

## CHAPTER VI MINING RECEIPTS

### 6.1 Non-tax revenue Administration

Assessment and collection of mining receipts were regulated by the Mines and Minerals (Development and Regulation) (MMDR) Act, 1957, the Mineral Concession (MC) Rules, 1960, Mineral Conservation and Development (MCD) Rules, 1988 and Odisha Minerals (Prevention of Theft, Smuggling and Illegal Mining and Regulation of Possession, Storage, Trading and Transportation) (OM) Rules, 2007 framed thereunder. The above Act / Rules were administered by Director of Mines and Director of Geology, Odisha under the overall supervision of Principal Secretary, Department of Steel and Mines. He was assisted by seven Deputy Directors of Mines (DDM) and seven Mining Officers at the circle level who were the assessing authorities (AAs) of mining receipts like royalty, dead rent, fees and fines, etc.

### 6.2 Internal Audit

During the year 2016-17, Internal Audit Wing of the Department had audited four out of nine units planned for audit. The shortfall was attributed by the Department to shortage of manpower. Audit observed that 237 paragraphs of Internal Audit Reports having money value of ₹ 641.82 crore were pending for disposal as on 31 March 2017.

### 6.3 Results of Audit

Test check of the records of 26 units relating to the Steel and Mines Department was carried out in 2016-17. Audit revealed non-receipt / short receipt of mining receipts and other irregularities amounting to ₹ 1,414.30 crore in 191 cases which fall under the categories as indicated in the **Table 6.1** below.

**Table 6.1**

**Category of Audit observations on revenue receipts**

(₹ in crore)

Sl. No.	Categories	Number of cases	Amount
1.	Non-receipt / short receipt of Government revenue under Government account	58	766.78
2.	Other irregularities	133	647.52
<b>Total</b>		<b>191</b>	<b>1,414.30</b>

The Department accepted under assessment and other deficiencies of ₹ 773.44 crore in 180 cases pointed out during 2016-17. An amount of ₹ 0.05 lakh was realised during 2016-17 in one case pointed out in earlier year.

## **6.4 Audit of “Exploration and Development of Mineral Resources by Directorate of Geology, Odisha”**

### **6.4.1 Introduction**

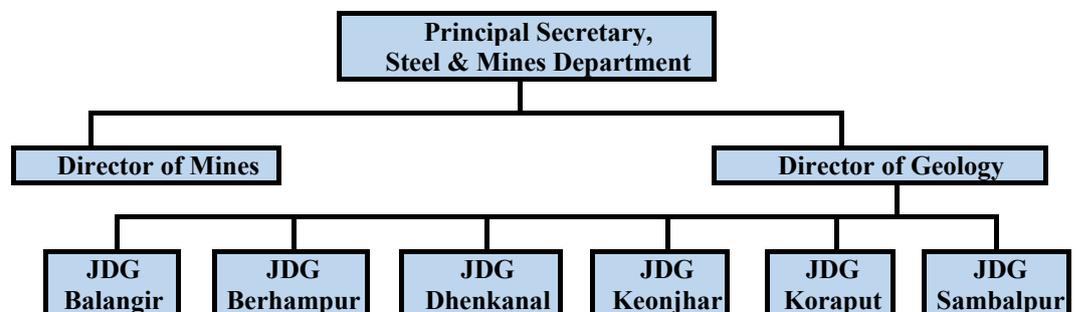
The Directorate of Geology, Odisha (DGO) functioned under the Steel and Mines Department of Government of Odisha. It was responsible for undertaking systematic survey, exploration and assessment of mineral resources in the State. It catered to the needs of mineral-based industries and to augment State’s revenue. It undertook various mineral exploration programmes as per field guidelines of United Nations Framework Classification (UNFC) as finalised in the State Geological Programming Board (SGPB). It explored major minerals like base metal, bauxite, coal, chromite, gemstone, graphite, iron ore, limestone and manganese. It also explored minor minerals like china clay, decorative stones, dolomite, quartzite, etc. in the State.

Audit was conducted between April 2017 to June 2017 in Steel and Mines Department, DGO and all six Zonal offices headed by Joint Directors of Geology (JDG). The period covered under audit was from 2014-15 to 2016-17. Audit was conducted to examine:

- Whether the survey, exploration and assessment of minerals/ore resources were done systematically.
- Whether it was as per Annual Field Programme (AFP) prepared under Odisha Mineral Exploration Policy, 2015 and Minerals (Evidence of Mineral Content) Rules, 2015.
- Whether survey, exploration and assessment of mineral resources were successfully executed within the prescribed time schedule.

### **6.4.2 Organisational Setup**

The DGO had six zonal offices, each headed by a Joint Director of Geology (JDG). The JDG was supported by Deputy Director of Geology (DDG), Geologists and other technical and ministerial staff. The organisational set up is shown below.



## Audit Findings

### 6.4.3 Mineral Investigation and Exploration

The Odisha Mineral Exploration Policy 2015 (OMEP) provided that there was substantial scope for increasing the contribution of the mining sector to the State's Gross Domestic Product (SGDP) considering the vast reserve of minerals in the State. The mining sector provided substantial fiscal resources as taxes and royalties. Accurate assessment of the mineral resources through scientific exploration has been a prerequisite for optimum exploration of these valuable natural resources.

Audit test checked the records on exploration and development of mineral resources in the State. The effectiveness of exploration by Directorate of Geology has been examined in the subsequent paragraphs:

#### 6.4.3.1 Budget & Expenditure

**Non-utilisation of budgetary allocation and inadequate allocation for field programmes.**

Para 5.5 of OMEP, 2015 provided for adequate budgetary support for funding the mineral exploration activities. Further, full utilisation of budgetary support was to be ensured for exploratory work to be effective.

The budget and expenditure of the DGO from 2014-15 to 2016-17 are as follows:

(₹ in lakh)				
Year	State-Plan/ Non-Plan	Budget	Expenditure	Excess(+)/ Saving(-)
2014-15	State-Plan	799.00	788.41	(-) 10.59
	Non-Plan	1,540.79	1,414.13	(-) 126.66
2015-16	State-Plan	730.98	724.45	(-) 6.53
	Non-Plan	1,552.83	1,503.33	(-) 49.50
2016-17	State-Plan	1,500.01	888.30	(-) 611.71
	Non-Plan	1,657.63	1,546.61	(-) 111.02

Source: Information furnished by DGO, Odisha

In this regard, audit observed that:

- The budget allotted could not be fully utilised in all the three years. Also, the unutilised amount increased substantially during 2016-17. The savings were more under plan budget than non-plan which implied more expenditure on salaries and establishment rather on exploration and other core activities.
- The non-plan<sup>1</sup> expenditure was 65 *per cent* while the plan<sup>2</sup> expenditure was only 35 *per cent* of the total expenditure.
- The department allocated a meager ₹ 190.07 lakh for core exploratory work which constituted only 7.91 *per cent* of the plan expenditure for 2014-17. This amount was spent on 33 field exploration programmes. The rest of the plan fund was utilised on purchase of machinery, equipment, tools & plants, office expenses, etc.

<sup>1</sup> Salary and establishment cost.

<sup>2</sup> Cost of exploration activities.

This implied inadequate budget allocation for field exploration programmes as compared to the total expenditure incurred by the Directorate. The objective of identifying exploration of minerals by the Department was defeated. This indicated lack of proper planning and estimation which were not reviewed by the Directorate.

In reply, Government stated (November 2017) that except plan expenditure for 2016-17, expenditure was satisfactory. The allotment under state plan for the year 2016-17 could not be utilised to optimum level as outsourcing of mineral exploration could not materialise due to non-participation of bidders.

Regarding meagre allocation for field expenditure, they stated that all the expenditures incurred in field as well as expenditure for procurement of drill machineries, drill accessories, geophysical/survey equipment, software's, etc. were also part of exploration expense.

Reply is not tenable as the allotment under State plan could not be fully utilised and funds allocated were meager for core exploratory work.

#### **6.4.4 Exploration Programmes**

As per Odisha Mineral Exploration Policy, 2015, mineral exploration work were prioritised to focus on early commencement of accrual of economic benefits. Detailed prioritisation was finalised in the master plan and priority was given for upgrading all the existing G3 level explored areas to G2 level as per UNFC norms<sup>3</sup>. Further, Mineral (Evidence of Mineral Content) Rules, 2015 provides that an area shall be considered to be having existence of mineral contents, if, in respect of such area, at least G2 has been completed to establish Indicated Mineral Resource and a geological study report has been prepared.

Directorate used to convene SGPB meeting every year, at the end of each field season<sup>4</sup> to review the exploration activities carried out by it. Other exploration agencies like Geological Survey of India (GSI) and Central Mine Planning and Design Institute (CMPDI), engaged in the State, also attended the meeting. The future course of action on different exploration agencies were discussed, finalised and approved for execution as Annual Field Programme (AFP). On completion of exploration programmes, the Geological and Technical reports were prepared and submitted to DGO.

The details of projects programmed for exploration during 2014-15 to 2016-17 and results of exploration are as under.

Year	No. of projects approved by SGPB for exploration			No. of projects where exploration is done			Final Report submitted
	General exploration (G2)	Prospecting (G3)	Reconnaissance Survey (G4)	General exploration (G2)	Prospecting (G3)	Reconnaissance Survey (G4)	
2014-15	1	5	5	1	5	5	4
2015-16	2	8	3	2	7	2	3

<sup>3</sup> Exploration involves four stages, G4: Reconnaissance Survey, G3: Preliminary Exploration, G2: General Exploration and G1: Detailed Exploration. These stages lead to four resource categories namely Reconnaissance, Mineral Resource, Inferred Mineral Resource, Indicated Mineral Resource and Measured Mineral Resource reflecting the degree of geological assurance.

<sup>4</sup> Field season for investigation/exploration works: November to March of next year.

Year	No. of projects approved by SGPB for exploration			No. of projects where exploration is done			Final Report submitted
	General exploration (G2)	Prospecting (G3)	Reconnaissance Survey (G4)	General exploration (G2)	Prospecting (G3)	Reconnaissance Survey (G4)	
2016-17	5	4	2	5	4	2	1
<b>Total</b>	<b>8</b>	<b>17</b>	<b>10</b>	<b>8</b>	<b>16</b>	<b>9</b>	<b>8</b>

Source: Information furnished by DGO, Odisha

The details of these explorations were examined in audit. The results of audit are discussed in the subsequent paragraphs.

#### 6.4.4.1 Loss of field season due to delay in finalisation of investigation/exploration report

Final reports on investigation/exploration were not submitted or submitted with delay.

As per prevalent working procedure, the field season for Investigation/Exploration works was from November to March of next year. Each Project in charge has to submit the final report, on completion of the assigned exploration work, by the month of October, i.e. before the commencement of the next field season.

In this regard Audit observed that:

- Investigation/Exploration of 33 projects were taken up during 2014-15 and 2016-17. Out of this, final reports of 25 projects (76 per cent) were yet to be submitted.
- Out of eight final reports of projects submitted, seven reports were submitted with a delay of two to 20 months.
- Similarly, 22 final reports in respect of investigation/exploration projects undertaken prior to 2014-15 were also yet to be submitted including one from the year 1996-97.

Non-submission of reports as planned, hampered further process of planning for exploratory work, including higher level of exploration and/or auction process.

In reply, Government stated (November 2017) that this observation has been viewed seriously and steps are being taken for early submission of pending reports on priority basis.

#### 6.4.4.2 Addition to Mineral Reserves was not significant over time

Increase of mineral reserves was not significant. The annual increase was 0.82 to 7.27 per cent during 2012-16 despite expenditure of ₹ 77.53 crore.

As per the Report of the Working Group on Mineral Exploration formed by Planning Commission, Government of India (February 2011), mineral reserves can increase significantly with additional exploration and beneficiation drives by use of state-of-the-art technology.

The department is engaged in exploring 16 major and minor minerals. The mineral reserve of the State during last four years increased from 77,421 to 89,208 Million MT from April 2012 to March 2016<sup>5</sup>.

<sup>5</sup> The mineral reserve for 2016-17 is not computed by the Department.



Audit observed that:

- The annual increase in reserve ranged from 0.82 to 7.27 per cent during the above years. This showed that there was no significant increase in the overall reserves in last four years.
- In view of this, the expenditure of ₹ 77.53 crore on salary and establishment included in cost of exploration projects during 2012-16 was not fully justified.

In reply, Government stated (November 2017) that during the period as mentioned, most of the exploration projects were conducted at G4 stage. Taking into account, Government's priority in that period exploration for few mineral potential blocks were take up to the status of G3/G2 level. Thus, there was insignificant increase in overall reserve figure of the state. They further stated that lack of adequate officers as well as supporting staff including drilling personnel, machineries, vehicles and allied ones were additional hindering factors for such performance. However, the fact remained that there was no increase in number of projects over the years and budgeted funds were not utilised fully.

#### **6.4.4.3 Drilling targets for exploration projects not achieved**

**Shortfall of achievement of drilling target was 55 per cent.**

The Directorate fixed drilling targets in the Annual Field Programme (AFP) in each of the exploration projects. According to MEMC Rules 2015, exploration upto G2 level was mandatory for auctionable stage. The coal projects were executed in conjunction with CMPDIL, a Central PSU. CMPDIL was the

nodal agency for disbursement of funds for potential explorations besides carrying out technical supervision of work in coal Sector.

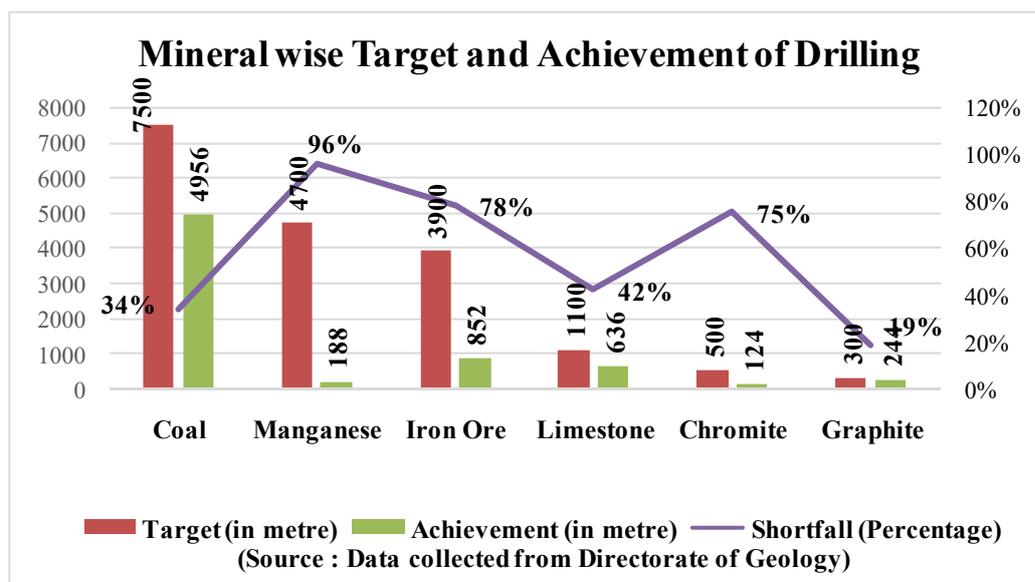
The details of drilling targets and achievement thereof in exploration of projects undertaken by the DGO during 2014-15 to 2016-17 are as under.

Year	2014-15		2015-16		2016-17		Total
Mineral	Coal	Non-coal	Coal	Non-coal	Coal	Non-coal	
Number of Projects	1	1	2	4	0	5	13
Target (metre)	2,500	500	5,000	9,700	0	2,300	20,000
Achievement (metre)	2,514	396	2,442	2,595	0	1,118	9,065
Percentage of short fall	-	21	51	73	0	51	55

Source: AFP and Interim Reports

Audit observed that:

- Drilling of 9,065 metres was achieved out of targeted 20,000 metres. This involved thirteen G2 and G3 level projects out of a total of 33. This resulted in an overall shortfall of 55 per cent.
- Shortfall in non-coal projects ranged from 21 to 73 per cent.
- Shortfall in mineral-wise drilling target, except Heavy minerals, ranged from 19 to 96 per cent as given under.



Non-achievement of drilling targets in above (G2 and G3) projects resulted in failure to reach the mandatory G2 level for auctionable stage.

In reply, Government stated (November 2017) that due to non-approval of coal exploration in SGPB meeting, suspension of drilling of coal blocks in mid field season, want of anticipated forest clearance, dispute in court and completion of G2 stage exploration prior to achieving targeted drilling, there was short fall in drilling target of exploration.

The reply indicated lack of proper planning before SGPB agenda and formulation of AFP.

#### 6.4.4.4 Abandonment of exploration of projects without completion of targeted items of work

Exploration of projects were discontinued without completion of targeted items of works as per approved AFP.

As per DGO guidelines (2013) issued to the field parties, all out efforts were to be made by the Officers-in-Charge (OIC) to achieve exploration targets in time. The OIC was to report to the concerned JDG/DGO any shortfall of target due to any difficulties in field.

Audit noticed that three exploration projects<sup>6</sup> were undertaken based on previous encouraging investigation reports. However, the specified items of work as approved in AFP like large scale mapping and drilling works were not even taken up for these projects. Nevertheless, OICs, in their interim/final reports stated that prospects of these areas were not promising and recommended discontinuance. Audit noted that these conclusions were premature as they were based on insufficient exploration activities. It resulted in failure of the projects with unfruitful expenditure of ₹ 7.90 lakh and ultimately led to non-accrual of economic benefits to the State.

In reply, Government stated (November 2017) that the targets were not attempted considering utmost economy as the investigated areas was not encouraging for further exploration. The reply was not tenable as the conclusions were drawn without even taking up works like mapping and drilling as finalised in AFP. Also, the fact remained that the projects undertaken were based on previous encouraging investigation reports.

#### 6.4.4.5 Non-programming of projects after Survey and investigation

Further exploration of Projects were not taken up after survey and investigation leading to unfruitful expenditure of ₹ 14.99 lakh incurred in four projects.

As per the decision of AFP four projects<sup>7</sup> were programmed for exploration up to G3 level during 2014-15. Exploration was taken up taking into account the previous investigations in which good quantity of possible resources were reported. Interim reports on these projects cited occurrences of minerals including possible mineral reserve in spite of shortfall in mapping and drilling work.

Audit observed that:

- Further programme for exploration was not made in succeeding years to assess the probable mineral reserve upto G2 level in all these projects.
- This deprived the State from accrual of economic benefits as further exploration upto G2 would have brought these projects to auctionable stage.
- Moreover, expenditure of ₹ 14.99 lakh incurred on these four projects during 2014-15 also became unfruitful.

<sup>6</sup> Graphite around Debabhuin-Bhuska-Dalka of Cuttack and Dhenkanal- ₹ 2,25,713, Rocks (Dimension stone) in Mahalikpara in Boudh- ₹ 3,05,916, Manganese around Perigurha and PaikaRanipinda in Rayagada- ₹ 2,58,166.

<sup>7</sup> Limestone and Dolomite around Tumelbud in Sundargarh- ₹ 6,61,701, Gemstone around Pokharidiha, Mayurbhanj - ₹ 3,24,030, Graphite around Kenduguda and Sippikera, Kandhamal - ₹ 2,86,556 and Bauxite around Pordapadar, Pulling and Jubang, Kalahandi - ₹ 2,26,327.

In reply, Government stated (November 2017) that these were either programmed basing on the priority or will be taken up in future. However, the fact remained that further exploration was not taken up even after two years.

#### 6.4.4.6 Delay in exploration/ non-programming of projects

**There was delay in completion and non-programming of projects in violation of HLC decision.**

During a Departmental review meeting held in S&M Department (April 2015), a decision was taken to fix time schedule for exploration of four mineral blocks<sup>8</sup>. The proposal was also approved by High Level Committee (HLC) on mineral auction in July 2015 that the areas will be explored to bring the exploration status up to G2 level.

Audit observed that:

- Two out of four projects were included in special field programme for 2015-16 for exploration works. Out of this, one project was explored belatedly after one year in 2016-17 up to G4 level only, although it was targeted to achieve G2 level.
- The exploration work of second project commenced in November 2015. However, it was closed prematurely during February 2016 on the ground of taking up another project on priority basis in a different location. However, the interim report confirmed that there was a reasonable potential of manganese in the area.
- The remaining two planned projects were not programmed for exploration till date.

This resulted in non-completion of the projects in disregard of HLC decision.

In reply, Government stated (November 2017) that the exploration will be taken up in phased manner. However, there was delay in taking up exploration on account of non-programming of two projects. This vitiated the planning activities and deprived the State, benefits of exploration.

#### 6.4.5 Other issues impeding performance of the Directorate

##### 6.4.5.1 Shortage of Manpower

**Shortage of manpower ranged from 26 to 100 per cent with 100 per cent in respect of 19 technical posts which impeded the achievement of targeted objective of mineral exploration.**

Audit scrutinised the files on Annual Review of Establishment and observed that:

- The overall vacancy position in the Directorate in different categories ranged from 26 to 100 per cent as on March 2017.
- The vacancies ranged from 50 to 100 per cent in respect of 28 technical posts like Geologist, Geophysicist, Survey Officer, Geological Assistant, Scientific Assistant, etc.

Out of above, the vacancy was 100 per cent in respect of 19 technical posts as detailed below:

<sup>8</sup> Kolha-Roida iron ore mines of OMDC (₹ 1,20,000), Roida - D Manganese ore mines of OMC (₹ 6,74,517), Uliburu RF iron ore and manganese mines of B. K. Mohanty and Bandha Beda iron ore mines of M/s. Rungta Sons Pvt. Ltd.

Sl. No.	Name of the post	Sanctioned strength	Men in position	Vacancy	Percentage of vacancy
1	Sr. Geophysicist	1	0	1	100
2	Geological Assistant	2	0	2	100
3	Geophysical Assistant	1	0	1	100
4	Asst. Ore Dressing Engineer	1	0	1	100
5	Survey Officer	6	0	6	100
6	Drill Man	14	0	14	100
7	Rig Man-cum- Pump Operator	22	0	22	100
8	Sr. Draughtsman	1	0	1	100
9	Head Draughtsman	1	0	1	100
10	Pump Mechanic	1	0	1	100
11	Compressor Operator	1	0	1	100
12	Drill Helper	2	0	2	100
13	Welder	1	0	1	100
14	Jack Hammer Driller	1	0	1	100
15	Operator	1	0	1	100
16	Mechanical Foreman	1	0	1	100
17	Fitter	1	0	1	100
18	Mining Mate	1	0	1	100
19	Photographer	1	0	1	100

Source: Information furnished by DGO

It was further noticed that the proposal for filling up the vacancies was submitted to Government only during 2015 and 2016 although the vacancies existed from the year 2012-13.

Thus, lack of deployment of adequate technical manpower impeded the achievement of targeted objective of mineral exploration and development. This has been confirmed by the Directorate in their reply.

Government stated (November 2017) that proposal to fill up the vacant posts and to create more posts is under process. However, the vacancies were yet to be filled up.

#### **6.4.5.2 Inadequate exploration machineries and undue delay in procurement**

**Delayed procurement of exploration related machinery and equipment affected the pace and efficiency of exploration work.**

In terms of Para-25 (iii) of “Guidelines for Procurements of Goods” issued by Finance Department, appropriate time frame for each stage of procurement should be prescribed by the Department to avoid delay in procurement process.

Audit scrutinised the procurement files of DGO. Audit observed that S&M Department sanctioned (July 2013) ₹ 644.05 lakh for procurement of exploration related machineries and equipment. However, the said machineries and equipment were procured and commissioned only in August 2016, after three years from the date of sanction of funds.

Similarly, the Geophysical Cell of the Directorate proposed procurement of 16 items with estimated value of ₹ 226.19 lakh in June 2016 for survey and investigation activities. However, only one Geophysical Instrument, namely, Induced Polarisation Unit was purchased in February 2017 at a cost of ₹ 91.80 lakh. The objective of requisitioning the above items was to improve planning, accuracy, analysis and speed of coverage for discovery of new mineral resources. Thus, required instruments were not made available for timely and

effective conduct of survey and investigation. Therefore, the Directorate was forced to depend on the old rigs and other accessories. This affected the pace and efficiency of exploration work which was evident from the fact of non-achievement of drilling targets in field programmes.

In reply, Government stated (November 2017) that delay was attributed to poor response to bidding process. Regarding procurement of auxiliary instruments it was stated that the instruments were procured in a phased manner putting priority and availability of funds. However, delay of three years in procurement of machinery and equipment as well as slow pace in acquisition was not justified in view of the fact that funds were not fully utilised.

### 6.4.5.3 Irregular parking of funds

**Funds placed irregularly with OMC violating Government decision for exploration works.**

As per the OMEP 2015, drilling and other exploration activities will also be outsourced to technically competent organisations, wherever required, following a transparent process of competitive bidding. Further, the works shall be completed under the supervision and guidance of the Directorate.

Audit observed that S & M Department took a decision (February 2016) that DGO would take up the exploration of four<sup>9</sup> iron ore blocks. The work was to be done through outsourcing by inviting tender from organisations involved in mineral exploration empanelled by Indian Bureau of Mines (IBM). In this regard, DGO placed funds of ₹ 228.19 lakh (March 2016) with Odisha Mining Corporation (OMC) for the said drilling work. However, the said exploration was not taken up by OMC. Thus, placing the funds with OMC without inviting tenders violated the decision of the Government and did not serve the intended purpose either.

In reply, Government stated (November 2017) that the tender for outsourcing of drilling in four iron bearing blocks could not materialise, it was decided to deposit the funds with OMC for outsourcing purpose. However, the exploration works were yet to be taken up in spite of placement of funds.

### 6.4.6 Conclusion

There was no significant increase of mineral reserve due to inadequate and slow pace of exploration. Projects programmed for investigation/exploration was not taken up on time. Exploration of projects were discontinued for two to three years without even reaching upto G2 level where occurrences of respective minerals with possible mineral reserve were found. Projects were abandoned without doing the desired mapping and drilling although these projects were undertaken based on previous encouraging investigation reports. Final reports relating to investigation/exploration were not submitted in time and remained pending from the year 1996-97. Non-submission of reports as planned hampered further process of planning for exploratory work. Further, there was delay in procurement of machinery and equipment which hampered the investigation/exploration activities. Vacancies against sanctioned strength,

<sup>9</sup> Baliapahad Iron Ore Block, Mankadnacha Iron Ore Block, Thakurani-A Iron Ore Block and Malangtoli Iron Ore Block.

especially in Geologist and other technical cadres had affected investigation/exploration work.

#### **6.4.7 Recommendation**

- Required steps may be taken to enhance the pace of exploration to make significant addition to mineral reserves of the State.
- Timely submission of final reports of investigation/exploration projects may be ensured.
- Projects may be programmed for higher stages of exploration where interim reports cited occurrence of minerals.
- Efforts may be made to complete exploration works up to the targeted level as decided in Annual Field Programmes.
- Steps may be taken to fill up the huge vacancies for achieving targeted objective of exploration.

### **6.5 Other Audit observations**

Audit scrutinised the records maintained in the offices of the Director of Mines, Odisha, Deputy Directors of Mines (DDMs) and Mining Officers. Audit noticed short levy of royalty as discussed in the succeeding paragraphs. These cases are illustrative and are based on test checks carried out by Audit.

### **6.6 Non-observance of provisions of the Acts / Rules / New pricing policy**

*Mines and Minerals (Development and Regulation) Act, 1957, Mining Concession Rules, 1960, Mineral Conservation and Development Rules, 1988 read with the notifications and instructions of the State / Central Government issued from time to time provide for assessment, levy and realisation of royalty at the prescribed rate.*

*Cases of un-lawful mining, short levy of royalty, dead rent and surface rent are discussed in the following paragraphs.*

### 6.6.1 Short levy of royalty on sized coal

**Non inclusion of sizing charges in the ROM price of coal during assessing of royalty resulted in short levy of ₹ 72.24 crore.**

As per Section 9 of the Mines and Minerals Development and Regulation (MMDR) Act 1957, the holder of a mining lease shall pay royalty in respect of any mineral removed or consumed by him from a lease area at the rate specified in the Second Schedule in respect of that mineral. As per Notification dated 10 May 2012 of Ministry of Coal, royalty on coal is leviable at the flat rate of 14 *per cent ad-valorem* on the price of coal as reflected in the invoice excluding taxes, levies and other charges. Further, as per price Notification of Coal India Limited of December 2013, if the top size of coal is limited to 100 mm through manual facilities or mechanical means, sizing charge at the rate of ₹ 79 per tonne shall be added to the price applicable for Run-of-Mine<sup>10</sup> (ROM) coal. Further, under Rule 64(B) (1) of the Mineral Concession Rules (MCR), 1960, in case processing of ROM minerals is carried out within the leased area, the royalty shall be chargeable on the processed mineral removed from the lease area.

Audit test checked (April 2016 to February 2017) the assessment records with reference to monthly returns of production and despatches in three Mining Circles.<sup>11</sup> It was noticed that one lessee despatched 653.21 lakh MT of sized coal of less than 100 mm size from their nine coal mines during April 2015 to March 2016. The lessee paid royalty at the rate applicable to price of ROM coal and not on sized coal including sizing charges. Also, all the three Deputy Director of Mines (DDMs) did not include the royalty on sizing charges of 14 *per cent* on ₹ 79 per tonne in the price of the coal during assessment. Thus, non-adherence to prescribed guidelines and notification in assessing the royalty in coal resulted in short levy of royalty of ₹ 72.24 crore.

In reply, Government stated (September 2017) that all the three DDMs had raised demands at the instance of audit for realisation of the differential royalty. However, the demanded amount relating to DDM, Talcher had been stayed by the Revisionary Authority, Under Secretary, Ministry of Coal, Government of India.

### 6.6.2 Excess extraction of coal in deviation to mining plan

**Due to unlawful excess extraction of coal beyond approved mining plan, the licensee is liable to pay ₹ 51.90 crore towards price of the mineral.**

Rule 9 of Mineral Conservation and Development (MCD) Rules, 1988 stipulates that no person shall commence mining operations in any area except in accordance with a mining plan approved under Section 5 of MMDR Act 1957. Rule 13 of MCD Rules, 1988 provides that every holder of a mining lease shall carry out mining operations in accordance with the approved mining plan with such conditions as may have been prescribed. Under Section 21(5) of MMDR Act, whenever any person raises, without any lawful authority, any mineral from any land, the State Government may recover from such person the mineral so raised, or, when such mineral has already been disposed off, the price thereof, and may also recover rent, royalty or tax for the period during which the land was occupied by such person without any lawful authority.

<sup>10</sup> Run-of-Mine coal is the coal obtained directly from the mines in its natural and unprocessed state.

<sup>11</sup> Rourkela, Sambalpur and Talcher.

Audit test checked records on approval of mining plan and production of coal in respect of Basundhara (West) coal mines of one lessee under DDM, Rourkela. It was noticed (February 2017) that the Mining Plan was approved in November 2011 for five years. It was revised by an addendum for three years from 2014-15 to 2016-17, taking into account the balance reserve of mineral. As per the said addendum, the approved production for the 2<sup>nd</sup> year of operation i.e. 2015-16 was fixed at 30 lakh MT of coal. However, the actual production made during the said year was 37.28 lakh MT of coal. This resulted in excess production of 7.28 lakh MT of coal. It was un-lawful and therefore ₹ 51.90 crore<sup>12</sup> towards price of the mineral was required to be recovered from the lessee. DDM allowed such production of coal exceeding the quantity approved under mining plan though the extraction data was provided by the lessee and maintained by him. Government also failed to take action for realisation of the price of the mineral so raised and despatched.

In reply, Government stated (September 2017) that DDM, Rourkela had raised demand of ₹ 50.96 crore at the instance of audit towards cost of excess production of coal during 2015-16.

### 6.6.3 Dead Rent and Surface Rent not levied

**DR of ₹ 12.02 lakh and SR of ₹ 4.75 lakh though not paid by seven and three lessees respectively for different periods between July 2013 to July 2016, it was not demanded by DDMs.**

Section 9A of the MMDR Act, 1957 provides that the holder of a mining lease shall pay to the State Government, every year, Dead Rent (DR) at such rate, as may be specified in the third schedule appended to the Act, for all the areas included in the instrument of lease. DR was fixed at ₹ 2,000 per hectare per annum for medium value minerals as per notification of 13 August 2009 by Central Government which was revised to ₹ 4,000 per hectare per annum from 01 September 2014. DR shall be paid in two half yearly installments from January to June on or before 15<sup>th</sup> January and for the 2<sup>nd</sup> half yearly period from July to December on or before 15<sup>th</sup> July of each year as per notification of the State Government of 11 May 1978.

Similarly, under Rule 27 of the MCR 1960, the lessee shall also pay, surface rent (SR) for the surface area used by him for the purposes of mining operations as may be specified by the State Government. As per notification dated 7 November 2013 of Steel and Mines Department, SR is payable at the rate equivalent to one *per cent* of the market value of land per annum subject to a minimum of ₹ 3,000/- per annum per hectare for leases granted for medium value minerals and iron ore in respect of land not assessable to land revenue.

Audit test checked (February 2017) the assessment records with details of payment of DR in respect of non-working mines in the office of the DDM, Koira. Audit noticed that DR of ₹ 12.02 lakh was not paid by seven lessees for their mines for different periods between July 2013 to July 2016. Similarly, SR of ₹ 4.75 lakh was not paid by three lessees during the years 2013 to 2016. However, DDM, Koira did not assess the cases for payment of DR and SR and raise the demand for realisation of DR and SR.

<sup>12</sup> Calculated @ ₹ 700/MT for Gross Calorific Value (GCV) 4,001 to 4,300 and @ ₹ 970/MT for GCV 4,601 to 4,900.

In reply, Government stated (September 2017) that out of 16.77 lakh, a sum of ₹ 11.02 lakh had been realised from different lessees. Demand for balance of ₹ 5.75 lakh in four cases had been raised by DDM, Koira.