the Government of Chhattisgarh has not developed any Mineral Policy on the lines of the model State Mineral Policy even after a lapse of more than two years.

In reply, the Department stated (August 2012) that preparation of the model State Mineral Policy was in progress.

It is recommended that the Government may consider the early finalisation and implementation of the model State Mineral Policy.

1.4 Why we chose the topic

Chhattisgarh is the second largest mineral producing State in the country. It has 28 different kinds of major and minor minerals and accounts for more than 15 per cent of the national mineral production.

Further, the mining receipts of ₹ 2,470.44 crore realised during the year 2010-11 constituted 19.23 and 64.41 per cent of the total revenue and non-tax revenue, respectively, of the State. The contribution of the mining sector has increased to ₹ 2,470.44 crore in 2010-11 from ₹ 813.42 crore in 2006-07. Thus, this sector plays a vital role in the National and the State economy. There is ample scope for augmenting revenues from this sector by revamping the revenue realisation mechanism system and plugging revenue leakage.

1.5 Audit objectives

The Performance Audit was conducted with a view to ascertain:

- the efficiency and efficacy of the system for levy and collection of mining receipts;
- whether adequate provisions exist and were adhered to by the Department for determination and collection of mining receipts;
- whether action taken in the cases of default or illegal excavation of minerals was effective; and
- whether an effective internal control and monitoring mechanism was in place in the Department to prevent leakage of revenue.

1.6 Audit criteria

The audit criteria for the Performance Audit have been derived from the following sources:-

- Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act);
- Mineral Concession Rules, 1960 (MCR);
- Mineral Conservation and Development Rules, 1988 (MCD Rules);
- Chhattisgarh Minor Mineral Rules, 1996 (CMM Rules);
- Chhattisgarh (*Adhosanrachana Vikas Evam Paryavaran*) *Upkar Adhiniyam*, 2005;
- Chhattisgarh Minerals (Mining, Transportation and Storage) Rules, 2009; and
- Guidelines, circulars etc, issued by the Government of India/Government of Chhattisgarh from time to time.

1.7 Scope of audit

We had conducted a Performance Audit on "Assessment and Collection of Mining dues from Major Minerals" in 2005-06 and this was incorporated in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006, highlighting non/short recovery of royalty, interest etc. The Report is presently under discussion in the Public Accounts Committee (PAC).

For the present Performance Audit on "Assessment, Levy and Collection of Major and Minor Mineral Receipts", we conducted test check of the records of nine² out of 18 districts for the period from 2006-07 to 2010-11, between April 2011 to December 2011, to examine the mechanism for assessment, levy and collection of Mining Receipts. The selection of these nine units was done on the basis of simple random sampling without replacement (SRSWOR). In addition, records maintained by DMO Rajnandgaon and the Director, Geology and Mining were also test checked. These units account for 98.29 *per cent* of the total mining receipts of the State during the period 2005-06 to 2009-10.

Besides, we have also included irregularities noticed in previous years while conducting transaction audits of two³ districts in this Report.

1.8 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Mineral Resources Department in providing necessary information and records to Audit. The objectives, scope and methodology of audit were discussed with the Secretary of the Mineral Resources Department in an Entry Conference held in April 2011. The draft Performance Audit report was forwarded to the State Government in January 2012 and discussed with the Secretary of the Mineral Resources Department in an Exit Conference held in February 2012. The responses of the Government received during the Exit Conference and at other points of time have been appropriately incorporated in the relevant paragraphs of this Report.

² Bilaspur, Dantewada, Durg, Janjgir-Champa, Korba, Korea, Raigarh, Raipur and Surguja (Ambikapur).

³ Kanker and Kabirdham