

CHAPTER-VII: NON-TAX RECEIPTS

7.1 Tax administration

At the Government level, the Principal Secretary, Mines and Petroleum, Jaipur and at the Department level the Director, Mines and Geology (DMG), Udaipur are responsible for administration and implementation of the related Acts and Rules in the Department. The DMG is assisted by five Additional Directors, Mines (ADM) and three Additional Directors, Geology (ADG) in administrative matters and by a Financial Advisor in financial matters. The ADMs exercise control through seven circles headed by Superintending Mining Engineer (SME).

There are 39 Mining Engineers (ME)/Assistant Mining Engineers (AME), who are responsible for assessment and collection of revenue, besides prevention of illegal excavation and despatch of minerals from areas under their control. The Department has a separate vigilance wing for prevention of illegal excavation and despatch of minerals, headed by Deputy Inspector General (Vigilance), Jaipur.

7.2 Internal audit conducted by the Department

Internal audit is an important mechanism to ensure that the Departmental operations are carried out in accordance with the applicable laws, regulations and approved procedures in an economical, efficient and effective manner and that subordinate offices are maintaining various records, registers/account books properly and accurately besides taking adequate safeguards against non-collection/short collection or evasion of revenue.

Scrutiny of records of the Director, Mines and Geology (DMG), Udaipur disclosed that audit of almost all the mining units was pending since 2004-05. In absence of internal audit, the Departmental authorities were not aware of the areas of the weakness in the system which resulted in evasion/leakage of revenue. The matter was pointed out in the Comptroller and Auditor General's Audit Report 2012-13. However, no action was taken by the Department.

7.3 Results of audit conducted by the Comptroller and Auditor General of India

In 2013-14, test check of the records of 32 units relating to the Department of Mines and Geology and the Department of Petroleum showed non-recovery/short recovery of revenue and other irregularities amounting to ₹ 447.64 crore in 6,233 cases, which fall under the following categories:

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	Performance audit on 'Receipts from minor minerals'	1	88.22
2.	Non-conservation of minerals	13	50.86
3.	Non/short recovery of dead rent and royalty	211	27.04
4.	Unauthorised excavation	517	263.29
5.	Non-recovery of financial assurance	1,615	4.50
6.	Other irregularities	3,876	13.73
	Total	6,233	447.64

During the year 2013-14, the Departments accepted short realisation and other deficiencies of ₹ 38.19 crore in 3,971 cases, of which 1,473 cases involving ₹ 13.01 crore were pointed out during the year 2013-14 and rest in earlier years. The Departments recovered ₹ 8.88 crore in 1,765 cases, of which 102 cases involving ₹ 0.27 crore pertained to the current year audit and the others pertained to earlier years.

A Performance Audit on '**Receipts from Minor Minerals**' involving ₹ 88.22 crore and a few illustrative cases involving ₹ 3.78 crore are discussed in the paragraphs from 7.5 to 7.6.

7.4 Performance Audit on 'Receipts from minor minerals'

Highlights

- Audit scrutiny of records of 10 AME/ME disclosed that the Environment Management Fund ₹ 6.53 crore was not collected from 289 lessees, permit holder and contractors.

(Paragraph 7.4.10)

- Nine committees/Joint Inspection Teams were formed for investigating the illegal extraction and allotment of leases of minor mineral in five cases. Of these, in one case of *Moda Pahar* four committees/JIT were formed while in another case two committees were formed without any fruitful results. The amount involved in the illegal extraction aggregated to revenue of ₹ 177.08 crore.

(Paragraph 7.4.11)

- During test check of records revealed that in 11 selected ME/AME offices, Out of 5,250 appeal cases, 4,588 appeal cases were disposed of and 662 cases were pending with the Department.

(Paragraph 7.4.12)

- Grant of leases of mineral masonry stone in the area reserved for the noble metals in Sikar district.

(Paragraph 7.4.13)

- In seven ME/AMEs offices, out of 10,751 assessment cases, 8,177 assessment cases were finalised leaving 2,574 assessment cases pending as on 31 March 2013. No time limit was fixed for finalisation of the assessments.

(Paragraph 7.4.14.1)

- It was noticed that 75 works contractors excavated/ consumed minerals like masonry stone, *bajri*, *murrum*, ordinary soil, *etc.* either without obtaining short term permits (STP) or in excess of 25 per cent over the quantity permitted in the STP. The cost of minerals illegally excavated worked out to ₹ 8.33 crore.

(Paragraph 7.4.15)

- In nine ME/AME¹ offices, 1969 STPs involving royalty of ₹ 10.41 crore issued during the year 2009-10 to 2012-13 to the Public Works Department contractors were pending for royalty assessments.

(Paragraph 7.4.19)

¹ Ajmer, Bharatpur, Bijolia, Dungarpur, Jaisalmer, Jodhpur, Nagaur, Rajsamand-I and Tonk.

- Internal Audit was not being conducted by the Department since 2004-05, the inspections were also not conducted in accordance with the prescribed norms, no co-ordination was found between Rajasthan State Pollution Control Board and the Director Mines and Geology to ascertain the quantity of the mineral extracted in excess of the prescribed quantity.

(Paragraph 7.4.20)

7.4.1 Introduction

Receipts from minerals constitute major share in non-tax revenue of the State of Rajasthan. Minerals are divided into two categories, Major minerals and Minor minerals. Section 3(e) of the Mines and Minerals (Development and Regulation) (MMDR) Act, 1957 define minor minerals as building stones, gravel, ordinary clay, ordinary sand other than sand used for prescribed purpose and any other mineral which the Central Government may, by notification in the Official Gazette, declare to be a minor mineral. The State Government framed separate rules *i.e.* the Rajasthan Minor Mineral Concession (RMMC) Rules, 1986 for regulation and extraction of minor minerals. The State Government framed (28 January 2011) a new Mineral Policy, 2011 to promote proper use of mineral resources for sustainable economic development in supersession of its erstwhile Mineral Policy, 1994.

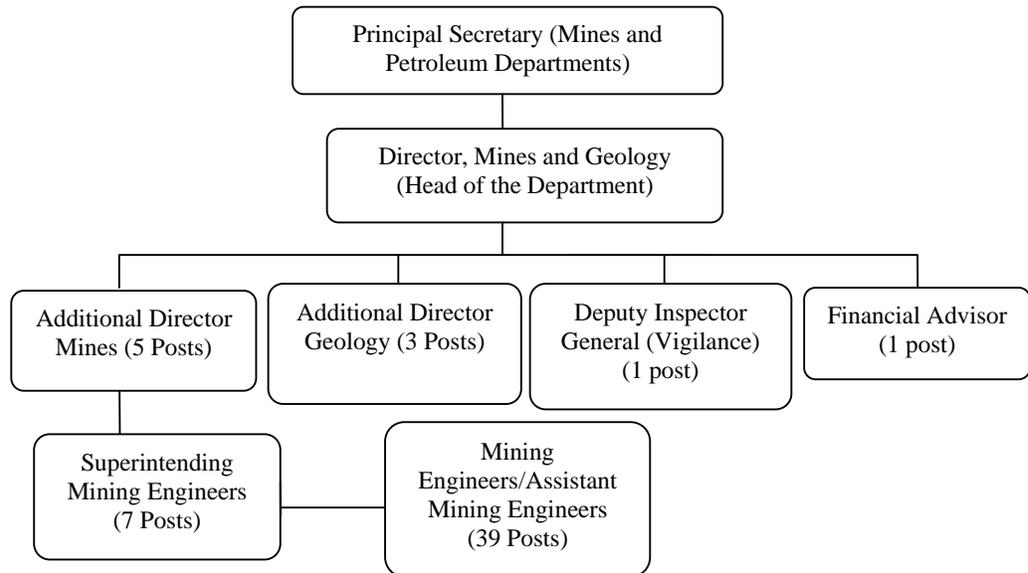
The Geological Wing of the State of Rajasthan identifies the potential areas of minor minerals. Thereafter, the Department delineates the areas for grant of leases and quarry licences. As per the new Mineral Policy, 50 *per cent* minor mineral quarry licences (QL) and mining leases (ML) are granted on priority basis giving preferential rights to some specified persons subject to certain restrictions and 50 *per cent* by auction as laid down in the RMMC Rules, 1986. Rates of royalty and dead rent in respect of minor minerals are notified by the State Government from time to time.

7.4.2 Organisational set-up

At the Government level, the Principal Secretary, Mines and Petroleum, Jaipur and at the Department level the Director, Mines and Geology (DMG), Udaipur are responsible for administration and implementation of the related Acts and Rules in the Department. The DMG is assisted by five Additional Directors, Mines (ADM) and three Additional Directors, Geology (ADG) in administrative matters and by a Financial Advisor in financial matters. The ADMs exercise control through seven circles headed by Superintending Mining Engineer (SME).

There are 39 Mining Engineers (ME)/Assistant Mining Engineers (AME), who are responsible for regulation, assessment and collection of revenue receipt on account of minerals. The Department has a separate vigilance wing for prevention of illegal excavation and despatch of minerals, headed by Deputy Inspector General (Vigilance), Jaipur.

The organisational chart of the Department as on 31 March 2013 is given below:



7.4.3 Audit Objectives

The Performance Audit (PA) was conducted with a view to ascertain whether:

- adequate provisions existed in the Acts and Rules made thereunder for correct estimation, levy, assessment and collection of mining receipts and the extent to which such functions have been computerised;
- the mining policies and the system evolved by the Government for grant of the mining leases and excavation of the minor mineral were effective, efficient and transparent; and
- adequate internal controls and monitoring mechanism existed in the Department for preventing illegal excavation of minerals and for safeguarding the Government revenue.

7.4.4 Audit criteria

The audit criteria for PA were derived from the provisions of the following Acts, Rules and notifications/circulars issued thereunder:

State laws

- The Rajasthan Minor Mineral Concession Rules, 1986;
- The Rajasthan Mineral Policy, 2011;
- The Rajasthan Marble Policy, 2002; and
- The Rajasthan Granite Policy, 2002.

Central Laws

- The Mines and Minerals (Development and Regulation) Act, 1957.

7.4.5 Scope and methodology

The PA was conducted covering the period from 2009-10 to 2012-13. Out of 39 AME/ME offices, 11 AME/ME offices² were selected on the basis of revenue realised from minor minerals and by adopting probability proportional to size with replacement random sampling method. In addition, records maintained by Principal Secretary, Mines and Petroleum Jaipur, Director, Mines and Geology (DMG) Udaipur, Additional Directors, Mines (ADM) Jaipur, Jodhpur and Udaipur and Superintending Mining Engineers (SME) Bharatpur, Jaipur, Jodhpur and Udaipur were also test-checked.

The issues relating to illegal mining in the State were being regularly highlighted by the Print and Electronic media. Besides a number of illegal mining cases were noticed during local inspection by audit. Therefore, it was decided to conduct a PA of this sector.

7.4.6 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation extended by the Mines and Geology Department, its officers and staff in providing necessary information and records to Audit. An entry conference was held on 5 March 2014 with DMG and Deputy Secretary (Mines), Government of Rajasthan, Jaipur wherein objectives, scope and methodology of PA were explained.

An exit conference was held on 11 November 2014 with the Principal Secretary, Mines and Petroleum, Government of Rajasthan, Jaipur in which results of audit and recommendations were discussed. The replies of the Government/Department received during the exit conference and at other points of time have appropriately been included in the respective paragraphs.

7.4.7 Trend of Revenue

As per paragraph 10.1 of Section 2 and paragraph 11.1 of Section 2A of the Budget Manual Volume-I, Estimating Officers of revenue earning departments are responsible for preparation of estimates of revenue expected to be received during the ensuing financial year and revised estimates for the current financial year.

The budget estimates, revised estimates and actual revenue from major mineral, minor mineral and 'others' realised by the State Government during

² ME Ajmer, ME Bharatpur, ME Bijolia, AME Dungarpur, AME Jaisalmer, ME Jodhpur, ME Nagaur, ME Rajsamand-I, ME Ramganjmandi, ME Sikar and AME Tonk.

the years 2009-10 to 2012-13 were as under:

(₹ in crore)

Year	Budget estimates	Targets (Revised Estimates)	Achievements			Total	(-)Shortfall/ (+) excess (BEs vis-a-vis actuals)	Percentage
			Major	Minor	Others			
2009-10	1,450.00	1,560	971.91	420.42	220.28	1,612.61	(+) 162.61	11.21
2010-11	1,760.00	1,805	1,180.71	516.25	232.62	1,929.58	(+) 169.58	9.64
2011-12	2,060.00	2,260	1,329.67	751.62	285.03	2,366.32	(+) 306.32	14.87
2012-13	2,500.00	2,910	1,518.31	858.41	461.87	2,838.59	(+) 338.59	13.54

Note: Others receipts includes application fees, permit fees, prospecting licence fees etc.

The above table shows that the trends of revenue realisation with respect to budget estimates were on higher side ranging from 9.64 to 14.87 per cent during 2009-10 to 2012-13.

Audit findings

7.4.8 Approval of mining plans/simplified mining schemes

Prior to 19 June 2012, mining plans were required to be submitted only in respect of granite and marble leases. Thereafter, a Chapter IV- A (Systematic, Scientific and Environment Friendly Mining) was inserted (19 June 2012) in the RMMC Rules, 1986. Rule 37(I) of these rules stipulates that mining operation is to be carried out in accordance with approved MP and SMS³.

Scrutiny of records pertaining to MPs/SMSs of nine AME/ME offices⁴ disclosed that 4,195 lessees/quarry licensees (out of 9,515) had not submitted the MP and SMS. Further, though 5,320 lessees/quarry licensees had submitted the MP and SMS to the concerned offices only 3,807 MP/SMS were got approved.

As a result, 5,708 lessees/quarry licensees were doing their mining operations without approval of MP/SMS.

After this being pointed out, the Government replied (November 2014) that notices had been issued to the lease/quarry licence holders to submit MP/SMS for approval and the same was also reiterated in the exit conference.

7.4.9 Non-submission of financial assurance

Rule 37(J) of RMMC Rules 1986, (effective from 19 June 2012) provides that each ML/QL/STP holder shall furnish financial assurance in the form of fixed deposit receipt of any scheduled bank. It shall be forfeited along with interest accrued thereon in case of the contravention of the provisions contained in the mining closure plan.

Scrutiny of the records of eleven AME/ME offices disclosed that the financial assurance of ₹ 5.00 crore in 1,159 cases out of 12,650 cases of MLs and QLs

³ 'Mining Plan and Simplified Mining Scheme' means a plan prepared under Rules 37 B to 37 H of chapter -IV of RMMC Rules, 1986 and duly approved by the competent authority for the development of minor mineral deposits in the area concerned.

⁴ Ajmer, Dungarpur, Jaisalmer, Jodhpur, Nagaur, Rajsamand-I, Ramganjmandi, Sikar and Tonk.

had not been obtained though required under Rule 37(J) of RMMC Rules 1986. Thus, the risk that the exploited areas may not be reclaimed/rehabilitated by the licensees as envisaged under rules cannot be ruled out.

After this being pointed out, the Government replied (November 2014) that notices had been issued to the lessees/licensees to deposit financial assurance amount and the same was also reiterated in the exit conference.

7.4.10 Environment Management Fund

As per Rule 37T(5) of the RMMC Rules, 1986, an amount towards Environment Management Fund (EMF) shall be collected from lessees. The amount so collected shall be utilised on the environmental works in accordance with provisions of Rules. However, no system was put in place for recovering the amount.

Audit scrutiny of records of 10 AME/ME⁵ disclosed that the EMF amount of ₹ 6.53 crore was not collected from 289 lessees, permit holders and contractors as detailed below:

(₹ in lakh)

Category	Number	Amount
Lessees dealing with execution and despatch of mineral	104	68
Permit holders dealing with excavation of mineral and for self use in public works	173	121
Royalty collection contractors dealing with collection of royalty	12	464
Total	289	653

After this being pointed out, the Government replied (November 2014) that notices had been/were being issued to recover outstanding EMF amount.

It was stated in exit conference that EMF amount could not be collected due to confusion about the procedure of recovering the amount and instructions have been issued (February 2013) for the recovery of the amount. Thus, absence of the system resulted in non-recovery of the amount for eight months from June 2012 to March 2013.

7.4.11 Formation of committees submission and non-submission of reports

Committees were set-up by the Government/Department either on the directives of courts or on representation by lessees or on the basis of complaint for ascertaining and investigating the extent of illegal extraction of mineral and allotment of mining leases.

Scrutiny of records of Principal Secretary, Mines and Petroleum, DMG and selected units disclosed that nine committees/joint inspection teams (JIT) were formed during September 2001 to June 2014 to examine the quantity illegally excavated and for allotment of leases. Of these, in one case (*Moda Pahar*)⁶, four committees/JIT were formed while in other case two committees were

⁵ Ajmer, Bharatpur, Bijolia, Dungarpur, Jaisalmer, Jodhpur, Nagaur, Ramganjmandi, Sikar and Tonk.

⁶ The name of the hill containing mineral "masonry stone".

formed and in the remaining three cases one committee in each was formed. It was observed either no reports were furnished by the committees or wherever reports were furnished no action was taken with the result illegal extraction went on abetted as discussed in the following paragraph 7.4.11.1 to 7.4.11.5.

7.4.11.1 Illegal mining continued in *Moda Pahar* due to lackadaisical action of the Department

Scrutiny of the records in the office of Principal Secretary Mines and Petroleum, Jaipur, DMG and ME Sikar, disclosed that illegal mining in *Moda Pahar* was rampant and continued unabatedly. Four committees were formed one after another without any fruitful results. The formation of committees and the action taken thereof has been briefly discussed in the following table.

Sl. No.	Particulars of inspecting officer/ joint inspection team/ committee	Action taken by ME/ joint inspection team/committee and duration	Date of submission of <i>Panchanamas</i> / reports	Quantity and cost of illegally excavated mineral	Remarks
(1)	(2)	(3)	(4)	(5)	(6)
1.	ME Sikar detected illegal mining.	Prepared <i>Panchanamas</i> from 06.07.2001 to 11.07.2001	9 lessees were found excavating mineral masonry stone from outside the sanctioned leased area during 6.7.2001 to 11.7.2001	0.79 lakh MT (₹ 0.40 crore)	Though <i>Panchanamas</i> were prepared against the lessees, no action for recovery was taken.
2.	Against the <i>Panchanamas</i> prepared, lessees approached the ADM, Jaipur who constituted (17.9.2001) a joint team for computation of the quantity of illegally excavated mineral	Joint inspection team prepared <i>Panchanamas</i> during 26.9.2001 to 30.9.2001	18 lessees were found excavating mineral masonry stone from outside the sanctioned leased area during 26.9.2001 to 30.9.2001.	6.71 lakh MT (₹ 2.25 crore)	Only four lessees deposited ₹ 1.82 lakh as cost of mineral.
Remarks: Thus, it would be seen that the number of cases of illegal mining increased nine to 18. There was nothing on record to indicate that the Department has taken any action to curb the illegal mining from 2001 to 2011.					
3.	On the direction of the DMG dated 7 January 2011, ME Sikar terminated (8 January 2011) 18 leases on weak grounds such as non-erection of boundary pillars, non-placement of sign boards, etc. instead on the ground of illegal mining outside the sanctioned leased area and took possession of leases on 10 January 2011. The ADM, Jaipur revived (June and July 2011) 16 leases on the grounds stated above and two leases were not restored due to expiry of lease term.				No action was taken for illegal excavation against the lessees.
The Department cancelled the leases for not displaying the signboards etc. as mentioned above, instead of cancelling the leases for illegal mining. As such, these were restored by ADM Jaipur.					
4.	On receipt of complaints from the lessees, DMG constituted (25 10.2010) another committee for computation of the quantity of illegally excavated mineral.	Committee conducted detailed survey of the area during the period 28.10.2010 to 14.11.2010.	23 lessees were found excavating mineral masonry stone from outside the sanctioned leased area. The committee's factual report was sent to the Government by DMG on 11.3.2011.	23.59 lakh MT (₹ 23.93 crore)	Only one crore was deposited by five lessees against demand raised for ₹ 23.93 crore.

(1)	(2)	(3)	(4)	(5)	(6)
5.	On the direction of Hon'ble Lokayukt, State Government further constituted (18.11.2011) another committee for computation of the quantity of illegally excavated mineral	Committee conducted detailed surveys of the area during the period 13.12.2011 to 17.12.2011 and 09.02.2012 to 11.02.2012.	24 lessees were found excavating mineral masonry stone from outside the sanctioned leased area. Committee submitted report on 18.02.2012.	80.34 lakh MT (₹ 149 crore)	The lessees did not agree with the committee's report on the quantity of mineral illegally excavated. Hence, no action for recovery could be initiated by ME.
6.	The lessees approached the Hon'ble Rajasthan High Court due to dispute regarding the quantity of illegally excavated mineral. The court directed (24.04.2014) to constitute a new committee for computation of the quantity of illegally excavated mineral	State Government constituted (20.06.2014) a new Committee which surveyed the area during 12.08.2014 to 14.08.2014 and 21.08.2014 to 23.08.2014.	Report of committee was awaited.	-	Government stated (11.11.2014) at the time of exit conference that the report of committee constituted as per direction of Hon'ble High Court had been received and action would be taken accordingly.

The above facts revealed that Department did not take commensurate stringent action against those who were engaged in illegal mining. The approach of the Department resulted in illegal extraction of 80.34 lakh MT of masonry stone cost by ₹ 149 crore. The cases are presently under litigation.

7.4.11.2 No action on illegal mining and framing a committee

During test check of records of ME Sikar, it was noticed that two leases (No. 367/06 and 368/06) for the mineral marble were sanctioned in favour of M/s Rakesh Mordiya. As per inspection conducted (21 March 2012) by ME office, the lease holder excavated and despatched the mineral marble over and above the quantities authorised in the *rawannas*. A quantity of 3.25 lakh MT of the mineral marble *khanda* was despatched without *rawanna* and payment of the royalty to the Department. The ME office issued (5 April 2012) a notice to the lease holder for illegal despatch of mineral but thereafter no action was taken against the lessee. Neither the recoverable cost of mineral was calculated nor action for raising the demand for cost of mineral illegally excavated was initiated. The recoverable cost of the mineral from the lessee worked out to ₹ 21.09 crore.

It was further noticed (May 2014) that DMG constituted (5 May 2014) a committee comprising of ME Alwar and ME Jaipur to ascertain the quantity illegally excavated after inspecting both mining leases within seven days from the date of constitution of the committee but the committee's report was still awaited (November 2014).

On being pointed out, the Government replied (November 2014) that action would be taken upon receipt of the committee's report.

7.4.11.3 Allotment of leases in catchment area of *Raila* dam

Twenty leases of masonry stone were sanctioned (between 2010 to 2012) in area of the *Raila* dam in Sikar. The villagers complained against the leases. This was also highlighted in the print media. The Government constituted (13 May 2013) a committee to ascertain the extent of catchment area in which mining was carried out.

The committee constituted by the Government had not given its report despite a lapse of more than one year. Government further stated in exit conference (11 November 2014) that matter would be seen in the light of the committee's report.

7.4.11.4 Illegally excavated limestone detected by vigilance wing

During test check of records of ME Nagaur, it was noticed (May 2014) that the ME (Vigilance), Jodhpur inspected (July 2004) 10 limestone mining leases and found that 2.45 lakh MT limestone (burning) had been illegally excavated and despatched from outside leased areas by misusing the *rawannas* issued for sanctioned leases. Accordingly, ME issued (22 December 2004 and 11 May 2005) show cause notices for illegal mining and raised a demand (17 October 2005) of ₹ 7.97 crore in 10 cases.

The Government constituted (30 June 2006) a committee comprising DS, Mines Jaipur, Additional Geologist and Accounts Officer of DMG, Udaipur for calculating the quantity of limestone (burning) illegally excavated by these lessees.

The committee in its meeting (13 December 2006) decided to calculate the quantity of limestone in respect of all 10 lessees by deploying an inspecting team consisting of SME Bikaner, Sr. Geologist Jodhpur, ME Udaipur and AME Sriganganagar. Meanwhile, the ME sent a proposal to revoke eight leases, while two leases had already been revoked (30 June 2004 and 28 September 2004) and action under the Rajasthan Land Revenue Act, 1956 had also been initiated (28 April 2007) to recover the amount. It was noticed that no amount could be recovered in these nine cases against the demand of ₹ 6.99 crore. Also, neither the committee nor inspecting team furnished its finding due to promotion and transfer of the members.

A new committee was again constituted (24 May 2013) to finalise the matter, progress of which was not available on records.

The issue of illegally excavated limestone, therefore, could not be settled even after eight years from the date of constitution of the first committee by the Government because of poor monitoring and lack of follow up action.

After this being pointed out, the Government replied (November 2014) that action would be taken upon receipt of committee's report.

7.4.11.5 Inaction on committees' report regarding the delay in grant of Quarry Licences in village *Keru*, Jodhpur

During test check of the records of ME, Jodhpur it was noticed (July 2014) that a committee was constituted (16 December 2009) by the Government

because of reports of rampant illegal mining in village *Keru*, Jodhpur. It was further noticed that 3,300 *bigha* out of 13,551 *bigha* of *siwaichak* land in village *Keru* was given to the Mining Department for allotment of QLs before 2003.

For the remaining area, the Divisional Commissioner, Jodhpur had restricted (1993) mining as it was falling under the catchment area of *Kayalana* lake. The committee in its report had given recommendations regarding the status of the available land and the catchment area. The committee reported (2 June 2010) that under the changed circumstances there was no importance of catchment area of *Kayalana* lake as it was fed by the water of Indira Gandhi Canal and the water from rainfall was no more going to the lake. The committee, therefore, recommended that additional land measuring 950 *bigha* may be allotted to the Department so that 800 QLs may be sanctioned which would enhance mineral availability apart from giving employment to 1,500 persons. Further, the State Government would receive one time application fee of ₹ 15.00 crore and royalty of ₹ 2.00 crore and licence fees of ₹ 0.32 crore per year.

It was noticed that no action was taken by the Department though more than four years had lapsed after the committee's recommendations. As a result, the issue of illegal mining in the area could not be addressed due to inaction of the Department. Besides, revenue in the form of application fee, royalty or licence fee could not be realised.

7.4.12 Pendency of appeals with the Department

Rule 43 of the RMMC Rules, 1986 provides that any person aggrieved by an order of SME/ME/AME passed under these rules shall have right to appeal to the DMG. The powers of the DMG in this respect has been delegated to ADM. Similarly, any person aggrieved by any order passed in appeal by the ADM shall have the right to appeal to the Government.

7.4.12.1 During test check of records of Office of the Principal Secretary, Mines and Petroleum Rajasthan, Jaipur, DMG Udaipur and selected ME/AME offices, it was noticed (April 2014 to July 2014) that out of 5,250 appeal cases, 4,588 appeal cases were disposed of and 662 cases were pending for want of decision.

Sl. No.	Name of the office and units under his jurisdiction	Cases pending as on 1 April 2009	Cases added or disposed of during 1 April 2009 to 31 March 2013		Pending cases (in the court of ADM)
			Added	Disposed of	
1.	ADM Jaipur	786	1,443	2,098	131
2.	ADM Udaipur	153	836	831	158
3.	ADM Jodhpur	494	1,538	1,659	373
	Total	1,433	3,817	4,588	662

The ADM Jaipur stated that cases were disposed of belatedly due to incomplete records/replies received from sub-ordinate offices and shortage of staff. However, the other two ADM offices did not give any reasons for pendency.

7.4.12.2 In ME Dungarpur, the Department noticed that a lessee had illegally excavated and despatched 20,412 MT mineral Serpentine valuing ₹ 3.57 crore from outside of sanctioned leased area. Against the notice (6.4.2009) issued by the ME, lessee filed a revision and the DS Mines upheld (28.7.2010) the demand against the lessee. The lessee approached Rajasthan High Court that remanded the case to DS Mines, Jaipur with the orders for taking a decision within two weeks *i.e.* 25.4.2012. The case has not been decided till date.

7.4.13 Grant of leases of mineral masonry stone in area declared for allotment of leases for mining of noble metals

Rule 4(5) of the RMMC Rules, 1986 envisages that no mining lease shall be granted or renewed in respect of lands notified by the Government as reserved for use of the Government or local authorities for any other public or special purposes.

During test check of the records of ME Sikar, it was noticed (December 2013) that 17.50 square KM area in *tehsil* Neemkathana, Sikar was reserved for the Geological Survey of India (GSI) on the directions (4 February 2002) of DMG for prospecting and investigation of base metal and associated minerals. The area was declared free for allotment exclusively for noble metals vide DMG notification dated 26 April 2008 after completion of prospecting and investigation work by GSI. A note to this effect was made in a Register meant for this purpose. However, the ME Sikar sanctioned 24 leases (12 leases were granted during the period from 2005 to 2008 and 12 leases were granted after 2008) for 20 years for excavation of masonry stone in part of the reserve area during the period from 7 March 2005 to 5 April 2010.

The DMG decided on 26 July 2012 to cancel the 24 leases but instead of issuing cancellation orders directed the ME to issue (12 December 2012) show cause notices to 24 lessees for declaring the leases as *null and void*. The ME sent (7 February 2013) a proposal accordingly. However, no final decision was taken and mining operations were being carried out by the lease holders (December 2013). The above facts indicate that the Department was not following its own instructions and the monitoring at the apex level was also inadequate. Further, the incorrect grant of leases in the area reserved for the noble metals indicated that the Department was not serious about development of noble metals.

On being pointed out, the Government replied (November 2014) that the proposals for declaring the leases *null and void* had been sent (February 2013) by SME, Jaipur but the same were pending with DMG. The reply supports the contention of Audit regarding the lack of monitoring and inadequate action taken on the matter.

7.4.14 Management and control of leases

Management and regulation of mining activities is an important function of ME/AME offices besides supervision and inspection of mining areas to see that terms and conditions of leases are observed in full without any deviation by the lessees. As most of the mines pertain to minor minerals which are prone

to theft and pilferage, the concerned MEs/AMEs have to remain more vigilant. The MEs/AMEs have to ensure that regular inspections are done so as to check illegal mining activities and ensure safe and eco-friendly mining besides timely assessment and recovery of dues. The cases of non-observance of terms and conditions of leases are discussed below:

7.4.14.1 Pending royalty assessments

Rule 38 of the RMMC Rules, 1986 provides that assessment of royalty shall be made by assessing authority after filing of the return for the respective year by the assessee. If the assessee fails to submit returns within the prescribed period, the assessing authority may assess the royalty to the best of his judgement. It was observed that no time limit was prescribed for assessment of royalty after filing of returns by the lessees.

Audit observed that in seven ME/AMEs⁷ offices, out of 10,751 assessment cases of minor minerals pertaining to the period 2009-10 to 2012-13, 8,177 assessment cases (76 per cent) were finalised leaving 2,574 assessment cases (24 per cent) pending as on 31 March 2013. The reasons for non-finalisation of pending assessment cases were not furnished to audit.

The Government replied in Exit conference (November 2014) that pending royalty assessments would be finalised soon.

It is recommended that a time limit may be prescribed for assessment of royalty after filing of returns by the lessees.

7.4.14.2 Lack of monitoring over units receiving minerals from unexplained sources

Rule 54 of the RMMC Rules, 1986 provides that any person engaged in trading of minerals shall maintain a correct account of mineral purchased, stocked and sold and is liable to produce the accounts for inspection. As per Rule 68 of the RMMC Rules, 1986, for the mineral transported without transit pass issued by the ME/AME, the defaulter shall have the liability to pay the cost of mineral along with compound fees.

- Out of 11 ME/AME offices test checked, five MEs/AMEs⁸ furnished the information that 140 crushers were operational in their jurisdiction. However, none of the ME/AMEs maintained any records regarding the establishment and operational activities carried out by the crushers and issue of transit pass to the crushers except the AME Tonk. It was further noticed that no inspection of crushers was carried out by ME/AME to verify the sources of mineral obtained by them.

After this being pointed out, the Government replied (November 2014) that action was being taken for the registration and issue of TP to the crushers. However, it was stated in Exit Conference that TPs were not being issued due to ambiguity in rules which would be cleared by amending the rules.

⁷ Ajmer, Bharatpur, Jaisalmer, Jodhpur, Nagaur, Ramganjmandi and Tonk.

⁸ Dungarpur, Jodhpur, Nagaur, Ramganjmandi and Tonk.

- Audit further noticed that the ME was not even prompt and vigilant in a case detected by ME Jodhpur (vigilance). An inspection of a crusher situated in area Savki (*tehsil* Bhopalgarh) was conducted (1 March 2013) by a vigilance team comprising of SME, ME (Vigilance) and Surveyor (ME Jodhpur). The vigilance team had found 5,700 MT mineral *Mungia* and 500 MT raw mineral Rhyolite at site. In addition, the vigilance team had also concluded that material was excavated from two pits measuring 75x22x9 metre and 30x22x9 metre adjacent to crusher's site. The vigilance team report was submitted on 1 March 2013. However, till date, no action was found to have been taken to work out the quantity of mineral illegally excavated.

The concerned ME neither assessed the quantity of the mineral nor raised the demand of ₹ 60.02 lakh for 35,306 MT mineral illegally excavated even after lapse of two years.

After this being pointed out, it was stated in exit conference that the matter would be looked into.

7.4.14.3 Removal of masonry stone without paying royalty

The Government inserted (14 October 2011) Rule 63(A) in the RMMC Rules, 1986 and made STP mandatory if the mineral waste was removed (by other than tenant) on advance payment of royalty and permit fee at the rate of ₹ 10 per MT.

During test check of the records of ME Bijolia (June 2014), it was noticed that the masonry stone, excavated alongwith dimensional sandstone from the quarry licences sanctioned for mineral sandstone, was lying as a waste in the quarries. The masonry stone so excavated was removed by persons without obtaining STP or without paying any fees or royalty from quarries. The ME Bijolia stated (June 2014) that the royalty evasion on masonry stone removed from waste from sanctioned and closed quarries was to the tune of ₹ 2.95 crore per year. Thus, the loss of revenue of ₹ 4.33 crore had occurred during the period from 14 October 2011 to 31 March 2013. The Department need to take necessary steps for prevention of such losses.

It was stated in exit conference (11 November 2014) that the condition regarding payment of royalty on removal of masonry stone from waste would be inserted in the new RCC contracts.

Short term permits

7.4.15 Unauthorised excavation and use of minerals by public works contractors

As per Government's circular dated 8 October 2008, the public works contractor shall have to obtain STP, for the minerals to be used in the works, from the concerned ME/AME before starting the work. In case of use of mineral in works without STP, the concerned Works Department is responsible for depositing the cost of minerals used without STP after recovering the same from the contractor.

During cross verification of STPs issued to public works contractors by the ME/AME and the work orders' 'G' schedules⁹ maintained in seven ME/AME¹⁰ offices, it was noticed (July 2013 to March 2014) that 75 works contractors excavated/ consumed minerals like masonry stone, *bajri*, *murrum*, ordinary soil, *etc.* either without obtaining STP or in excess of 25 per cent over the quantity permitted in the STP. The cost of minerals illegally excavated worked out to ₹ 8.33 crore. The Department had not taken the matter with the concern Departments for recovery of the amount from the concerned contractors.

After this being pointed out, the Government replied (November 2014) that matter will be taken up with concerned Departments for effecting the recovery from the contractors. Further action taken in recovery has not been received.

7.4.16 Illegal mining operations

The amount of the mining dues is to be recovered under RMMC Rules, 1986 and under the provision of the Land Revenue Act.

Information collected from the 11 ME/AME revealed that 1,931 cases of illegal mining involving 1.24 crore MT mineral valued at ₹ 162.46 crore were detected by the Department. The Department could recover only five per cent of the total cost of the mineral and remaining amount of ₹ 154.32 crore remained unrecovered. The year-wise position was as under:

No. of unit	Year	No. of cases	Quantity of Mineral (thousand MT)	Recoverable cost alongwith compound fee (₹ in crore)	Outstanding recoverable amount (₹ in crore)
11	2009-10	503	13	0.39	Nil
	2010-11	460	1,676	25.21	23.04
	2011-12	240	10,604	130.61	128.83
	2012-13	728	191	6.25	2.45
	Total	1,931	12,484	162.46	154.32

⁹ Abstract of cost.

¹⁰ Ajmer, Bijolia, Dungarpur, Jaisalmer, Jodhpur, Nagaur and Sikar.

After this being pointed out, the Government replied (November 2014) that action was being taken for recovery either as per provisions of the RMMC Rules, 1986 or under the provisions of the Land Revenue Act.

7.4.17 Illegal mining in forest area

During test check of the records of Principal Secretary, Department of Mines and Petroleum, Jaipur, it was noticed (April 2014) that 23 leases were sanctioned near the forest area under the jurisdiction of the ME Kota. It was further noticed that Regional Forest Officer, Indergarh had intimated (9 August 2011) DFO, Bundi that 10 lessees had excavated and despatched 2.03 lakh MT mineral masonry stone costing ₹ 3.45 crore from the safety zone of the forest area which was outside the sanctioned lease areas. However, no action was found to have been initiated either for cancellation of leases or for recovery of cost of excavated mineral by the ME Kota.

The matter was pointed out to the Government (September 2014), the reply has not been received (December 2014).

7.4.18 Formulation of a new policy for marble mining at Makrana

The paragraph 10.31 of Rajasthan Mineral Policy 2011 stipulated for formulation of a new policy for marble mining at Makrana. Though more than three years had passed since the introduction of Mineral Policy 2011, no separate policy had been framed for mining of marble at Makrana and mining was being done without any such policy.

The Government stated (November 2014) that the matter was under active consideration of the Department. In exit conference (11 November 2014), it was stated that the earlier policy could not be implemented due to litigation.

7.4.19 Absence of a monitoring system for royalty assessments in case of short term permits

Rule 63 (6) of the RMMC Rules, 1986 stipulates that STP holders shall be responsible for submission of records of minerals actually excavated/despatched within 15 days of expiry of validity of STP. The State Government vide orders dated 8 October 2008 and 15 November 2011 passed instructions for assessment of royalty on the minerals consumed in works.

During test check of the records of nine ME/AME¹¹ offices, it was seen that 1969 STPs involving royalty of ₹ 10.41 crore issued during the year 2009-10 to 2012-13 to the Public Works Department contractors were pending for royalty assessments. There was nothing on record to indicate that any attempt/procedure has been made for assessment of these short term permits.

It was also stated in exit conference that a simple procedure would be made for assessment of STP.

¹¹ Ajmer, Bharatpur, Bijolia, Dungarpur, Jaisalmer, Jodhpur, Nagaur, Rajsamand-I and Tonk.

7.4.20 Internal Control

7.4.20.1 Internal Audit

Internal audit is an important tool in the hands of administration for ascertaining that rules and procedures prescribed by the Department are being followed and are sufficient to safeguard proper collection of revenue.

During test check of the records of the DMG (June 2014), it was noticed that internal audit of all the mining units was pending since 2004-05. In absence of internal audit, the departmental authorities were not aware of the areas of the weakness in the system.

After this being pointed out, the Government stated in exit conference (11 November 2014) that internal audit could not be conducted due to shortage of staff and the process would be started after appointing retired Government employees.

7.4.20.2 Inspection of mining leases and quarry licences

As per Directorate's order dated 21 September 1984, every ME and AME has to inspect 48 mining leases including 6 leases of sub-divisions during the year. The norms of inspection further increased from 48 to 60 vide Directorate's order dated 13 December 2012.

Scrutiny of records of selected ME/AME offices disclosed that four offices did not maintain any records of inspection of leases. The ME Jodhpur and ME Sikar provided incomplete information. Three ME/AME offices did not achieve the prescribed targets of inspection as tabulated below:

Name of unit	Period	Prescribed targets	Inspection conducted	Shortfall	Percentage of shortfall
ME Ramganjmandi	2009-13	194	66	128	66
ME Dungarpur	2009-13	194	160	34	18
AME Tonk	2009-13	194	133	61	31

However, the ME Ajmer and ME Nagaur conducted inspection as per prescribed norms.

After this being pointed out, the Government replied (November 2014) that efforts were being made to conduct inspections as per norms. It was also stated in exit conference that shortage in number of inspections was due to lack of staff and directions would be given to maintain the guard files/records for proper documentation of inspections.

7.4.20.3 Loss due to non-extension of contract

It was noticed that the registration of a Royalty Collection Contractor in Bijolia was going to expire on 31 December 2012; the Department refused to extend the contract on the ground that it was going to expire in 31 March 2011. The contract was awarded on 25 May 2011 by the Department to the same contractor. The royalty of ₹ 4.91 lakh from 1 April 2011 to 24 May 2011 was collected Departmentally. The extension of contract would have earned revenue of ₹ 19.97 lakh. This omission of registration remained unnoticed and resulted in loss of royalty of ₹ 15.06 lakh.

7.4.20.4 Absence of co-ordination with Rajasthan State Pollution Control Board

Under Section 21(4) of the Air (Prevention and Control of Pollution) Act, 1981 and Section 25 and 26 of the Water (Prevention and Control of Pollution) Act, 1974, a lessee is required to obtain 'consent to operate' from the Rajasthan State Pollution Control Board (RSPCB) determining quantity of minerals that can be excavated during the prescribed period.

In one case of ME Nagaur, audit observed (June 2013) that one lessee was allowed by the RSPCB to produce 10,000 MT quantity of mineral limestone per year. However, the lessee produced 16850.350 MT quantity of mineral limestone during the year 2011-12 violating order of the RSPCB as detailed under:

Name of Mineral	Period	Quantity allowed (MT)	Quantity excavated/ despatched (MT)	Illegal production (MT)	Cost of minerals (Royalty x 10)
Limestone	1 April 2011 to 31 March 2012	10,000	16,850.35	6,850.35	44,52,728

The Department also issued *rawannas*¹² for removal of mineral without considering the production limits fixed by the RSPCB. Thus, excess production of 6,850.35 MT mineral (valued at ₹ 44.53 lakh) was allowed over and above the authorised quantity.

Audit noticed that there was no system for informing the RSPCB of the excess mineral excavated by the lessees. Thus, production of 6,850.35 MT mineral was extracted without permission of RSPCB. Neither the Department nor the lessee took the matter with the RSPCB for regularisation of their mineral unauthorisely extracted.

The above facts indicate the Department needs to strengthen its internal control mechanism for smooth running and prompt collection of the Government revenue.

¹² *Rawanna* means delivery challan for removal or despatch of mineral from mines.

7.4.21 Conclusions and Recommendations

The Department of Mines and Geology introduced significant changes in the mining operations as well as in allotment of mining leases. As per the amended RMMC Rules, 1986 which came into force from 19 June 2012, each lessee/licensee/short term permit holder is required to submit mining plan/simplified mining scheme to concerned ME/AME for approval. Systematic, scientific and environment friendly mining provisions were also introduced in the amended rules. Revenue receipts from minor minerals showed healthy up trend and increased from ₹ 420.42 crore in 2009-10 to ₹ 858.41 crore in 2012-13. However, the following areas require strengthening:-

- Out of 9,515 lessees/quarry licensees, 4,195 lessees/quarry licensees had not submitted the mining plans/simplified mining schemes. Further, 1513 mining plans/simplified mining schemes were awaiting approval. *The Government may evolve a monitoring mechanism for timely submission and approval of mining plans/simplified mining schemes and its proper follow up to ensure systematic, scientific and eco-friendly mining operations and rehabilitation of exploited areas.*
- Lack of inspections as per norms fixed by the Directorate for AME/ME adversely impacted correct assessment of royalty. *The Department may ensure that inspections are carried out as per norms with proper documentation.*
- Illegal mining operations continued unabatedly at several places. Committees were to be set-up by the Government/Department to inspect, investigate and report on matters relating to mining activities. There were instances of delay in constitution of committees. Also, there were cases where the committees failed to submit their reports or action on committee's reports was not taken by the Department.

The Government may strengthen the mechanism of prevention and detection of illegal mining through more vigorous implementation of the Land Revenue Act and RMMC Rules.

The Government may issue instructions for streamlining the procedure for setting up of committees. It may ensure timely submission of reports by the committees and may take prompt action on the recommendations made by these committees.

- The lessee is required to obtain 'consent to operate' from Rajasthan State Pollution Control Board (RSPCB) before start of mining operations, which prescribes standards for eco-friendly mining, viz. permissible quantity of pollutant in water and air, maximum limit of production of mineral in a given period, etc. There was no monitoring either by the Mining Department or by RSPCB to check compliance with the prescribed standards. *The Government may evolve a mechanism to ensure that the prescribed standards for eco-friendly mining are observed.*

7.5 Non-recovery/short recovery of royalty

Section 9(2) of the MMDR Act, 1957 envisages that the holder of a mining lease shall pay royalty in respect of any mineral removed or consumed by him from the leased area at the rate for the time being specified in the Second Schedule of the Act in respect of that mineral.

As per Rule 27(1)(i) and (j) of the MC Rules, 1960 the lessee shall keep accurate and faithful accounts showing the quantity and particulars of all minerals obtained and despatched from mine. The lessee shall keep accurate records of all trenches, pits and drillings made by him in the course of mining operation carried by him under the lease.

During test check and cross-verification of concession files, assessment files and pits and trenches shown in mining plan submitted by the lessee in the office of the ME Amet, it was noticed (January 2014) that Mining leases (No. 27/2005 and 35/2003) for mineral Quartz and Felspar were effective in favour of Shri Ashok Kumar Jain. Scrutiny of returns submitted by the lessee disclosed that the lessee had excavated and despatched mineral in excess of quantities assessed by the Mining Engineer for payment of royalty. This resulted in short recovery of the royalty of ₹ 2.46 crore as detailed below:

(₹ in crore)

Sl. No.	Lease no.	Period	Name of mineral	Excavated/despached quantity assessed by Audit (MT)	Quantity assessed by ME on which royalty paid (MT)	Rate of the mineral PMT	Rate of royalty (in per cent)	Total royalty (5x7x8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	27/05	2003-04 to 2009-10	Sub-grade of pegmatite	44,479	0	250	12	0.13
			Quartz	22,239	507	250	15	0.08
			Felspar	1,11,198	16,347	250	12	0.28
2	35/03	2005-06 to 2009-10	Sub-grade of pegmatite	1,68,241	0	250	12	0.51
			Quartz	84,121	4,232	250	15	0.30
			Felspar	4,20,605	34,678	250	16	1.16
Total								2.46

The matter was pointed out to the Department (February 2014) and reported to the Government (May 2014). The Government replied (November 2014) that a committee had been constituted vide DMG's order dated 14 May 2007 for detailed examination and further action would be taken on receipt of report from the committee. The fact, however, remains that the Department had failed to detect short payment of royalty since 2003-04.

7.6 Non-recovery of excess royalty and interest thereon

Section 9(2) of the MMDR Act, 1957 provides that the holder of a mining lease shall pay royalty in respect of any mineral removed or consumed by him or by his agent, manager, employee, contractor or sub-lessee from the leased area at the rate specified in the second Schedule of the MMDR Act in respect of that mineral. Government instructions issued in April 2000, provides that competent authorities should calculate royalty in respect of despatched mineral on monthly basis, raise demand and initiate action for recovery thereof. Further, under Rule 64(A) of MC Rules, 1960, simple interest at the rate of 24 per cent per annum on royalty due to Government is chargeable from the sixtieth day of the expiry of the due date fixed for payment.

Test check of the demand register and assessments files of ME, Nagaur disclosed (June 2013) that the assessments of two lessees were done after a period of one year four months to four years and demand of the excess royalty was erroneously shown as adjusted against the amount received for further issue of *rawannas*. This resulted in non-recovery of the excess royalty of ₹ 95.19 lakh on which interest of ₹ 36.73 lakh was also leviable up to 31 March 2013 as per details given below:

(₹ in lakh)

Name of lessee	ML no	Assessment period	Assessment date	Excess royalty	Delay in days (from 60 th day)	Interest recoverable
Rajasthan State Mines and Mineral Ltd.	1/99	20.6.2008 to 19.6.2011	4.10.2012	64.38	591	25.02
M W Mines (P) Ltd.	1/88	3.7.2010 to 2.7.2011	8.1.2013	30.81	578	11.71
Total				95.19		36.73

The matter was pointed out to the Department (July 2013) and reported to the Government (May 2014). The Government replied (October 2014) that notices had been issued for depositing the balance amount in both the cases and an amount of ₹ 30.44 lakh had been deposited by M.W. Mines (P) Ltd.

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The

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