

CHAPTER – 4

MINING RECEIPTS

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4.1 Introduction

Minerals are classified as Major minerals (iron ore, manganese, gold etc.) and Minor minerals (sand, granite, gravel, building stone etc). Mines are allotted/sanctioned for excavation of minerals in the form of Mining lease¹, Quarry lease² and Trade Quarry³. The levy and collection of royalty on minerals in the State is governed by the Mines and Minerals (Development and Regulation) Act, 1957, the Mineral Concession Rules, 1960 and the Madhya Pradesh Minor Mineral Rules, 1996.

4.2 Tax administration

The Mineral Resources Department functions under the overall charge of the Secretary to the Department. The Director, Geology and Mining is the head of the Department who is assisted by Deputy Directors at Headquarters and regional offices at Gwalior, Indore, Jabalpur and Rewa. The Collector is the administrative head at District level and departmental officials like District Mining Officers (DMO), Assistant Mining Officers (AMO) and Mining Inspectors (MI) assist him in discharge of his duties regarding revenue collection. The DMOs/AMOs and MIs are responsible for assessment, levy and collection of royalty and other mining receipts. DMOs and MIs are authorised to inspect the mines, review production and despatch of minerals.

4.3 Results of audit

During the year 2016-17, 33 District Mining Offices (out of 51) of the Mineral Resources Department were covered for audit. Revenue generated by the Department during the year 2016-17 aggregated to ₹ 3,168.28 crore of which, the audited units collected ₹ 2,610.66 crore. In addition, an audit on “Sand mining and environmental consequences” covering the period 2012-13 to 2016-17 was also conducted during January to June 2017. Audit noticed cases of revenue not realised/short realised and other irregularities involving ₹ 605.49 crore in 2,272 cases which fall under the categories mentioned in Table 4.1.

Table 4.1
Results of Audit

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1.	Audit on “Sand mining and environmental consequences”	1	153.18
2.	District Mineral Foundation (DMF) not levied	153	298.12
3.	Dead rent/royalty not/short levied	518	72.66
4.	Interest on belated payments not/short realised	375	26.22
5.	Rural Infrastructure and Road Development Tax on mines not/short levied	506	18.73

¹ Mining lease means a lease granted for the purpose of undertaking mining operations and includes a sub-lease granted for such purpose. It is granted for major minerals.

² Quarry lease means a mining lease for minor minerals.

³ Trade quarry means a quarry for which the right to work is auctioned.

6.	National Mineral Exploration Trust (NMET) Fund not levied	140	16.32
7.	Contract money not/short realised	22	1.83
8.	Outstanding revenue not realised	27	0.55
9.	Others (Penalty not levied, Stamp duty and Registration fees on lease agreements of mines not levied etc.)	530	17.88
Total		2,272	605.49

Out of these cases, the Department accepted 2,263 cases involving ₹ 338.95 crore and effected (February 2018) recovery of ₹ 4.19 crore only. For the remaining cases, it was intimated that Audit would be informed after scrutiny. Further progress in this regard will be watched in Audit.

During 2016-17, the Department effected recovery of ₹ 1.03 crore in 117 cases in respect of audit observations pertaining to the previous Audit Reports and Inspection Reports.

4.4 Follow up of previous Audit Reports

In the Audit Reports for the period from 2011-12 to 2015-16, Audit had pointed out various observations amounting to ₹ 212.34 crore in 68 paragraphs against which recovery of ₹ 39.17 crore only was effected by the Department in respect of these observations. Out of these 68 paragraphs, 26 paragraphs⁴ were selected by the PAC between June 2014 and May 2017 for discussion. The PAC discussed 14 paragraphs of Audit Reports 2011-12 to 2014-15. However, reply of the Department in respect of 57 paragraphs has since been received through PAC.

The PAC has also given its recommendations and directions (27th Report, 2014-15; 390th Report, 2016-17; and 393th Report, 2016-17) on similar paragraphs of Audit Reports for the periods 2008-09, 2010-11 and 2011-12. The directions were—(i) the Department was to effect recovery within three months from the date of recommendation in all the cases, (ii) to check the repetition of similar irregularities in future and issue necessary orders which includes initiation of necessary action against the responsible DMOs. Further, some recommendations were –(i) the Department was to take action for writing off the probable irrecoverable amount from the account besides recovering pending amount, (ii) time limit was to be prescribed by the Department for recovery of pending dues and interest thereon.

The Department, however, has not complied with the recommendations.

Recommendation:

The Department should immediately comply with the direction of the Public Accounts Committee to effect recovery.

Audit findings of the audit on “**Sand mining and environmental consequences**” involving ₹ 153.18 crore and a few illustrative cases involving ₹ 164.85 crore highlighting important audit findings are mentioned in the following paragraphs. All observations were communicated to the Government and the Department.

⁴ 2011-12 (06), 2012-13 (09), 2013-14 (03), 2014-15 (04) and 2015-16 (04).

4.5 Audit on “Sand mining and environmental consequences”

4.5.1 Introduction

Sand is mainly excavated from rivers. Excessive and illegal sand mining causes degradation of rivers, forces the river to change its course, affects the groundwater tables and adversely impacts the habitat of micro-organisms. Sand is important for ground water recharge since, as part of the riverbed, it acts as a link between the flowing river and the water table and is part of the aquifer.

The Sand Mining Policy, 2015 was formulated by the State Government after taking into account the preventive measures and guiding principles suggested by the Ministry of Environment, Forests and Climate Change (MoEF&CC) to safeguard environment. The policy further aims at maximizing the number of operational sand mines in the State so as to make sand available at justifiable rates for public use. The mining and transportation of sand from the river bodies is to be regulated and monitored in accordance with the environmental safeguards provided in the Sustainable Sand Mining Management Guidelines 2016 issued by MoEF&CC.

Mining of sand comes under the purview of the Mineral Resources Department Government of Madhya Pradesh (GoMP). The State Environment Impact Assessment Authority (SEIAA) formed (January 2008) under MoEF&CC issues the environmental clearance (EC) for mining activity of both major and minor minerals. The District Level Environment Impact Assessment Authority (DEIAA) was constituted (January 2016), by the Government of India (GoI) for grant of environmental clearance (EC) in respect of projects up to five hectare (ha) lease area for mining of minor minerals including sand and gravel. DEIAA comprises of four members out of which three are Government officials⁵ and one is expert in environmental field.

Mining activities in 586 sand mines with area of 4,537 hectares and located in 33 districts are regulated by the District Administration, whereas 449 sand mines with area of 4,318 hectares and located in the remaining 18 districts are allotted by District Collector to Madhya Pradesh State Mining Corporation Limited (MPSMCL) for execution of sand mining. The GoMP leases sand mines to (MPSMCL) on dead rent⁶ or royalty basis. MPSMCL further sub leases the sand mines to the contractors for sand mining on auction price basis. In cases of sand mines under the direct control of the Department, the District Collectors have been made responsible to control auction, and subsequent allotment and renewal of sand mines. District Collectors are also responsible to check and prevent the cases of illegal mining. District Collectors also should ensure timely realisation of revenue in the form of royalty, dead rent, surface rent, interest and penalty and their timely remittance to the Government account.

⁵ District Collector, Sub Divisional Officer and Senior Divisional Forest Officer.

⁶ Dead rent is the charge/fee to be paid by the lease holder for the area included in the mining lease if minerals are not extracted. However, as the royalty exceeds dead rent in case of active mines, then only royalty is paid and dead rent is adjusted against royalty.

4.5.2 Organisational setup

The Mineral Resources Department functions under the overall charge of the Secretary, Mineral Resources Department, Government of Madhya Pradesh. The Director, Geology and Mining is the head of the Department who is assisted by Deputy Directors at Headquarters and regional offices at Gwalior, Indore, Jabalpur and Rewa. The Collector is the administrative head at District level and departmental officials like District Mining Officers (DMO), Assistant Mining Officers (AMO) and Mining Inspectors (MI) assist him in discharge of his duties regarding revenue collection.

In 18 districts, sand mines were reserved by GoMP for MPSMCL. MPSMCL is governed by a Board of Directors and headed by the Managing Director of the Company and assisted by one Executive Director, Chief General Managers and General Managers. For the mines allotted to MPSMCL, lease deed is executed between the District Collector and MPSMCL where District administration is the Lessor and MPSMCL is the Lessee. MPSMCL further subleases the sand mines to contractors.

4.5.3 Audit objectives

Audit was conducted with a view to ascertain whether:

- Allotment/renewal of sand mining leases was done timely so as to prevent illegal and mining over and above the contracted quantity;
- Levy and collection of revenue like fees, rent, royalty, penalty etc. was done timely and correctly; and
- Effective control existed to monitor sand mining activities so that the environmental and ecological concerns were addressed properly.

4.5.4 Scope and methodology

The audit on “Sand mining and environmental consequences” covered the period from 2012-13 to 2016-17. Audit selected 18 units⁷ (11 out of 33 DMOs and 7 out of 18 districts allotted to MPSMCL) of Mineral Resources Department on the basis of stratified random sampling method.

Out of total 1,035 sand mines (involving revenue of ₹ 1,057.44 crore during the period 2012-13 to 2016-17) in 51 districts of Madhya Pradesh, Audit examined records of 638 sand mines involving revenue of ₹ 470.43 crore (44 per cent) in 18 selected districts. The Department may like to internally examine records of remaining sand mines with a view to ensure that they have paid correct amount of royalty/contract money/dead rent.

Field audit was conducted between January and June 2017. The scope and methodology of audit was discussed with the Secretary, Mineral Resources Department in an entry conference held on 22 March 2017. The draft report was forwarded to the Government and Department in August 2017 and discussed in the exit conference held on 6 October 2017 with Secretary of the Department

⁷ Anuppur, Balaghat, Bhind, Chhindwara, Damoh, Harda, Hoshangabad, Khandwa, Khargone, Panna, Rajgarh, Sehore, Seoni, Shahdol, Sidhi, Singrauli, Tikamgarh and Ujjain.

and Director, Geology and Mining. Replies received from the Department/Government have been incorporated in respective paragraphs.

Acknowledgement

The cooperation of the Mineral Resources Department for providing necessary information and records to audit is acknowledged.

4.5.5 Audit criteria

Audit criteria were derived from the following:

- Sustainable Sand Mining Management Guidelines 2016 issued by MoEF&CC;
- Madhya Pradesh Sand Mining Policy 2015;
- Madhya Pradesh Mineral Policy 2010;
- Madhya Pradesh Minerals (Prevention of illegal mining, transportation and stock) Rules, 2006;
- Madhya Pradesh Minor Minerals Rules, 1996 (MPMM Rules);
- Mines and Minerals (Development and Regulation) Act (MMDR Act) 1957; and
- Notifications and circulars issued by the Central/ State Government and Directorate of Geology and mining.

4.5.6 Trend of receipts

The trend of receipts from sand mining vis-à-vis total receipts of the Mineral Resources Department during last five years is as under:

Table 4.2
Trend of revenue

(₹ in crore)

Year	Total mining receipts (from major and minor minerals)	Total revenue receipts from sand mining	Percentage of sand mining receipts over total mining receipts
2012-13	2,443.39	184.93	7.57
2013-14	2,306.17	179.41	7.78
2014-15	2,813.66	238.64	8.48
2015-16	3,059.64	214.30	7.00
2016-17	3,168.28	240.16	7.58
Total	13,791.14	1,057.44	7.67

(Source: Finance Accounts of Govt. of Madhya Pradesh and information furnished by the Department)

The Department attributed (December 2017) the fluctuations in sand mining receipts to suspensions in mining operations in 2013-14 due to requirements of mandatory environmental clearance, introduction of e-auctions in 2015-16 leading to delay in allotments etc. Mining activities were also subdued because of pending cases in National Green Tribunal and various courts.

The explanations cannot be fully accepted. It is true that total mining (including sand mining) receipts fell in 2013-14. However, unlike sand mining receipts which decreased significantly in 2015-16, there was no decrease in total mining receipts in 2015-16 (which should have happened if e-auctions were a factor leading to delay in allotments). Also, the explanations (which affect total mining and sand mining equally) of the Department, do not throw light on reasons for

fluctuation of percentage of sand mining to total mining receipts during this period.

Audit findings

4.5.7 Insufficient man power for monitoring mining activities

Men in position (MIP) against sanctioned posts were not sufficient. Only 21 Mining Officers (MO) and 98 Mining Inspectors (MI) were posted for keeping a watch on the mining activities in the State. Due to shortage of staff, monitoring of mining activities could not be watched adequately. Further, revenue recovery was also adversely affected.

MOs and MIs are critical to the functioning of the Department. Audit observed that Men in Position (MIP) against sanctioned posts of MOs and MIs were not sufficient, considering the total mining area of MP. The details of sanctioned posts and MIP are given in **Table 4.3**.

Table 4.3
Details of insufficient man power for mining activities

Sl. No.	Name of the post	Sanctioned strength	MIP	Shortage	Percentage shortage
1.	Mining Officer (MO)	31	21	10	32.26
2.	Mining Inspector (MI)	112	98	14	12.50

From the above table, it is evident that only 21 mining officers were posted in 51 mining districts, and even their sanctioned strength was kept low. Similarly in 367 *Tahsils*, the sanctioned strength of MIs was only 112 i.e., only one MI in more than three *Tahsils*, and against which only 98 MIs were posted. The Department was working with lower strength of manpower despite the fact that it was also given the responsibility of safeguarding the environment in addition to regulating mining activity.

Recommendation:

The Department may review the existing sanctioned strength of Mining Officers and Mining Inspectors and also ensure that all existing vacancies are filled.

4.5.8 Auction of sand mines

Deficiency in e-auction process and fixation of lower reserve price in auction resulted in short realisation of revenue of ₹ 3.37 crore as discussed below.

4.5.8.1 Deficiency in e-auction process

No rules framed to blacklist successful bidders in e-auctions who fail to execute agreements.

Audit observed (April 2017) that, apart from effecting forfeiture of the security deposit at 10 *per cent* of the reserve price, the Department has not framed any rules to black-list successful bidders in e-auctions who fail to execute agreements.

In Chhindwara, during the e-auction held between October 2015 and May 2016, the successful bidders bid ₹ 46.71 crore in five sand quarries against the reserved price of ₹ 6.23 crore, but thereafter, failed to execute the bid. The Department forfeited security deposit of ₹ 62.34 lakh and re-auctioned these mines (after three to five months) for ₹ 20.10 crore.

During the exit conference (October 2017), the Department stated that security deposit has been enhanced to 25 per cent of reserve price.

The reply is not acceptable since such token increase is unlikely to act as deterrent to tenderers who fail to execute bids.

Recommendation:

The Department should either increase the security deposit equivalent to reserve price or blacklist such defaulters to discourage such practices by them from participating in bidding process in future.

4.5.8.2 Fixation of lower reserve price for auction of sand mines

District Collectors fixed the reserve price on dead rent instead of the estimated quantity of sand resulting in short realisation of royalty of ₹ 3.37 crore in two districts.

Director, Geology and Mining ordered (March 2013 and November 2014) that the reserve price for auction of minor mineral is to be fixed on estimated quantity of the available mineral.

Audit test check of auction records of 31 sand mines of two DMOs viz., Balaghat and Ujjain revealed that the respective District Collectors fixed (December 2014) the reserve price of 19 sand mines in Balaghat and 12 mines in Ujjain at ₹ 1.31 crore, on the basis of dead rent, without estimating the quantity of sand. However, from the Mining Plan submitted by the contractors, Audit observed that the quantity of sand was 10.39 lakh cu.m, in Balaghat and 67,830 cu.m in Ujjain, on the basis of which, the reserve price should have been fixed at ₹ 11.07 crore⁸ at the rate of royalty of ₹ 100 per cu.m, of sand. Thus, due to fixation of lower reserve price, auctioned amount of ₹ 7.70 crore only was realised, resulting in estimated short realisation of revenue to the exchequer by ₹ 3.37 crore.

During the exit conference (October 2017), the Department stated that there was no provision for fixing reserve price for auction of sand mines till the Sand Mining Policy came into force in 2015. The reply is not acceptable as, even the departmental circular of March 2013, had stipulated that reserve price for auction of all minor minerals should be decided on estimated quantity of mineral available.

4.5.9 Contract Management

Short assessment/ realisation of contract money, short levy of interest on belated payments and irregular issue of temporary permit in 49 sand mines resulted in short realisation of ₹ 4.68 crore. Besides, less excavation of contracted quantity of sand led to loss of royalty of ₹ 136.69 crore.

⁸ 11,06,830 cu.m sand (10,39,000 + 67,830) @ ₹ 100 per cu.m = ₹ 11.07 crore.

4.5.9.1 Short realisation of contract money and interest on belated payments in sand quarry

Failure of District Mining Officers to maintain the register of income from trade quarries resulted in short recovery of contract money of ₹ 1.38 crore, and short realisation of interest ₹ 2.35 crore.

The MPMM Rules and standard conditions of the contract agreements stipulated that in the event contractors of trade quarries failed to pay contract money more than one month from the scheduled date, the contract would be cancelled and the quarry re-auctioned. Further, interest at the rate of 24 per cent per annum would be levied for the period of default.

Audit test check of the records in five DMOs⁹ revealed that 18 contractors had paid contract money of only ₹ 40.53 lakh against the payable amount of ₹ 1.79 crore for the period April 2016 and January 2017, resulting in short realisation of ₹ 1.38 crore. However, the Department had not initiated any action to cancel the contract and re-auction the quarries.

Further, in eight DMOs¹⁰, 36 contractors of trade quarries had delayed payment of contract money (for the years 2015-16 and 2016-17) by 8 to 391 days, on which, they had paid interest of ₹ 13.76 lakh against the payable amount of ₹ 2.49 crore. The Department did not issue demand notices for the recovery of the differential interest of ₹ 2.35 crore.

Audit also observed that none of the test checked nine DMOs maintained the register of income from trade quarries in Form 23 to monitor timely receipt of contract and levy of interest on belated payments. This resulted in failure to collect the contract money by the stipulated time and levy interest on belated payments.

During the exit conference (October 2017), the Department accepted the audit findings and assured that appropriate action would be taken. Further progress would be watched in Audit.

4.5.9.2 Irregular issue of permit of sand mining

Irregular issue of permit to sub-contractor and short realisation of royalty of ₹ 95.69 lakh in respect of permit of sand.

According to the MPMM Rules, the District Mining Officer shall grant permission for extraction, removal and transportation of any minor mineral from any specified quarry. Such permission shall only be granted to the concerned Departmental authority or its authorised contractor on furnishing of proof of award of contract, on payment of advance royalty.

Audit test check of records in DMO, Sidhi (June 2017) revealed that one permit for sand mining was issued (June 2013) to a contractor for road constructions work of NH-75. The DMO issued temporary permit to a sub-contractor who was other than the original contractor and to whom the work was not awarded by the Government agency. It was further observed that though temporary

⁹ Anuppur, Chhindwara, Damoh, Seoni and Ujjain.

¹⁰ Anuppur, Balaghat, Chhindwara, Damoh, Panna, Seoni, Shahdol, and Singrauli.

permits were issued without mentioning the quantity of sand, the sub-contractor had applied for environmental clearance for the quantity of 1,00,000 cu.m. It was further observed that advance royalty leviable on the quantity of sand was also not realised. The contractor had paid ₹ 4.31 lakh against payable royalty of ₹ one crore (@ ₹ 100 per cu.m for 1,00,000 cu.m). This not only resulted in short realisation of revenue of ₹ 95.69 lakh but also irregular issue of the permit without obtaining the proof of award of work to this contractor.

During the exit conference (October 2017), the Department assured that appropriate action would be taken. Further progress would be watched in Audit.

4.5.9.3 Loss due to flaw in lease agreement

MPSMCL did not credit royalty of ₹ 136.69 crore to the Government as the lease agreement of the MPSMCL with the GoMP did not stipulate deposit of entire amount of royalty received by MPSMCL from the contractor.

As per lease agreement between the Government and MPSMCL, the latter had to pay royalty on quantity of sand consumed and despatched. On the other hand, as per agreement executed between MPSMCL and the contractor, the contractor had to pay total amount (royalty plus profit margin plus taxes) to MPSMCL on contracted quantity.

Audit test checked records of 386 sand mines in seven selected districts of MPSMCL and observed that in 372 cases, contractors excavated 109.13 lakh cu.m against the contracted quantity of 226.29 lakh cu.m of sand for the period 2013-14 to 2016-17. The contractor had paid royalty of ₹ 257.91 crore on contracted quantity of sand. However, MPSMCL deposited only ₹ 121.22 crore on the lesser quantity of actually consumed and despatched quantity of sand to the Government account. Thus, MPSMCL did not credit royalty of ₹ 136.69 crore to the Government as the lease agreement of the MPSMCL with the GoMP did not stipulate deposit of entire amount of royalty received by MPSMCL from the contractor.

During the exit conference (October 2017), the Department assured that appropriate action would be taken. Progress in this regard would be watched in Audit.

Recommendation:

The Department should revise agreements with MPSMCL so that the royalty on contracted quantity or actually consumed and despatched quantity of sand, whichever is more, is collected from MPSMCL, so that Government may not incur loss of revenue.

4.5.9.4 Stamp duty and Registration fees not levied due to non-execution of supplementary agreement

Despite Government orders, supplementary lease agreements were not executed and registered which resulted in non-levy of Stamp duty and Registration fees of ₹ 8.44 crore.

GoMP extended (June 2014), the existing lease period of sand mines allotted to MPSMCL, for 10 years from April 2010, and directed MPSMCL to execute and register supplementary agreements for the extended period.

Audit test check of records in four Districts relating to MPSMCL viz., Harda, Hoshangabad, Khargone and Tikamgarh, revealed that lease periods of 37 sand mines with annual production capacity of 64.31 lakh cu.m¹¹, were extended by another ten years, from April 2010 to March 2020. However, supplementary agreements for these mines were not executed and registered by MPSMCL, although this was mandatory under Rule 26 of the MPMM Rules. On the basis of the production capacity of these sand mines, it is estimated that GoMP was deprived of Stamp duty and Registration fees of ₹ 8.44 crore due to failure to execute and register fresh leases for these mines.

During the exit conference (October 2017), the Department assured that appropriate action should be taken. Progress in this regard would be watched in Audit.

4.5.10 Environmental Management

4.5.10.1 Absence of provision to collect funds for the District Mineral Foundation (DMF)

The Department did not prescribe the amount of contribution to be paid to the DMF in respect of minor minerals. As a result, no funds were available for welfare of mining affected areas / persons.

As per the Mines and Minerals (Development and Regulation) Act, as amended in 2015, the State Government may prescribe the amount of contribution to be paid to the DMF by mineral concession¹² holders of minor minerals and the manner in which DMF could utilise the fund for the benefit of persons and areas affected by mining.

Audit observed, however, that the State Government is yet to implement the provisions of the amended Act.

During the exit conference (October 2017), the Department assured that appropriate actions would be taken. Subsequently, the new Sand Mining Policy, 2017 (issued in December 2017) prescribes that ₹ 50 per cubic metre out of the royalty on sand shall be paid to the DMF. The contribution in respect of other minor minerals have not been prescribed so far (April 2018). Further progress will be watched in Audit.

4.5.10.2 Absence of mechanism to ensure compliance of conditions of environmental clearance issued by SEIAA

The Department did not prescribe any mechanism to monitor compliance of conditions laid down by SEIAA for sand mining.

¹¹ As per the mining plans submitted between April 2013 and March 2014.

¹² Mineral concession means a reconnaissance permit, a non-exclusive reconnaissance permit, a prospecting license, a prospecting license cum mining lease, or a mining lease, as applicable.

Successful bidders for sand mining leases are required to take prior environmental clearance from the State Environment Impact Assessment Authority (SEIAA). The environmental clearance issued by SEIAA further contains detailed terms and conditions, which must be followed by the lessee while undertaking mining activities. Some of the important terms and conditions were: (i) the average depth of the pit should not exceed three metre or water level, whichever is less; (ii) the mining activity should be done manually, heavy vehicles should not be allowed on the banks for loading of sand; (iii) No in-stream mining should be allowed; (iv) plantation should be carried out on the banks; and, (v) established water conveyance channels should not be relocated, straightened, or modified. Leases of sand mines could be cancelled, if any of these conditions were violated.

A view of use of heavy machinery in sand mines and excavation of sand by diverting the river flow



(Source: Reports of Mining Inspector, Singrauli)

Audit test check of records of 638 sand mines in 18 selected districts and scrutiny of correspondence files and reports of Mining Inspectors relating to leases of sand mines in four¹³ DMOs, revealed that, mining activities were carried out by heavy machinery, and sand was transported by heavy vehicles adjacent to the river bed. In-stream mining by diverting the flow of river and road constructed in the river for mining caused huge damage to the river in these 18 cases. The respective DMOs issued show cause notices to lessees/contractors (between June 2016 and March 2017). Out of these, only DMO Singrauli forfeited ₹ 1.62 lakh as part of security deposit in three cases where the contractor was found guilty and in the remaining 15 cases respective DMOs could not establish involvement of contractors.

The Department did not evolve an efficient mechanism to monitor compliance with the conditions laid down by SEIAA for environmental clearances for sand mining. No periodic returns were prescribed to closely monitor the issues related to environment clearances and to derive assurances from officials responsible for keeping a watch on conditions laid down by SEIAA for sand mining. This defeated the very purpose for which SEIAA was established.

During the exit conference (October 2017), the Department attributed the failure to monitor and act on such irregularities to shortage of manpower.

¹³ Anuppur, Balaghat, Panna and Singrauli.

Recommendation:

The Department may evolve mechanism to monitor compliance with the conditions laid down by SEIAA for environment clearances for sand mining. For this purpose, the Department may prescribe periodic returns to closely monitor the issues related to environment clearances.

4.5.10.3 Failure to implement filing of online quarterly returns

The Department failed to provide online access to mineral carrier owners to enable online filing of quarterly returns.

In terms of the Madhya Pradesh Minerals (Prevention of Illegal Mining, Transportation and Storage) Rules, 2006, as amended in 2012, all vehicles/carriers for transportation of minerals shall be registered with the Department. Further, owners of registered carriers are required to file online quarterly returns, giving details of minerals transported.

Audit observed that even more than five years after amendment to the rules, the Department did not evolve any system or module for submission of online quarterly returns by the mineral carriers. Due to lack of monitoring over excavated and transported quantity of minerals, the possibility of illegal mining and associated loss to environment could not be ruled out.

During the exit conference (October 2017), the Department accepted that quarterly returns were not being submitted by mineral carriers as the Department had not provided login access.

Recommendation:

The Department may develop module and provide login access to minerals carriers to facilitate them for submission of online quarterly returns.

4.5.10.4 Inadequate check posts to prevent illegal mining

Adequate check posts were not established to prevent illegal transportation of sand.

As per the Madhya Pradesh Minerals (Prevention of Illegal Mining, Transportation and Storage) Rules and Mineral Policy, check posts were to be set up in coordination with Commercial Tax, Forest and Transport Departments on main routes of the State to ensure effective vigil on illegal mining and transportation of minerals.

Only 62 check posts were notified in 11 districts as of March 2017, and no check post was notified for the remaining 40 districts. Out of the 62 notified check posts, only seven check posts are functioning¹⁴, and the remaining 55 notified check posts have not been established. Thus, the Department's capability to curtail illegal mining was limited.

During the exit conference (October 2017), the Department assured that appropriate action would be taken, but also stated that the extant Rules requires amendment as movements of vehicles are now being watched through e-transit passes.

¹⁴ Four in Sehore, two in Tikamgarh and one in Raisen.

The reply is not acceptable as only legal sand transportation can be monitored through e-transit passes.

Recommendation:

The Department may establish sufficient number of check posts in every district to prevent illegal mining and transportation.

4.5.11 Internal Controls

4.5.11.1 Absence of monitoring of compliance of Environment Management Plan (EMP)

Quarterly Reports prescribed for monitoring of compliance of EMP was submitted by contractors in only one out of 18 selected Districts. Further, EMP was available in only two districts.

The MPMM Rules requires contractors who are allotted areas for excavation to submit Environment Management Plans (EMP) for approval and monitoring by the District Collector, and thereafter, submit quarterly reports on fulfilment of the EMP.

Audit test checked records of 18 selected Districts and found that EMP was available in Anuppur and Rajgarh Districts only, and quarterly reports were submitted by the contractors in only Anuppur District. Further, reports or records regarding monitoring of EMP and inspection of sand mines by the Collector or DMOs were not found in any of the Districts. This shows that DMOs did not monitor the compliance of EMP. Due to non-availability of EMP, non-submission of quarterly reports and lack of monitoring thereof, the Department could not assess the impact of sand mining activities on the environment. Further, no directions regarding compliance of EMP were given by the DMOs to the contractors.

During the exit conference (October 2017), the Department attributed the lapses in monitoring to lack of manpower. It was further stated that issues related to environmental clearances was the concern of District Level Environment Impact Assessment Authority (DEIAA).

This reply cannot be accepted. The Rules as well as the Departments own circular (September 2014) expects the District Collector to ensure compliance of EMP.

4.5.11.2 Absence of monitoring and non-submission of returns by mineral dealers

In 18 selected DMOs, only 13.50 per cent registered mineral dealers submitted quarterly returns, and consequently, the DMOs could not monitor the stock position, sale and purchase of sand by mineral dealers.

As per the Madhya Pradesh Minerals (Prevention of Illegal Mining, Transportation and Storage) Rules, all mineral dealers are required to file quarterly returns giving details of stock and sale of minerals traded.

Audit observed that out of 67 registered sand dealers in 18 selected DMOs, only nine sand dealers submitted quarterly returns. Thus, DMOs did not ensure submission of quarterly return by the remaining sand dealers and thus did not monitor the stock position, sale and purchase of sand by mineral dealers.

During the exit conference (October 2017), the Department assured that appropriate action would be taken. Progress in this regard will be watched in Audit.

4.5.11.3 Absence of Departmental Manual and Internal Audit Wing

The Department did not have any Departmental Manual and Internal Audit wing, in the absence of which, various checks and balances to be exercised by various functionaries of the Department for assessment, levy and collection of revenue etc., could not be ensured.

Audit observed that the Department did not have an Internal Audit Wing and no internal audit was conducted during the period 2012-13 to 2016-17. Further, the Department did not have any Departmental Manual, detailing the functions and responsibilities of the staff at various levels. In the absence of these, various checks and balances to be exercised by various functionaries of the Department for assessment, levy and collection of revenue etc., could not be ensured which are discussed in previous paragraphs.

During the exit conference (October 2017), the Department assured that appropriate action would be taken. Progress in this regard would be watched in Audit.

Recommendation:

The Department should prepare a Departmental Manual and set up an Internal Audit wing.

4.5.12 Conclusion

- The Department is working with insufficient manpower and does not have Internal Audit Wing and Departmental Manual. In the absence of these, various checks and balances to be exercised by various functionaries of the Department for assessments, levy and collection of revenue etc., could not be ensured. Cases of non-execution of supplementary agreements, fixation of lower reserve price, underassessment of royalty, short realisation of contract money, non-levy of interest on belated payments and irregular issue of permit leading to short realisation of revenue of ₹ 16.49 crore were noticed.
- The MPSMCL collected royalty of ₹ 257.91 crore from the contractors on the contracted quantity of sand but paid royalty of ₹ 121.22 crore to the Government on the actual excavated quantity of sand as the lease agreement between Government and MPSMCL did not stipulate deposit of entire amount of royalty received by MPSMCL from contractor.
- The Department did not prescribe any mechanism to monitor compliance of conditions laid down by State Environment Impact Assessment Authority for sand mining.

- The Department did not ensure submission of quarterly returns prescribed for monitoring of compliance of Environmental Management Plan. Therefore, the Department could not assess the impact of sand mining activities on environment.
- The Department has not evolved any system or module for submission of online quarterly returns by the mineral carriers as prescribed (April 2012) in Rule 5A in Madhya Pradesh Minerals (Prevention of Illegal Mining, Transportation and Storage Rules, 2006).

Audit observations of Compliance Audit

4.6 Royalty and contract money was not realised/short realised

In 18 District Mining Offices, royalty of ₹ 62.50 crore was not realised/short realised from 58 lessees and 11 contractors.

4.6.1 Mining Lease

According to the MMDR Act, every lessee of a mining lease has to pay royalty in respect of minerals removed or consumed by him from the leased area, at the rates specified in the Schedule II of the Act.

Audit test checked the records of seven District Mining Offices¹⁵ and observed that 22 lessees of major minerals, out of 431 test checked, had paid royalty of ₹ 55.66 crore against the payable amount of ₹ 116.16 crore for the period April 2013 to March 2016. As a result, royalty of ₹ 60.50 crore¹⁶ was either not realised or short realised. The DMOs did not recover the outstanding amount of royalty as arrears of Land revenue.

During the exit conference (November 2017), the Department intimated that out of 22 cases pointed out in audit, in 12 cases, recovery of ₹ 18.81 crore had been made, and in 10 cases recovery of ₹ 41.69 crore was under process.

4.6.2 Trade quarry

According to the MPMM Rules, if the contractor extracts or carries away any quantity of minerals exceeding the prescribed quantity, he shall be liable to pay royalty at the prevalent rate for such excess quantity extracted or carried away.

Audit test check of case files of 22 trade quarries of two DMOs¹⁷ for the period 2015-16 revealed that, in nine trade quarries an excess of 1,13,600.77 cu.m, of minerals were excavated, resulting in short realisation of revenue of ₹ 0.54 crore¹⁸.

During the exit conference (November 2017), the Department intimated that appropriate action is being taken. Further progress will be watched in Audit.

¹⁵ Balaghat, Dhar, Mandla, Narsinghpur, Rewa, Satna and Sidhi.

¹⁶ DMO Mandla (1 case, ₹ 1.81 lakh), DMO Satna (2 cases, ₹ 5.19 crore), DMO Narsinghpur (1 case, ₹ 1.15 lakh), DMO Dhar (4 cases, ₹ 5.58 lakh), DMO Sidhi (3 cases, ₹ 13.71 crore), DMO Rewa (7 cases, ₹ 40.04 crore) and DMO Balaghat (4 cases, ₹ 1.47 crore).

¹⁷ Harda and Shahdol.

¹⁸ DMO Harda (6 cases, ₹ 36.38 lakh) and DMO Shahdol (3 cases, ₹ 17.69 lakh).

Similar observations were pointed out in Audit Reports from 2011-12 to 2015-16 but the Department has not evolved a mechanism to check the persistence of such irregularities.

4.6.3 Quarry lease

As per the MPMM Rules, the lessee shall pay the dead rent or royalty whichever is higher in amount but not both in respect of each mineral. The lessee shall pay royalty in respect of quantities of mineral intended to be consumed or transported from the leased area, no sooner than the amount of dead rent already paid equals the royalty on mineral consumed or transported by him.

Audit test check of records of nine DMOs¹⁹ for the period from April 2014 to March 2016 revealed that 36 quarry lessees, out of 852 test checked, had short-deposited royalty of ₹ 0.46 crore. Of these, though the DMOs issued demand notices amounting to ₹ two lakh in three cases, they failed to ensure recovery. In the remaining cases, no demand notices were issued.

During the exit conference (November 2017), the Department intimated that appropriate action had since initiated. Further progress would be watched in Audit.

Similar observations were pointed out in Audit Reports from 2011-12 to 2015-16, but the Department has not evolved a mechanism to check the persistence of such irregularities.

4.6.4 Temporary permits

According to the MPMM Rules, DMO shall grant permission for extraction, removal and transportation of any minor mineral from any specific quarry or land which may be required for the works of any Department and undertaking of the Central Government or the State Government. Further, such permission shall only be granted on payment of advance royalty calculated at specified rates. Also, such permission shall not exceed the quantity of minerals required for construction work and the period shall not exceed the period of construction work.

Audit scrutiny of the records of two DMOs²⁰ for the period 2015-16 revealed that out of six test checked permits, two temporary lease permits were issued to two contractors for the extraction, removal and transportation of minerals used in the government construction work. However, the DMOs did not realise the entire sum of royalty payable in advance and instead issued permits against part payments by the contractors. The District Collectors who approved the issue of temporary permits did not monitor revenue realisation by the DMOs. Consequently, the Department failed to realise revenue of ₹ one crore²¹.

During the exit conference (November 2017), the Department intimated that appropriate action had since initiated. Further progress would be watched in Audit.

¹⁹ Alirajpur, Bhopal, Burhanpur, Dewas, Dhar, Narsinghpur, Ratlam, Shahdol and Tikamgarh.

²⁰ Seoni and Katni.

²¹ DMO Seoni (1 case, ₹ 40 lakh) and DMO Katni (1 case, ₹ 60 lakh).

Similar observations were pointed out in Audit Reports from 2011-12 to 2015-16, but the Department has not evolved a mechanism to check the persistence of such irregularities.

4.7 Rural infrastructure and road development tax not realised/short realised and penalty for non-payment of tax was not imposed

Four hundred fifty one mining lessees of idle mines had either not paid or short paid rural infrastructure and road development tax of ₹ 16.92 crore, which became recoverable, along with penalty of ₹ 50.76 crore.

According to the Madhya Pradesh Rural Infrastructure and Road Development Act, 2005 and notification of May 2006, rural infrastructure and road development tax at the rate of ₹ 4,000 per hectare per year in the case of idle mines was to be levied on lessees holding mining leases. In cases where tax was not paid, the competent authority shall impose the penalty not exceeding three times of the tax payable, unpaid tax and penalty shall be recovered as arrears of land revenue.

Audit test check of individual case files of major minerals in respect of mining leases of 14 DMOs²² revealed that one lessee each of DMO Katni and DMO, Sagar had paid ₹ 7.87 crore as rural infrastructure and road development tax for idle mines for the period 2013-16, against the payable amount of ₹ 13.12 crore in these two cases. Further, 449 lessees did not make any payment against the payable tax of ₹ 11.67 crore. Consequently, ₹ 16.92 crore against short / non-realisation of tax, and penalty of up to ₹ 50.76 crore became leviable.

During the exit conference (November 2017), the Department intimated that appropriate action was since being taken. Further progress would be awaited in audit.

Similar observations were pointed out in Audit Reports from 2011-12 to 2015-16 but the Department has not evolved a mechanism to check the persistence of such irregularities.

4.8 Contribution to the NMET fund by lessees not paid/short paid

Failure of District Collectors and 11 DMOs to monitor deposit of NMET royalty resulted in short realisation of ₹ 8.11 crore from 20 licensees and nil payment of royalty of ₹ 8.12 crore from 42 licencees.

Government of India set up (August 2015) the National Mineral Exploration Trust (NMET), the rules of which require holders of mining lease or a prospecting-cum-mining lease which is in the stage of production through mining, to pay the concerned State Governments a sum equivalent to two *per cent* of the royalty paid along with the periodical payments of royalty. It was further instructed that royalty should not be get deposited into the State Government account unless contribution of NMET fund is paid by the license holders.

²² Balaghat, Chhatarpur, Chhindwara, Damoh, Datia, Katni, Mandasaur, Narsinghpur, Rewa, Sagar, Satna, Seoni, Sidhi and Tikamgarh.

Audit test check of individual case files and royalty statements of 353 licensees/ lease holders of 11 DMOs²³ for the period April 2014 to March 2016 revealed that 20 licensees had short deposited NMET fund of ₹ 8.11 crore and 42 licensees had not deposited any amount against their contribution of ₹ 8.12 crore, resulting in short realisation of ₹ 16.23 crore.

During the exit conference (November 2017), the Department intimated that appropriate action was being taken. Further progress will be watched in Audit.

4.9 Interest on belated payments not realised/short realised

Failure of DMOs to recover interest on belated payments of dead rent/royalty from 153 lessees resulted in short realisation of revenue of ₹ 13.91 crore.

4.9.1 Delayed payment of dead rent in quarry leases

According to the MPMM Rules, failure of lessees of quarries to pay dead rent or royalty to the State Government on or before the specified date will entail payment of interest at the rate of 24 *per cent* per annum for the period of default.

Audit scrutiny of case files of quarry leases in 23 DMOs²⁴ for the period 2012-13 to 2015-16 revealed that 143 quarry lessees, out of 1,770 test checked, delayed payment of dead rent by 30 to 1,651 days. Of these, three lessees had made belated payment of dead rent amounting to ₹ 14 lakh but made short payment of penal interest by ₹ 2.94 lakh, and the remaining 140 lessees did not make payment of interest of ₹ 79.68 lakh on belated payment of dead rent of ₹ 3.32 crore. Thus, the DMOs failed to recover interest of ₹ 82.62 lakh on belated payments of dead rent.

During the exit conference (November 2017), the Department intimated that appropriate action was since being taken. Further progress will be awaited in audit.

Similar observations were pointed out in Audit Reports from 2011-12 to 2015-16 but the Department has not evolved a mechanism to check the persistence of such irregularities.

4.9.2 Delayed payment of royalty in mining leases

According to Mineral Concession Rules, 1960, failure of lessees to pay royalty, rent and rates by the prescribed date, will entail payment of simple interest at the rate of 24 *per cent* per annum from the sixtieth day of the expiry of the stipulated date till the date of payment of such royalty.

Audit test check of case files of two DMOs²⁵ for the period April 2015 to March 2016 revealed that 10 lessees, out of 52 test checked, had delayed payments of royalty by 30 to 456 days beyond the above mentioned due date. The two DMOs, however, failed to recover interest of ₹ 13.08 crore²⁶.

²³ Anuppur, Balaghat, Chhindwara, Dhar, Katni, Narsinghpur, Rewa, Sagar, Satna, Sidhi and Singrauli.

²⁴ Anuppur, Ashok Nagar, Balaghat, Bhopal, Burhanpur, Chhatarpur, Chhindwara, Damoh, Datia, Dewas, Dhar, Katni, Narsinghpur, Raisen, Ratlam, Rewa, Sagar, Shahdol, Shajapur, Seoni, Sidhi, Tikamgarh and Ujjain.

²⁵ Rewa and Sidhi.

²⁶ DMO Sidhi (3 cases, ₹ 1.69 crore) and DMO Rewa (7 cases, ₹ 11.39 crore).

During the exit conference (November 2017), the Department intimated appropriate action was since being taken. Further progress would be watched in Audit.

Similar observations were pointed out in Audit Reports from 2011-12 to 2015-16 but the Department has not evolved a mechanism to check the persistence of such irregularities.

4.10 Dead rent not realised or short realised

The District Collectors failed to recover ₹ 2.92 crore towards dead rent from 218 lessees.

According to the MPMM Rules / MMDR Act, every lessee of a quarry lease/mining lease has to pay dead rent every year at prescribed rates in respect of all areas included in the lease provided that where the lessee becomes liable to pay royalty for any mineral removed or consumed, he shall be liable to pay either such royalty or the dead rent in respect of that area, whichever is greater.

The MPMM Rules further provides that where lessees of quarry leases fail to pay yearly dead rent by the prescribed date, the District Collector/ Additional Collector are required, after issue of adequate notice, to determine the lease and forfeit the whole or part of the security deposit or in the alternative receive from the lessees such penalty for the breach not exceeding four times the amount of the said half yearly dead rent as the lessor may fix.

Audit test check of records of 30 DMOs²⁷ for the period April 2013 to March 2016 revealed that 203 quarry lessees, out of 1,940 test checked, and 15 mining lessees, out of 37 test checked, had short-deposited ₹ 2.92 crore. Though the DMOs had issued demand notices in 54 cases, no further action was taken either in these 54 cases or in the remaining 164 cases.

During the exit conference (November 2017), the Department intimated that appropriate action was since being taken. Further progress would be watched in Audit.

Similar observations were pointed out in Audit Reports from 2011-12 to 2015-16 but the Department has not evolved a mechanism to check the persistence of such irregularities.

4.11 Contract money on trade quarries not realised/short realised

The Department failed to realise contract money of ₹ 1.61 crore from 13 contractors of trade quarries.

According to the MPMM Rules and conditions of the standard contract agreement, failure of the contractors of trade quarries to pay contract money beyond one month from the scheduled date, would entail cancellation of the contract and re-auction of the quarry. If the Government sustains any loss on re-auction, the same will be recovered from the defaulting contractor as arrears of land revenue, after issue of notice. The rules also require DMOs to monitor

²⁷ Alirajpur, Anuppur, Ashok Nagar, Balaghat, Bhopal, Burhanpur, Chhatarpur, Chhindwara, Damoh, Datia, Dewas, Dhar, Harda, Katni, Mandla, Mandsaur, Narsinghpur, Raisen, Rajgarh, Ratlam, Rewa, Sagar, Satna, Sehore, Seoni, Shahdol, Shajapur, Sidhi, Ujjain and Umaria.

timely receipt of contract money and levy of interest on belated payments through the Register of Income from Trade Quarries in Form 23.

Audit test check of the case files of 53 trade quarries in five DMOs²⁸, for the period April 2013 to March 2016 revealed that 13 contractors had paid contract money amounting to ₹ 41.99 lakh against the payable amount of ₹ 2.03 crore. The DMOs had not followed up on demand notices in seven cases amounting to ₹ 75 lakh and had not issued demand notices for ₹ 86 lakh in the remaining six cases. As a result, contract money amounting to ₹ 1.61 crore from 13 contractors was not realised.

It was further observed that DMO Raisen, DMO Seoni and DMO Shajapur had not maintained the Register of Income from Trade Quarry which has been prescribed as a tool to monitor receipt of contract money. Though the remaining two DMOs maintained the register, they did not monitor the payment of contract money.

During the exit conference (November 2017), the Department intimated that appropriate action was since being taken. Further progress would be watched in Audit.

Similar observations were pointed out in Audit Reports from 2011-12 to 2015-16 but the Department has not evolved a mechanism to check the persistence of such irregularities.

²⁸ Burhanpur, Mandla, Raisen, Seoni and Shajapur.