

CHAPTER-VI
OTHER TAX AND NON-TAX RECEIPTS

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6.1 Tax administration

This chapter consists of receipts from Entertainment Duty, Power (Taxes and duties on electricity), Mines and Geology and Land Revenue. The administration and levy of these taxes is governed by respective Acts/Rules framed separately for each administrative department.

6.2 Results of Audit

In 2017-18, test check of the records of 52 units out of 167 units revealed non/short recovery of tax receipts and interest relating to Mines and Geology (17 units), Power Department (Taxes and duties on electricity) (03 units), Land Revenue (26 units) and Excise and Taxation Department (Entertainment Duty) (06 units) involving ₹ 1,476.29 crore in 825 cases which are categorised in **Table 6.1**.

Table 6.1

Sr. No.	Categories	Number of cases	Amount (₹ in crore)
1.	Functioning of Mines and Geology Department	751	1,476.21
2.	Non deposit of copying and mutation fee	72	0.04
3.	Power Department (Taxes and Duties on electricity)	02	0.04
	Total	825	1,476.29

During the year, the Department accepted under-assessment and other deficiencies amounting to ₹ 1,274.95 crore in 816 cases out of which ₹ 809.04 crore involved in 552 cases were pointed out during the year and the rest in earlier years. The Department recovered ₹ 28.76 crore in 55 cases out of which ₹ 28.75 crore involved in eight cases relates to the year 2017-18 and the rest to earlier years.

Performance Audit on “Functioning of Mines and Geology Department” involving tax effect of ₹ 1,476.21 crore is discussed in the following paragraphs. The cases pointed out are based on the test check conducted by audit. The Department may initiate action to examine similar cases and take necessary corrective action.

MINES AND GEOLOGY DEPARTMENT

6.3 *Functioning of Mines and Geology Department*

6.3.1 *Highlights*

- Seventy seven out of total ninety five contractors executed agreements after delay ranging between five and 891 days and nine contractors did not execute the agreements.

(Paragraph 6.3.8.2)

- Contractors/lessees are required to deposit security equal to 25 per cent of the annual contract money/dead rent, out of which 10 per cent shall be deposited as initial bid security at the fall of hammer and the balance 15 per cent bid security shall be deposited before commencement of the mining operations or before expiry of the period of 12 months from the date of issue of Letter of Intent, whichever is earlier. Fifty nine contractors deposited balance bid security of ₹ 132.02 crore with delay ranging between three and 854 days and 11 contractors did not deposit balance bid security of ₹ 29.28 crore.

(Paragraphs 6.3.8.3 (i) and (ii))

- Department did not initiate action against 69 contractors for short/non-deposit of contract money of ₹ 808.21 crore. Interest of ₹ 347.63 crore was also leviable.

(Paragraph 6.3.9.1)

- Department did not initiate action against 48 contractors for short/non-deposit of ₹ 49.30 crore in the Mines and Mineral Development, Restoration and Rehabilitation Fund. Interest of ₹ 17.44 crore was also leviable.

(Paragraph 6.3.9.3)

- Government did not deposit its share of contribution amounting to ₹ 17.70 crore in the Mines and Mineral Development, Restoration and Rehabilitation Fund.

(Paragraph 6.3.9.4)

- Government did not credit interest of ₹ 4.61 crore in the Mines and Mineral Development, Restoration and Rehabilitation Fund.

(Paragraph 6.3.9.5)

- Geo-spatial survey of selected sand and boulder/gravel mines revealed that there is mismatch between co-ordinates of mining sites as given in mining plans and as observed on site inspection.

(Paragraph 6.3.11.1)

- River flow regime had changed on account of obstruction in river flow by sand miners

(Paragraph 6.3.11.3)

- Brick kiln owners did not deposit ₹ 0.53 crore in 181 cases out of 4,139 on account of royalty and additional royalty. Interest of ₹ 0.24 crore was also leviable.

(Paragraph 6.3.13.1)

6.3.2 Introduction

The Mines and Geology Department, Haryana is responsible for systematic development, exploration and exploitation of the minor mineral resources, namely stone, sand, gravel, gypsum, etc. in the State. Mining offices are situated in 15 out of 22 districts of the State, out of which mining operations are carried out in 10 districts. In Bhiwani and Hisar gypsum is mined in addition to other minor minerals. Apart from regulating mining operations, the Department regulates grant/renewal of licences to operate stone crushers and permits for excavation of brick earth used in brick kilns.

Mining operations are of two types: (1) Mining of sand, gravel and boulders which are awarded as contracts for a period not less than seven years but not exceeding 10 years; and (2) Mining of stones which are awarded as leases for a period not less than 10 years but not exceeding 20 years.

Mining contracts and leases are awarded through e-auction. After auction, the Department issues Letter of Intent (LoI) to the successful bidder who is required to execute an agreement within 90 days from the date of issue of the LoI. The bid amount is the annual contract money or the amount payable in a year by the contractor¹ for extracting minerals from the area granted on contract. The successful bidder is required to deposit the annual contract money with the Department in equal monthly installments. First installment of contract money should be deposited before commencement of mining

¹ Contractor is a person holding the rights of mining on contract or lease basis.

operations or before the expiry of the period of 12 months from the date of issue of LoI, whichever is earlier.

In the case of lease, royalty² or dead rent³, whichever is higher, is payable to the Department in monthly installments at the beginning of each month. In case the amount of royalty computed at the prescribed rate on the quantum of the mineral extracted during a month is more than the monthly dead rent payable, the differential amount is payable by 7th of the following month. Interest is leviable, as per extant rules, on delayed/short/ non-deposit of monthly installments of contract money/dead rent/royalty by the contractor.

The successful bidder has also to deposit 25 *per cent* of the annual bid amount as security deposit, out of which 10 *per cent* is to be paid at the time of auction and the remaining 15 *per cent* is to be paid before commencement of the mining operations or within 12 months from the date of acceptance of contract, whichever is earlier.

In addition to the contract money, contractors are also required to pay user charges, which is an amount equal to 10 *per cent* of the contract money, dead rent or royalty, whichever is higher, towards the Mines and Minerals Development, Restoration and Rehabilitation Fund.

The successful bidder is also required to obtain Environment Clearance (EC) from the Ministry of Environment and Forest (MoEF), Government of India (GOI) before he can commence mining operations. For this, he is required to prepare a Mining Plan and get it approved from the Department. The Mining Plan lays down, *inter alia*, details of existing mining pits, their dimensions, proposed method of mining and rate of production, details of mining machinery to be deployed, measures to be taken for protection of environment in and around the mining area, measures to be taken for controlling water, noise and air pollution, progressive mine closure plan, and so on. The approved mining plan is a prerequisite for grant of EC by MoEF, GOI. Flow chart of the process is as given:-

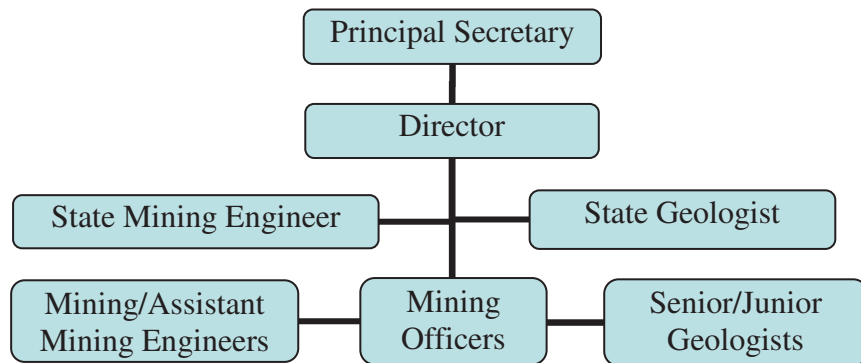
² Royalty is the value of any mineral extracted or removed or consumed from the leased area at the rate specified in the First Schedule contained in Haryana Minor Mineral Concession, Stocking, Transportation of Minerals and Prevention of Illegal Mining Rules, 2012. Amount payable as royalty is, therefore, determined by the quantum of minerals excavated.

³ Dead rent is the minimum amount payable in a year by the person granted a mining lease irrespective of whether or not he operated/could operate the area fully or partly.



6.3.3 Organisational set up

The organisational set up of the Mines and Geology Department, Haryana is given in the chart below:



6.3.4 Trend of revenue receipts

The main sources of revenue for the Department are: (i) contract money, dead rent, royalty; (ii) user charges from the contractors; and (iii) other receipts from brick kiln and stone crusher owners.

Para 4.2 of the Punjab Budget Manual, as applicable to the State of Haryana, provides that revised estimates (REs) of the revenue receipts of the Department shall be based on the actual receipts of those months of the year which have already elapsed and the growth or diminution of actual receipts compared with the corresponding period of the previous year, assuming a

continuance of the growth or decline at the same rate during the remaining months of the year.

The budget estimates, revised estimates and the actual receipts of the Department between the years 2012-13 and 2017-18 are detailed in the table below:-

Table No. 1: Budget estimates, revised estimates and actual receipts

Year	Budget estimates	Revised estimates	Actual receipts	Increase (+) or decrease (-) of actual receipts over		Percentage increase (+) or decrease (-) of actual receipts over	
	₹ in crore)			Budget estimates	Revised estimates	Budget estimates	Revised estimates
2012-13	225.00	75.00	75.49	(-) 149.51	(+) 0.49	(-) 66.45	(+) 0.65
2013-14	150.00	150.00	79.10	(-) 70.90	(-) 70.90	(-) 47.27	(-) 47.27
2014-15	500.00	40.10	43.46	(-) 456.54	(+) 3.36	(-) 91.31	(+) 8.38
2015-16	1,000.00	400.00	271.61	(-) 728.39	(-) 128.39	(-) 72.84	(-) 32.10
2016-17	1,040.00	600.00	496.95	(-) 543.05	(-) 103.05	(-) 52.22	(-) 17.18
2017-18	650.00	700.00	712.87	(+) 62.87	(+) 12.87	(+) 9.67	(+) 1.84

Source: State Budget and Finance Accounts

Mining operations were banned in the State from March 2010. The Hon'ble Punjab and Haryana High Court permitted resumption of mining operations from November 2013. The Department began auctioning its mines from December 2013. Receipts of the Department started rising from 2015-16 after commencement of mining operations from January 2015 onwards.

Budget estimates for 2013-14 were prepared assuming that mining in area less than five hectares would be permitted by the Hon'ble Supreme Court which could not materialise due to various litigations. The budget estimates between the period 2014-15 and 2016-17 were prepared on the assumption that full scale mining would resume after settlement of the pending litigations in the Hon'ble Supreme Court and after obtaining environmental clearance by the concession holders. However, this could not materialise and so REs had to be revised downward.

Actual receipts were less than the REs in the years 2015-16 and 2016-17 due to termination of contracts during the years 2015-16 (two contracts) and 2016-17 (four contracts) and delayed/non-payment of contract money/dead rent/royalty by 69 contractors after the expiry of 12 months from the date of issue of LoI.

Contribution of receipts of the Department to total non-tax revenue of the State rose from 1.62 *per cent* in 2012-13 to around eight *per cent* in 2016-17 but it came down to 7.82 *per cent* in 2017-18 as detailed below:-

Table No. 2: Actual receipts as compared to total non-tax revenue

Year	Total non-tax revenue collection	Actual receipts from minerals	Percentage share of actual receipts with reference to total non-tax revenue collection
	(₹ in crore)		
2012-13	4,673.15	75.49	1.62
2013-14	4,975.06	79.10	1.59
2014-15	4,613.12	43.46	0.94
2015-16	4,752.48	271.61	5.72
2016-17	6,196.09	496.95	8.02
2017-18	9,112.85	712.87	7.82

Source: State Budget and Finance Accounts

6.3.5 Audit objectives

The Performance Audit aims to ascertain whether:

- systems, procedures for approval of mineral concessions and process for auction of mining contracts/quarrying leases were as per provisions contained in acts, rules and instructions issued by the Government from time to time;
- provision for the levy, assessment and collection of all the prescribed mineral receipts were properly enforced to safeguard the revenue of the State;
- Mines and Mineral Development, Restoration and Rehabilitation Fund was managed and monitored as per Government instructions; and
- monitoring mechanism of mining and quarrying was adequate and effective.

6.3.6 Scope and methodology

Performance Audit covered activities of office of the Director, Mines and Geology Department, Haryana, Chandigarh and all the 15 mining offices⁴ of the State for the period from 2012-13 to 2016-17. The records relating to all 95 mines auctioned during the above period in 10 mining offices were checked. Besides this, the records relating to the grant/renewal of licences of stone crushers and permits for excavation of brick earth for brick kilns were also examined. In addition, geo-spatial survey of selected sand and

⁴ Ambala, Bhiwani, Faridabad, Gurugram, Hisar, Jind, Kurukshetra, Mahendergarh (Narnaul), Panchkula, Panipat, Rewari, Rohtak, Sirsa, Sonapat and Yamunanagar.

boulder/gravel mines in Yamunanagar district was also conducted with the help of expert agency (Kalpana Chawla Chair of Geospatial Technology, Punjab Engineering College, Chandigarh).

An entry conference was held on 29 November 2017 with the Government in which audit objectives, audit criteria and scope and methodology of audit were discussed. The draft Performance Audit report was shared with the Government in July 2018. An exit conference was held on 6 November 2018. The replies/views of the Government/Department have been duly considered and suitably incorporated while finalising this Performance Audit report.

6.3.7 Audit criteria

The performance of the Department was measured against the following sources of audit criteria:

- Mines and Minerals (Development and Regulation) Act, 1957 and Amendment Act, 2015;
- Punjab Minor Mineral Concession Rules, 1964;
- Haryana Control of Bricks Supplies Order, 1972;
- Haryana Regulation and Control of Crusher Act, 1991 and Rules, 1992 framed thereunder;
- Haryana Minor Mineral Concession, Stocking, Transportation of Minerals and Prevention of Illegal Mining Rules, 2012; and
- Mines and Mineral Development, Restoration and Rehabilitation Fund, 2015 (Notified on 10th July 2015).

6.3.8 Management of mining contracts and leases

The Haryana Minor Mineral Concession, Stocking, Transportation of Minerals and Prevention of Illegal Mining Rules, 2012 (Rules, 2012) contains provisions for regulating the grant of various forms of mineral concessions, storage and transportation of minerals and prevention of illegal mining. During the Performance Audit period, 95 contracts were awarded in 10 mining offices and all the 95 contracts were examined in audit. Out of 95 contracts, 16 contracts were terminated. None of the terminated contracts were retendered by the Department till March 2018. The records of mining contracts and leases auctioned by the State Government between December 2013 and March 2017 were examined with reference to the provisions contained in the above rules. The following irregularities/shortcomings were noticed:

6.3.8.1 Termination of contract

Rule 50 of the Rules, 2012 provides that mineral concessions may be granted on application through a transparent process of inviting competitive bids/open auctions. The Government may in the interest of mineral conservation and scientific mining, pre-qualify the potential bidders, based on some objective assessment criteria, by inviting Expressions of Interest through general public and restrict the bids among the pre-qualified bidders.

However, the Department had not adopted a system of pre-qualifying potential bidders on the basis of financial adequacy for restricting bids amongst pre-qualified bidders with the result that contracts/leases were awarded at exceptionally high amounts which were economically unviable and unsustainable. As a consequence, several contracts had to be terminated due to default by contractors in payment of monthly contract amount.

The Department auctioned 95 mines in 10 districts up to 31 March 2017 out of which 16 contracts (17 per cent) were terminated. In 11 cases the bid money was more than 100 per cent of reserve price. Out of this, in 5 cases (45 per cent) contracts had to be terminated on account of non/short payment of contract money by the contractor. The details of terminated contracts are given below:-

Table No. 3: Details of contracts terminated

Sr. No.	District	Date of LoI Date of agreement	Due date of termination Date of termination	Delay in termination (in days)	Name of block of mining contract /lease	Reserve price	Bid amount	Percentage of increase in bid amount over reserve price	Reasons for termination
						₹ in crore)			
1.	Bhiwani	03-01-2014 19-02-2015	04-03-2015 04-11-2016	611	Kalali and Kalyana	19.05	32.45	70.34	Non/short payment of contract money
2.	Faridabad	03-01-2014 22-09-2014	31-05-2016 10-06-2016	10	Palwal Sand Unit 1	1.50	27.56	1,737.33	Non/short payment of contract money
3.		03-01-2014 22-09-2014	31-05-2016 15-05-2017	349	Palwal Sand Unit 2	1.80	29.50	1,538.89	Non/short payment of contract money
4.		03-01-2014 19-12-2014	01-03-2015 25-08-2017	908	Faridabad Sand Unit 1	2.56	62.50	2,341.41	Dispute in Mining Area

Sr. No.	District	Date of LoI Date of agreement	Due date of termination Date of termination	Delay in termination (in days)	Name of block of mining contract /lease	Reserve price	Bid amount	Percentage of increase in bid amount over reserve price	Reasons for termination
						(₹ in crore)			
5.	Kurukshe- tra	<u>03-01-2014</u> 07-11-2014	<u>04-03-2015</u> 12-06-2017	831	Kurukshe- tra Unit 1,	4.50	13.01	189.11	Non/short payment of contract money
6.	Mahender- garh (Narnaul)	<u>02-09-2015</u> 10-06-2016	<u>30-09-2016</u> 25-05-2017	237	Karota	11.20	11.205	0.04	Non/short payment of contract money
7.		<u>03-01-2014</u> 22-09-2014	<u>02-07-2016</u> 30-08-2016	59	Mahender- garh Unit 3	1.16	11.51	892.24	Scarcity of sand deposits
8.	Panchkula	<u>03-03-2016</u> Not executed	<u>01-06-2016</u> 02-06-2017	366	Mandlai Block 2	3.23	5.085	57.43	Non-execution of agreement and non-deposit of balance security
9.	Panipat	<u>03-01-2014</u> 09-09-2016	<u>30-11-2015</u> 02-06-2017	550	Karnal Unit 1	6.62	60.05	807.10	Non/short payment of contract money
10.		<u>03-01-2014</u> 01-10-2015	<u>30-11-2015</u> 28-12-2015	28	Karnal Unit 3	4.66	70.01	1,402.36	Non/short payment of contract money
11.		<u>03-01-2014</u> Not executed	<u>03-04-2014</u> 12-09-2014	162	Panipat Unit 1	4.76	40.05	741.39	Surrendering of mining contract
12.	Sonipat	<u>03-01-2014</u> Not executed	<u>03-04-2014</u> 21-03-2014	No delay	Sonipat Unit 1	5.78	71.00	1,128.37	Dispute in Mining Area
13.		<u>03-01-2014</u> Not executed	<u>03-04-2014</u> 12-09-2014	162	Sonipat Unit 2	15.12	120.13	694.51	Dispute in Mining Area
14.		<u>03-01-2014</u> Not executed	<u>03-04-2014</u> 11-08-2017	1226	Sonipat Unit 3	13.10	51.04	289.62	Dispute in Mining Area
15.		<u>02-01-2015</u> 07-07-2015	<u>02-04-2015</u> 27-06-2016	452	Tikola Sand Unit 1	9.04	9.07	0.33	Dispute in Mining Area
16.		<u>02-01-2015</u> 20-08-2015	<u>02-03-2016</u> 02-07-2017	487	Nandnaur Sand Unit	11.16	11.22	0.54	Non/short payment of contract money

These contracts were not retendered. The revenue forgone worked out to ₹ 192.64 crore upto March 2018 on the basis of reserve price.

The successful bidder is required to deposit annual contract money with the Department in equal monthly installments. First installment of contract money should be deposited before commencement of mining operations or before the expiry of the period of 12 months from the date of issue of LoI, whichever is earlier. As per para 5 (iv) of LoI, delay in payment of monthly contract money beyond 60 days would amount to a breach and invite action for termination of the contracts.

In 12 cases of terminated contracts, the contractors made payment between two and 32 months beyond the stipulated period of 60 days for payment of monthly installment. In these cases, the agreements were also executed after delay of three to 29 months beyond the stipulated period of 90 days.

In five cases (Sr. No. 8, 11, 12, 13 and 14) no agreements were executed. These contracts were terminated between three and 43 months from the date of issue of LoI.

During exit conference, the Department stated that in online open auction process the Department had no control on the highest bidding amount offered by the bidder. Bidders realised later that contract was not financially viable as production of minerals was controlled by the market demands. It was further stated that restriction of auction among only pre-qualified bidders would reduce competition and the Government wanted to encourage small contractors also. The Department was aware of the situation and action to avoid such instances in future was under active consideration of the Department.

6.3.8.2 Delayed/non-execution of agreements

Para 3 of the LoI provides that the contractor/lessee shall execute an agreement within a period of 90 days from the date of issue of the LoI. Further, in the event of failure to do so, (i) the LoI shall be deemed to have been revoked; (ii) an amount of 10 *per cent* initial bid security shall be forfeited; (iii) 15 *per cent* balance bid security shall be recovered as arrears of land revenue; and (iv) the defaulter shall be debarred from participation in any future mining auctions for the period of five years.

In the offices of 10 Mining Officers (MOs)⁵ LoIs were issued to 95 contractors between January 2014 and October 2016 and they were required to execute agreements between April 2014 and January 2017. However, 77 contractors

⁵ Ambala, Bhiwani, Faridabad, Hisar, Kurukshetra, Mahendergarh (Narnaul), Panchkula, Panipat, Sonapat and Yamunanagar.

executed agreements after the prescribed period of 90 days. The range of delay was between five and 891 days as detailed below:

Table No. 4: Range of delay in execution of agreements

Sr. No.	Range of delay (in days)	Number of cases
1.	Upto 90 days	8
2.	Between 91 and 180 days	27
3.	Between 181 and 270 days	21
4.	Between 271 and 365 days	13
5.	Above 365 days	8
Total		77

Department had not forfeited/recovered bid security as per extant rules. In nine contracts, the agreements were executed in time. Further, nine contractors in offices of three MOs at Panchkula (four), Panipat (two) and Yamunanagar (three) had not executed agreements upto 31 March 2018 as detailed below:

Table No. 5: Details of agreements not executed upto 31 March 2018

Sr. No.	Name of block and contractor/lessee	Date of LoI	Due date of execution of agreement	Delay (in days)
Panchkula				
1.	Gobindpur Block/PKL B 18	09-06-2015	06-09-2015	937
2.	Narainpur Block/PKL B 19	09-06-2015	06-09-2015	937
3.	Mandlai 2 Block/PKL B 22	03-03-2016	31-05-2016	669
4.	Manak Tabra Block/PKL B 20	06-10-2016	03-01-2017	452
Panipat				
5.	Karnal Unit 2	03-01-2014	02-04-2014	1459
6.	Panipat Unit 1	03-01-2014	02-04-2014	1459
Yamunanagar				
7.	Chuharpur Block/YNR B 26 and 27	03-03-2016	03-06-2016	639
8.	Ismailpur Block/YNR B 32	03-03-2016	03-06-2016	639
9.	Haldari Gujjar Block/YNR B 35	03-03-2016	03-06-2016	639

Mining has commenced in one contract in Panchkula (Sr. No. 1). One contract was terminated in Panchkula (Sr. No. 3) due to non-execution of agreement and non-deposit of balance security and one contract in Panipat (Sr. No. 6) was terminated due to surrender of mining contract.

However, in the remaining six contracts mining has not commenced and the Department had not revoked these contracts (March 2018).

During exit conference, the Department stated that the period of 90 days for execution of agreement was insufficient as Department had to verify/certify supporting documents/details of property of the sureties. It further stated that the documents were verified by a Chartered Accountant after seeking additional clarification/documents, if needed. Hence, the process took more than 90 days. The Department should review the rules in case it considered period of 90 days insufficient to execute the agreement. Department agreed and stated that the rule would be reviewed to avoid such situations in future.

There was delay in execution of agreement in 77 cases. In six cases agreements have not been executed even after more than two years of award of contract. Department has not revoked these contracts and the mines are not operational leading to loss of revenue.

6.3.8.3 Delayed/non-deposit of balance bid security

Para 3 of the LoI and para 2 of part 3 of the agreement provide that the contractor/lessee shall deposit security equal to 25 per cent of the annual contract money/dead rent, out of which 10 per cent shall be deposited as initial bid security at the fall of hammer and the balance 15 per cent bid security shall be deposited before commencement of the mining operation or before expiry of the period of 12 months from the date of issue of LoI, whichever is earlier. In the event of failure to do so, (i) the LoI is deemed to have been revoked; (ii) an amount of 10 per cent initial bid security shall be forfeited; (iii) 15 per cent balance bid security shall be recovered as arrears of land revenue; and (iv) the defaulter shall be debarred from participation in any future mining auctions for the period of five years.

(i) Delayed deposit of balance bid security

The Department auctioned 95 mines in 10 districts up to 31 March 2017. In the offices of nine MOs⁶ there was delay in depositing 15 per cent security by 59 contractors out of 84. The balance 15 per cent security was not due from the remaining 11 contractors during period of audit as they had not completed the period of 12 months from the date of issue of LoI up to 31 March 2017. The total bid amount of these 59 contracts was ₹ 880.13 crore for which LoIs were issued between January 2014 and October 2016. These contractors were required to deposit 15 per cent as security deposit amounting to ₹ 132.02 crore between January 2015 and October 2017.

⁶ Ambala, Bhiwani, Faridabad, Hisar, Kurukshetra, Mahendergarh (Narnaul), Panchkula, Sonapat and Yamunanagar.

However, the contractors deposited the amount after delay ranging between three and 854 days as detailed below:-

Table No. 6: Range of delay in deposit of balance bid security

Sr. No.	Range of delay (in days)	Number of cases
1.	Upto 90 days	33
2.	Between 91 and 180 days	9
3.	Between 181 and 270 days	7
4.	Between 271 and 365 days	4
5.	Above 365 days	6
Total		59

Mining operations have commenced in 54 contracts and have not commenced in five contracts. Out of the 54 contracts where mining operations have commenced, in 12 contracts mining commenced before deposit of security money.

Deposition of balance security prior to commencement of mining operations is crucial for protecting the financial interest of the Department. The Department failed to enforce this requirement which indicates deficient monitoring.

(ii) Short/non-deposit of balance bid security

In the offices of six MOs⁷ (between January and May 2018) 11 contracts for ₹ 196.86 crore were awarded between January 2014 and July 2016. They were required to deposit 15 *per cent* as security deposit amounting to ₹ 29.53 crore between January 2015 and July 2017. However, 10 contractors did not deposit an amount of ₹ 27.05 crore. One contractor partly deposited ₹ 0.25 crore out of ₹ 2.48 crore, resulting in short/non-deposit of ₹ 29.28 crore upto 31 March 2018. Out of the above 11 contracts, mining operations has not commenced in eight contracts and the remaining three contracts have been terminated due to non/short payment of contract money and non-execution of agreement and non-deposit of balance security.

During exit conference, the Department stated that delayed/non-deposit of balance 15 *per cent* security in some cases was due to non-grant of environment clearance, non-commencement of mining operations, termination/cancellation of contracts, etc. Audit observed that as per contract, balance security amount was required to be deposited by the contractors before the commencement of mining operations or the period of 12 months from the date of issue of LoI, whichever is earlier. Thus, non-grant of

⁷ Faridabad, Mahendergarh (Narnaul), Panchkula, Panipat, Sonapat and Yamunanagar.

environment clearance had no relevance in such cases. In other cases, termination/cancellation of the contracts was done after the period of 12 months, before which the balance security should have been recovered from the contractors.

6.3.9 Receipts from mining contracts and leases

6.3.9.1 Short/non-deposit of contract money and interest thereon

Para 3 of the LoI provides that the contract/lease commences from the date of commencement of mining operations or on expiry of a period of 12 months from the date of issue of LoI, whichever is earlier. The contractor is liable to pay contract money/dead rent or the amount of royalty on the mineral excavated and dispatched, whichever is higher as soon as the contract comes into effect. Further, para 5/para 7 of part 3 of the contract/ lease agreement provides that short/non-deposit of advance monthly installment shall attract interest at the rate of 15 per cent (upto 30 days) and 18 per cent (31 to 60 days) per annum. Delay beyond 60 days would amount to a breach and invite action for termination of the contract/lease with recovery of entire outstanding amount along with interest at the rate of 21 per cent per annum for entire period of default.

The Department auctioned 95 mines in 10 districts up to 31 March 2017. However, in the offices of nine MOs⁸ it was observed that 69 contractors (Contracts = 53; and leases = 16) out of 84⁹ were required to deposit advance monthly installments of contract money of ₹ 1,413.29 crore (Contract money: ₹ 880.19 crore; dead rent: ₹ 532.77 crore; and royalty: ₹ 0.33 crore) between January 2015 and March 2017. The contractors deposited ₹ 605.08 crore resulting in short and non-deposit of advance monthly installments of ₹ 808.21 crore (Short deposit = ₹ 33.57 crore; and non-deposit = ₹ 774.64 crore). It was further observed that there was delay ranging between 63 and 1,184 days in depositing the contract money as detailed below:

Table No. 7: Range of delay in deposit of contract money

Sr. No.	Range of delay (in days)	Number of cases
1.	Upto 90 days	3
2.	Between 91 and 180 days	4
3.	Between 181 and 270 days	1
4.	Between 271 and 365 days	1
5.	Above 365 days	60
Total		69

⁸ Ambala, Bhiwani, Faridabad, Kurukshetra, Mahendergarh (Narnaul), Panchkula, Panipat, Sonapat and Yamunanagar.

⁹ Mining operations did not commence in the remaining 11 contracts during the audit period (up to 31 March 2017).

Due to delayed/non-deposit of contract money by the above contractors, interest of ₹ 347.63 crore upto March 2018 was also leviable.

It was further observed that all the above 69 contractors did not deposit monthly advance installments of contract money within 60 days at one stage or another, which constituted breach of the contract/lease agreements. The Department, however, did not initiate action to terminate these contract/lease agreements.

On this being pointed out between December 2017 and May 2018, MOs, Ambala and Yamunanagar informed in May 2018 that recovery of ₹ 9.54 crore (Ambala = ₹ 6.00 crore and Yamunanagar = ₹ 3.54 crore) had been made and efforts would be made to recover the balance amount. During exit conference, the Department agreed to the observation but stated that the concession holders filed Special Leave Petition (SLP) in the Apex Court against the recovery of Government dues for un-commenced period of contract for want of environment clearance. Reply should be seen in view of the fact that there was no stay against the recovery of dues for the un-commenced period. Yet the Department was not pursuing recovery of government dues of un-commenced period.

Department failed to levy interest of ₹ 347.63 crore on delayed deposit of contract money/dead rent/royalty. Further, there was short deposit of monthly instalments of contract money amounting to ₹ 808.21 crore.

6.3.9.2 Management of Mines and Mineral Development, Restoration and Rehabilitation Fund

Rule 56 (5) of Rules, 2012 provides that contractor shall pay an additional amount equal to 10 *per cent* of due dead rent/royalty/contract money towards the Mines and Mineral Development, Restoration and Rehabilitation Fund (Fund). The Government of Haryana notified detailed instructions to establish the Fund on 10th July 2015. The Fund is established with a view to funding schemes/programmes/projects considered necessary for environmentally sustainable growth of the mining sector, protection, preservation and rehabilitation of the mining sites and to undertake other related works in the overall interest of protection and preservation of ecology and environment of the area.

The objectives intended to be achieved through the Fund are:-

- Funding of the restoration or reclamation or rehabilitation works in the sites affected by mining operations;
- Provision of common facilities for the benefit of community in and around areas where mining activities are undertaken;

- Development of infrastructure facilities for orderly growth of the mining operations and allied activities e.g. roads, stone crusher estates, water supply, etc.;
- Funding of the studies commissioned or activities related to the mining sector e.g. survey, exploration and prospecting of minerals, procurement of equipment and machinery required to support such activities;
- Education, awareness and training of the contractors and the staff of the Department through field visits and exposure to the best mining practices;
- Funding of expenditure incurred on implementation of any scheme of incentives that the State Government may frame for recognition and awards for scientific mining undertaken with highest regard to mineral conservation, rehabilitation measures along with environmental safeguards and other measures; and
- Any other objects, which the Government may consider expedient to support the overall interest of the mining sector.

Contributions to the Fund are to be made by contractors as well as by the Government. Every contractor has to contribute, each month, an amount equal to 10 *per cent* of the monthly installment of contract money/dead rent/royalty. State Government has to contribute an amount equal to five *per cent* of the amount received from the contractors in a financial year. Interest at the rate of six *per cent* per annum on the accumulated deposits as on 31st March is required to be credited to the Fund by the Government by the quarter ending June of the year.

A grace period of seven days is allowed for payment of monthly installments. Delay in deposit of monthly installment attracts interest at the rate of 15 *per cent* (upto 30 days) and 18 *per cent* (31 to 60 days) per annum. Delay beyond 60 days amounts to a breach and invites action for termination of the contract/lease with recovery of entire outstanding amount along with interest at the rate of 21 *per cent* per annum for entire period of default.

6.3.9.3 *Delayed/non-deposit of monthly installment to the Fund and interest thereon*

Monthly installments to the Fund were deposited by the contractor in MO, Hisar. In the remaining nine MOs¹⁰ (between September 2016 and May 2018) mining operations in 48 contracts commenced between May 2015¹¹ and March 2017. These contractors were required to deposit monthly installment

¹⁰ Ambala, Bhiwani, Faridabad, Kurukshetra, Mahendergarh (Narnaul), Panchkula, Panipat, Sonapat and Yamunanagar.

¹¹ Mining operations commenced in May 2015.

of ₹ 97.72 crore. However, the contractors deposited ₹ 48.42 crore in the Fund resulting in short/non-deposit of ₹ 49.30 crore (Short deposit = ₹ 1.21 crore; and non-deposit = ₹ 48.09 crore). In addition, interest of ₹ 17.44 crore upto March 2018 was also leviable. However, the Department neither ensured contribution to the Fund by the contractors as per provisions of the contract nor levied interest for delayed/non-payment.

During exit conference, the Department agreed that 10 per cent contribution of annual contract money/dead rent/royalty, along with interest on delayed deposit was recoverable from the concession holders. Department further stated that action was being taken against the defaulters in this regard.

6.3.9.4 Short contribution to the Fund by Government

In nine MOs¹² 69 contractors deposited ₹ 605.08 crore on account of contract money, dead rent/royalty between the years 2014-15 and 2016-17 (2014-15 = ₹ 28.05 crore; 2015-16 = ₹ 215.24 crore; and 2016-17 = ₹ 361.79 crore). Thus, the State Government was liable to contribute ₹ 30.25 crore (2014-15 = ₹ 1.40 crore; 2015-16 = ₹ 10.76 crore; and 2016-17 = ₹ 18.09 crore) as share of Government in the Fund. However, the State Government deposited only an amount of ₹ 12.55 crore in March 2017 resulting in short contribution of ₹ 17.70 crore (₹ 30.25 crore - ₹ 12.55 crore) to the Fund. No amount was deposited in the Fund by the Government in 2015-16.

During exit conference, the Department stated that the necessary budget provision was to be made by the Finance Department for transfer of Government contribution to the Fund. The Government share could not be transferred/deposited into Fund due to procedural delay in allocation of budget. Department further stated that an amount of ₹ 28.61 crore was transferred upto 31 March 2017 against the due amount of ₹ 30.25 crore.

6.3.9.5 Non-credit of interest to the Fund by Government

Contribution to the Fund in the years between 2015-16 and 2016-17 is detailed below:

Table No. 8: Non-credit of interest to the Fund

Year	Contribution received in the Fund		Closing balance in the Fund as on 31 st March
	From contractors	From Government	
(₹ in crore)			
2015-16	14.90	0	14.90
2016-17	33.52	12.55	46.07
Total	48.42	12.55	60.97

¹² Ambala, Bhiwani, Faridabad, Kurukshetra, Mahendergarh (Narnaul), Panchkula, Panipat, Sonapat and Yamunanagar.

The Government was required to credit interest of ₹ 4.61 crore at the rate of six *per cent* per annum on the accumulated Fund as on 31 March 2017 (2015-16 = ₹ 0.89 crore; and 2016-17 = ₹ 3.72 crore). However, Government did not credit the above interest in the Fund.

During exit conference, the Department stated that interest could not be credited to the Fund due to delay in grant of budget. Audit observed that interest of ₹ 3.15 crore, out of ₹ 4.61 crore due as on 31 March 2017, was transferred to the Fund by the Department in March 2018.

6.3.9.6 Non-execution of restoration/rehabilitation work after mining operations

Para 5.2.1 of the Fund provides that in case of execution of any restoration and/or rehabilitation work as part of any progressive mine closure plan, the contractor shall be entitled to get the expenditure reimbursed out of the Fund subject to such reimbursement being limited to the amount contributed by him. Any expenditure incurred over and above this limit shall be borne by the contractor.

The contractors were required to incur expenditure on the development of the area, school, treatment of poor, social work, tree plantation in nearby school, hospital, police station, community centre and other utility places. No claim for reimbursement of any expenditure on above works was made out of the Fund by the Department till March 2017 on account of carrying out any restoration and/or rehabilitation work as part of any progressive mine closure plan.

During exit conference, the Department stated that out of the collected Fund, proposals to impart skill training, improvement of roads, schools and staff training, etc. were under consideration and would be implemented soon.

6.3.9.7 Non-investment of corpus of the Fund

Para 77 (4) of Rules, 2012 provides that Department shall maintain complete account of receipts accumulated in the Fund and the expenditure incurred therefrom and shall invest the progressive accumulated corpus in the Fund in a manner so as to earn secure returns therefrom.

However, the Department did not invest the progressive accumulated corpus to earn secure returns therefrom.

During exit conference, the Department stated that deliberations were going on with the Finance Department for investment of part accumulation in secure schemes.

6.3.9.8 Lack of monitoring of the Fund

Paras 6, 7 and 8 of the Fund provide that it shall be administered by a Committee headed by the Administrative Secretary (Chairman) along with seven members, one special invitee and one Member Secretary. It further provides that the Committee shall meet at least three times during any financial year. The Committee shall review the status of the Fund, approve the projects found eligible for funding, monitor the progress on implementation of the projects approved, establish a mechanism for audit of physical deliverables and outcomes and take appropriate corrective measures, wherever required.

The Committee was required to convene at least five meetings between July 2015 and March 2017 to review the status of the Fund, etc. However, it did not meet even once during that period. The lack of monitoring of the Fund by the Committee resulted in the various shortcomings in the administration of the Fund, as discussed above.

During exit conference, the Department stated that contribution towards Fund started in the year 2015-16 and implementation of the projects to be carried out were at fledgling stage. Department agreed that no meeting of the committee was held so far but there was no irregularity/shortcoming in the administration of the Fund.

There was short contribution to the Fund by contractors as well as by the State Government. The purpose of establishing the fund was also not achieved as contractors failed to use available fund balances for carrying out restoration and/or rehabilitation work.

6.3.10 Non preparation of District Survey Report (DSR)

As per Sustainable Sand Mining Management Guidelines 2016, a Survey should be carried out by the District Environment Impact Assessment Authority (DEIAA) in each district with the assistance of Geology Department, Irrigation Department, Forest Department, Public Works Department, Ground Water Boards, Remote Sensing Department and Mining Department.

During the examination of the records (May-June 2019) in the office of the Director, Mines and Geology Department, Haryana, audit observed that out of 10 districts, DSRs were prepared by the Mining Officers of Panchkula and Yamunanagar districts only and submitted to the Department in April 2018 and August 2017 respectively. DSR in respect of Panchkula district was sent to the Deputy Commissioner, Panchkula in April 2018 for finalisation by DEIAA but approval of the same was not on record. DSR in respect of the remaining eight districts were not prepared by the concerned Mining Officers.

The Department did not independently assess mineral reserve on the basis of any survey. The data as mentioned in the EC/Mining Plan prepared by the contractor in respective mining blocks was adopted. Hence there is no independent assessment of available mineral resources by the Department.

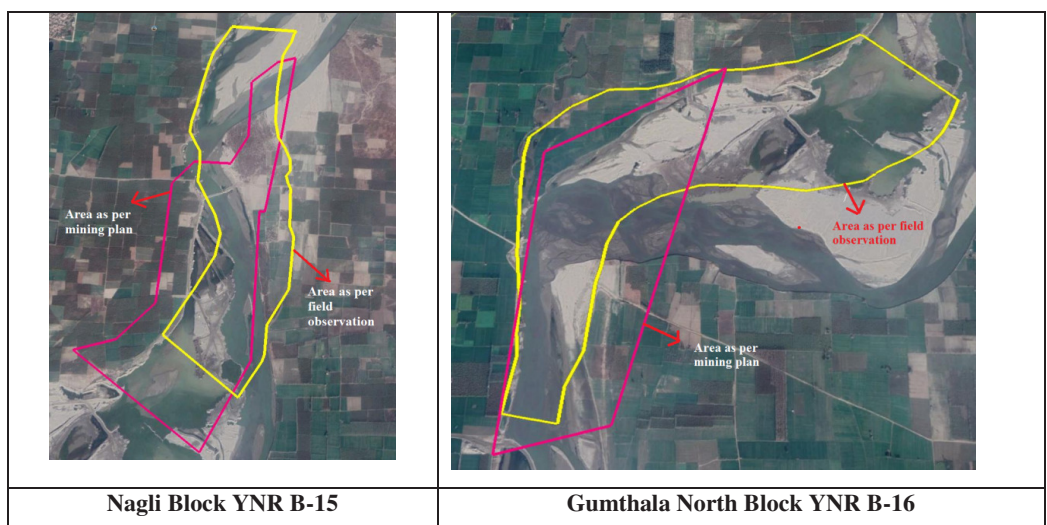
However, the Department stated (August 2019) that estimation of mineral reserve is being done now for newly identified areas and informed that District Survey Reports have been prepared in respect of four out of 15 districts in the State, namely, Panchkula, Yamunanagar, Chakri Dadri and Mahendergarh.

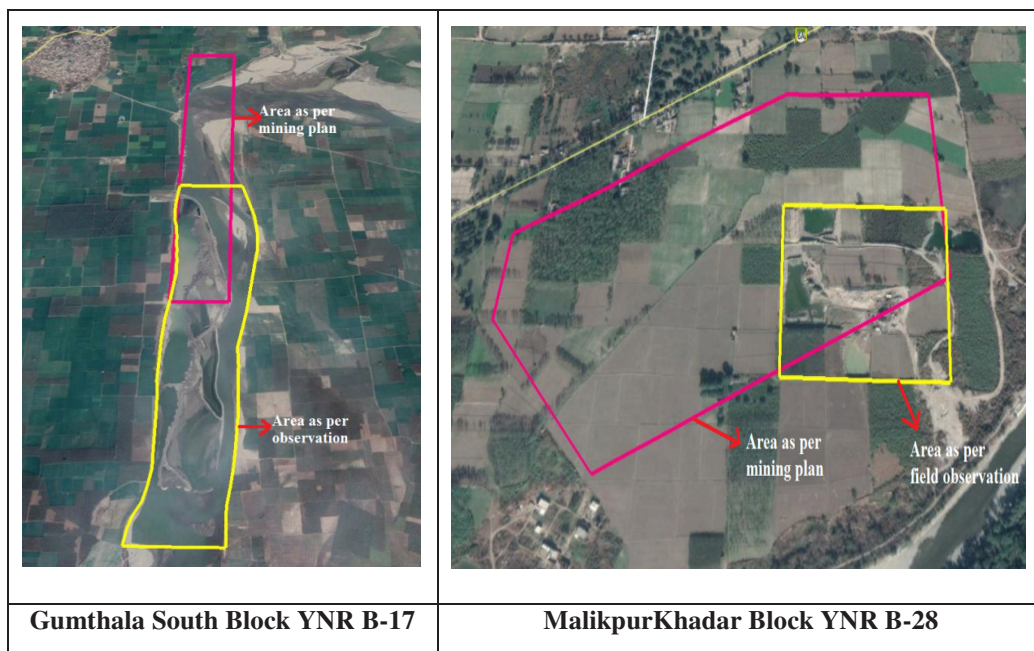
6.3.11 Findings of geo-spatial study of sand, boulders and gravel mining sites

Audit carried out a Geo-spatial field study of three river-bed sand mining sites (Nagli Block YNR B-15, Gumthala North Block YNR B-16 and Gumthala South Block YNR B-17) and one boulder/gravel outside river-bed mining site (Malikpur Khadar Block, YNR B-28) was conducted (June 2019) with an expert team from the Punjab Engineering College, Chandigarh in the presence of Mining Officer, Yamunanagar. The geo-spatial study was conducted to ascertain mapping/verification of allotted sand mining areas/operations, estimation of extracted sand quantity, identification of unauthorized mining activities and verification of environmental clearance conditions. The following were observed.

6.3.11.1 Mapping of allotted sand mining area

A red polygon demarcating the total area awarded for the mining block was formed using the coordinates given in the mining plan and to verify the area, Global Positioning System (GPS) receiver was used to demarcate actual area polygon (yellow) based on the feedback given by the contractor.





There is difference in area as given in mining plan and as observed during site inspection. Mining sites have not been clearly demarcated by boundary pillars and there is a mismatch between coordinates given in mining plan and actual coordinates observed.

In case of Gumthala North Block, this variation has significant impact on estimation of mineral reserve.

As per approved mining plan, the quantity of annual mineable reserve was estimated at 20,34,672 metric tonne (MT). However, the calculation of annual mineable reserve with reference to the area given in mining plan, by using the dimension of mining block observed in the field and by using the area calculated by the coordinates given in the mining plan is shown in the table below: -

Table No. 9: Calculation of annual mineable reserve in Gumthala North Block

Sl. No.	Source for calculation of area	Area in hectares	Area in m ²	Depth allowed (meter)	Volume in m ³	Bulk density of soil	Weight in MT	Annual mineable reserve in MT
1.	Given in mining plan	44.62	4,46,200	3	13,38,600	2000	26,77,200	20,34,672
2.	Observed in field	98.079	9,80,790	3	29,42,370	2000	58,84,740	44,72,402
3.	Given coordinates	62.20	6,22,000	3	18,66,000	2000	37,32,000	28,36,320

The above data revealed that the extraction of the annual estimated mineable reserve observed in the field was twice that of original estimates given in the mining plan. As per area of 44.62 hectare, the reserve price was fixed at ₹ 7.30 crore, whereas for 98.079 hectare, the reserve price should have been ₹ 16.04 crore (worked out on pro-rata basis), which is ₹ 8.63 crore more than amount at which the contract was finally awarded (₹ 7.42 crore).

This is based only on test check. Department may undertake this check in other blocks/mining sites.

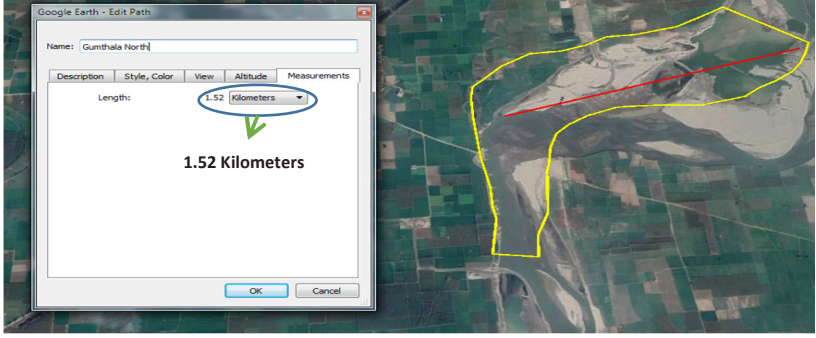
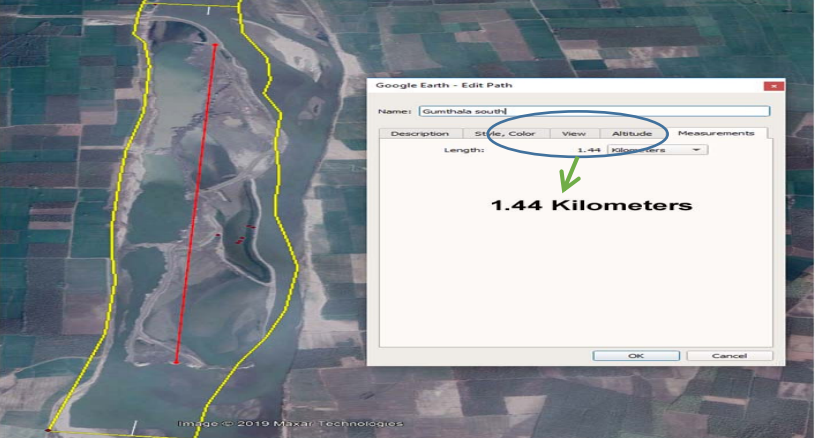
Mining activities were carried out in an area larger than the approved area in Gumthala North Block. Department failed to detect this resulting in loss of revenue.

6.3.11.2 Verification of mining operations with reference to the approved mining plan

(A) There shall be an un-mined block of 50 meters width maintained after every block of 1000 meters. To evaluate the above condition, Google Earth tool was used to capture the area within the river bed where mining was being practised.

Within the river bed, the length of active mining zone was found to be 1.85 km, 1.52 km and 1.44 km in case of Nagli Block YNR B-15, Gumthala North Block B-16 and Gumthala South Block B-17 respectively, as illustrated below:-



	<p>B-16</p>
	<p>B-17</p>

The active mining zone was identified on the basis of the signatures observed at the edges of bunds/platform and point/sand bars. The capturing of signatures of active mining zone and mining free zone, as illustrated below:-



**Signature/pattern observed throughout the stretch
Gumthala South Block YNR B-17**

An un-mined block of 50 meters width was not maintained after every block of 1000 meters, as continuous mining for a greater stretch was observed in all three mining sites.

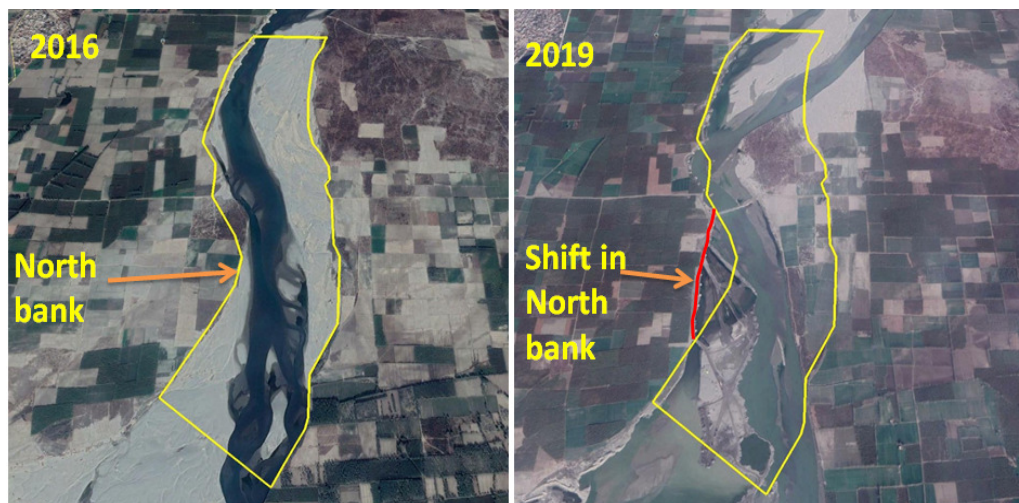
(B) The maximum depth of mining in the river-bed shall not exceed three meters measured from the un-mined bed level at any point in time with proper bench formation.

In the case of three river bed mining, no violation was observed in dry bed mining. However in the case of in-stream mining no instruments were deployed for ensuring that depth is not breached in in-stream mining.

In the case of Malikpur Khadar Block, the depth was calculated by expert team with the help of auto-level instrument. The results indicate that the maximum depth up to which mining was being carried out was 4.14 metre, which was less than the prescribed limit of nine meters.

Department did not have any mechanism for ensuring that depth of mining in the river-bed does not exceed three meters.

(C) The mining activities shall be restricted within the central 3/4th width of the river/rivulet. This criterion was evaluated using Google Earth images. In Gumthala North block and Gumthala South Block, it was noticed that mining was restricted to central 3/4th width of river, however in case of Nagli Block YNR B-15 Google Earth imageries of years 2016 (year of mining block award) and 2019 (mining practice at full swing) are illustrated below:-



**Shift in the river bed towards the north bank
Nagli Block YNR B-15**

The comparison between the two images indicated significant shift in the river bed towards the north bank. The shift in the north bank was on account of large scale mining practice very near to the river bank. Field evidence also indicated close to bank mining practice, as shown below:-



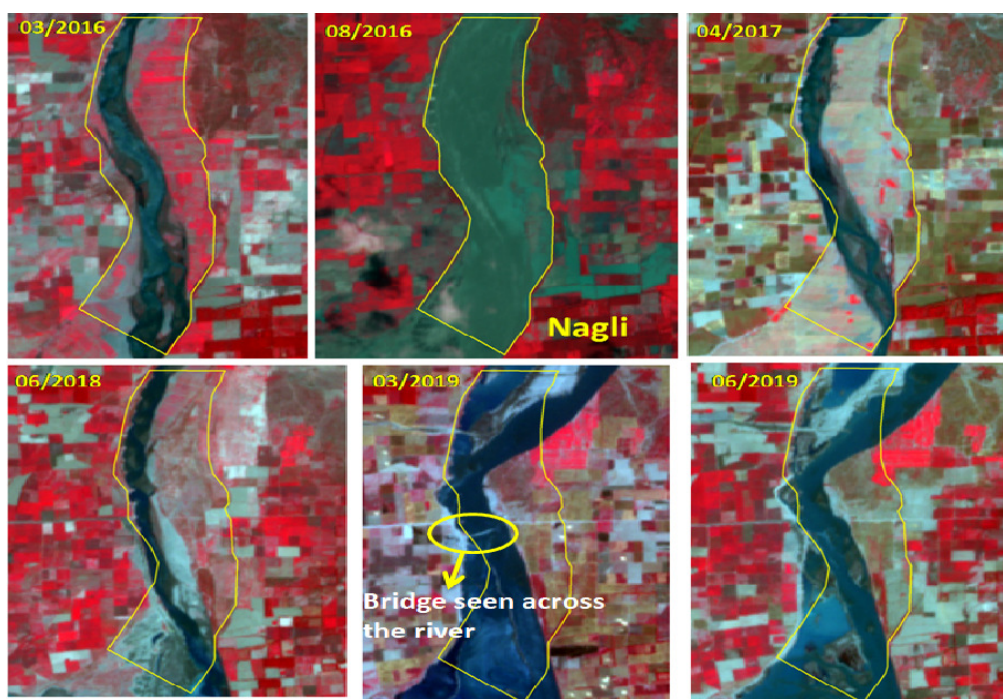
Mining activities were not restricted to the central 3/4th of the river in Nagli Block which caused large scale erosion on the north bank.

6.3.11.3 Assessment of river flow regime

The changes in the river flow regime due to mining practices were assessed on the basis of Sentinel 2 satellite temporal imageries of the mining sites.

(i) Nagli Block YNR B-15: Lacustrine regime due to damming of flow

In March 2016 image, the river flow regime appeared natural with prominent development of sand bars and point bars towards the south bank. August 2016 image showed flow at its peak (post monsoon) and covering entire stretch of the river bed. The mining activities were seen in June 2018, March 2019 and June 2019 images. March 2019 and June 2019 imageries clearly indicated development of a different flow regime in the river bed. A bridge across the riverbed was seen in the March 2019 image. This led to the development of reservoir in the upstream region. The water signatures appeared more representative of lacustrine regime (relating to or associated with lakes) rather than the natural river flow regime, as illustrated below:-



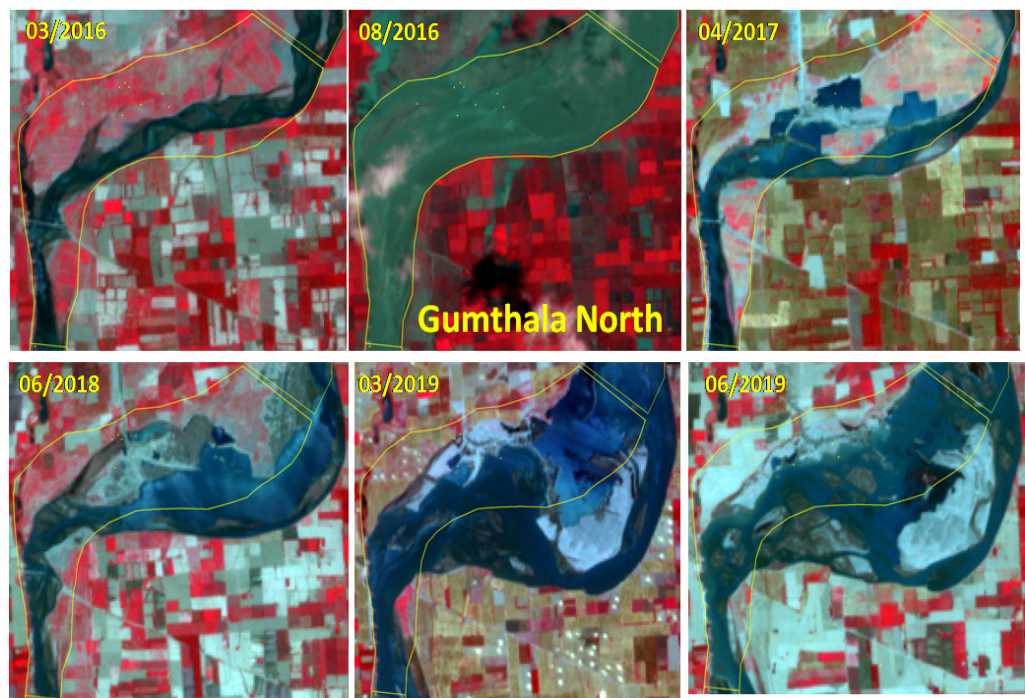
Flow regime imagery of the river Nagli Block YNR B-15



General physical observations of Nagli Block YNR B-15

(ii) Gumthala North Block YNR B-16: Widening of flow and Lacustrine regime due to damming of flow

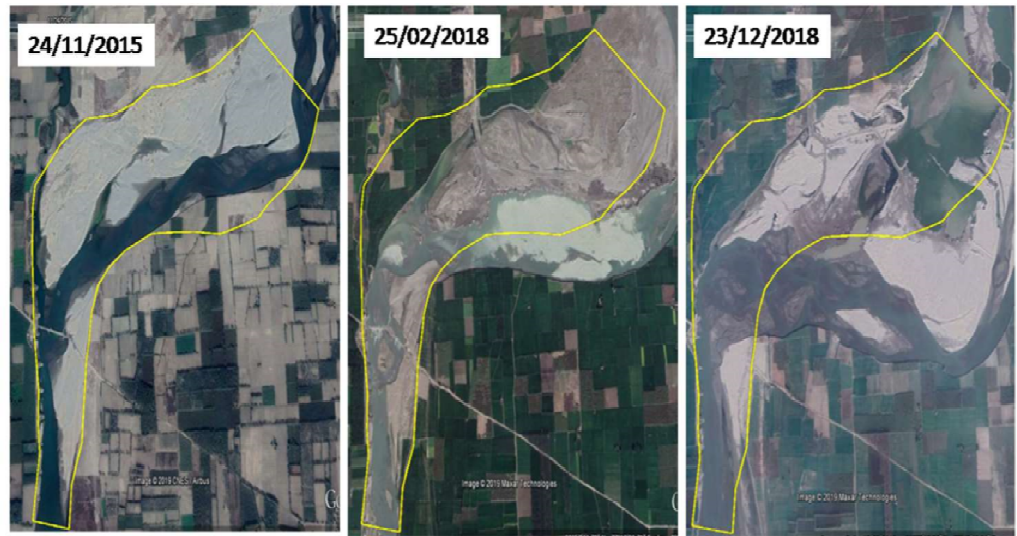
In the March 2016 image river flow regime appeared natural with development of sand bars and point bars at the north bank. August 2016 image showed flow at its peak and covering entire stretch of the river bed. The mining activities were seen in April 2017, June 2018, March 2019 and June 2019 images. April 2017, June 2018, March 2019 and June 2019 imageries clearly indicated development of a different flow regime towards the north bank. The water signatures appeared more a representative of lacustrine regime rather than the natural flow regime. The apparent change in flow regime is due to damming of river flow and/or probably intrusion of ground water.



Flow regime imagery of the Gumthala North Block YNR B-16

Image of the month November 2015 indicated normal flow concentrated towards south bank and huge formation of sand/point bars on the north bank. February 2018 imagery showed widening of the flow towards the southern bank. December 2018 image showed further migration of natural flow towards

south bank in addition to substantial widening of riverbed. Occurrence of floodplain capture within span of 10 month was on account of river damming by sand miners:-



**Changing river flow regime
Gumthala North Block YNR B-16**

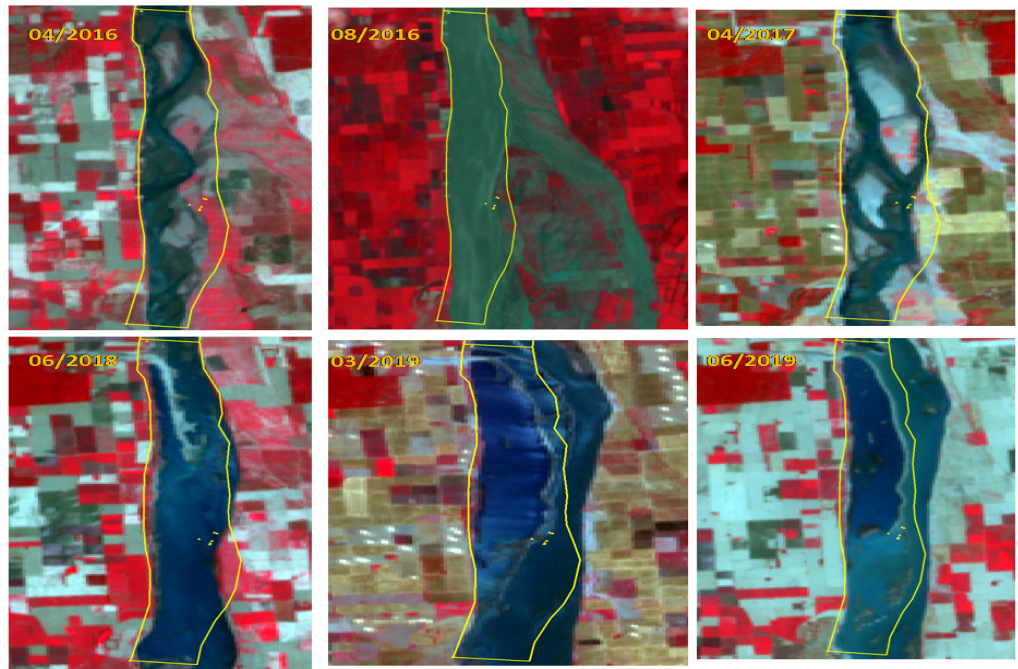


Damming of river flow in Gumthala North Block

(iii) Gumthala South Block YNR B-17: widening of flow and lacustrine regime

In March 2016 image, river flow regime appeared natural with development of braiding pattern, sand bars and point bars. In August 2016 image, river flow was at its peak going to monsoon precipitation. June 2018, March 2019 and June 2019 imageries clearly indicated development of a different river flow regime in which the water signatures appeared more representative of

lacustrine regime rather than the natural river flow regime, as illustrated below:-



Flow regime imagery of the river
Gumthala South Block YNR B-17

The above indicated damming of river flow and/ or intrusion of ground water. Natural flow blocking by means of bunds/mining platforms were also seen in the imageries, as illustrated below:-



Changing river flow regime
Gumthala South Block YNR B-17

The river flow regime has changed during short span of mining period in the three river bed mining blocks indicating damming of river flow and probable intrusion of ground water.

6.3.11.4 Identification of unauthorized mining activities

Nagli Block YNR B-1

At the time of field inspection, the audit team did not observe any trace of illegal mining activity at the north bank of the stream. In order to identify the illegal mining activity, time series imageries for the years 2014, 2015 and 2018 of Google Earth were visually interpreted. The interpretation was done to capture movement of trucks/trolleys in the river bed zone, stack of sand in and along river bed zone, obstruction to naturally occurring flow regime, movement of light weight excavator and traces of mining pits.

Though the mining operation commenced in Nagli block in April 2018 only, traces of illegal mining were seen in the imageries of years 2014 and 2015, as illustrated below: -



Time series imageries of illegal mining
Nagli Block YNR B-15

The Government of India, Ministry of Environment, Forest and Climate Change issued Sustainable Sand Mining Management Guidelines, 2016 for monitoring of mining activities. One of the recommendations was that at mining sites of small size (upto five hectares) shall be linked up with android based smart phone and large size (more than 5 hectares) mining site shall be linked up with CCTV cameras, personal computers, internet connection and power backup. The Department may initiate action to install these facilities in the mining sites at the earliest for preventing instances of illegal mining.

6.3.11.5 Verification of environmental clearance conditions

As per mining plan, proper spraying of water and plantation along the road side shall be done to prevent the spread of dust.

In Nagli Block YNR B-15, Gumthala North Block YNR B-16 and Gumthala South Block YNR B-17, no plantation and water spraying was observed along the roadside during the field visit. A visual observation revealed the high amount of dust that could lead to increase in particulate matter that needed to be monitored periodically. Further, workers were not provided with the dust mask and other protecting equipment.

Though environmental monitoring reports, prepared by the consultants, were submitted by the contractor twice a year, there were no regular checks on environmental monitoring of the quality of air, water, soil, noise, etc by concerned departments. The river banks were also not properly protected.

6.3.12 Stone crushers

The Haryana Regulation and Control of Crusher Rules, 1992 (Crusher Rules, 1992) regulates the provisions for the grant of licences and its renewal to the owners of stone crushers. The records of 229 out of 1,094 stone crushers were examined and measured against the provisions contained in the Crusher Rules, 1992. The following irregularities/ shortcomings were noticed:

6.3.12.1 Grant of renewal of licences for stone crushers

Rules 3 and 6 of the Crusher Rules, 1992 provide that an application for the grant of a licence and its renewal shall be made to the prescribed authority, which shall be accompanied by a prescribed fee of ₹ 10,000 and No Objection Certificate (NOC) from Haryana State Pollution Control Board (HSPCB). It further provides that the licensee shall apply for the renewal of the licence at least six months before its expiry. In case application for renewal is not disposed of before the expiry of the period of the previous licence, then it shall be deemed to have been refused.

(i) Delayed/non-submission of applications for grant of renewal of licences

A licence to the stone crusher owner is granted/renewed for a period of three years. There were 1,094 stone crushers in the State as on 31 March 2017, out of which licences of 229 stone crushers were due to be renewed during the year 2016-17. Audit checked files of these 229 cases. Out of this, 30 owners of stone crushers did not submit applications for renewal of their licences. The report of closure of these 30 stone crushers were not available in the relevant files. However, on physical verification of six out of these 30 stone crushers (five situated in Faridabad and one in Gurugram) it was found that all the six

stone crushers were closed. Owners of 199 stone crushers submitted applications for grant of renewal of their licences after the delay ranging between 11 and 650 days as detailed below:-

Table No. 10: Delayed/non-submission of applications for grant of renewal of licences of stone crushers

Sr. No.	District	Number of stone crushers for which renewal was due in 2016-17	Number of applications submitted with delay	Range of delay (in days)	
				From	To
1.	Ambala	2	0	NA	NA
2.	Bhiwani	25	25	132	443
3.	Faridabad	83	60	46	505
4.	Gurugram	55	52	11	547
5.	Mahendergarh (Narnaul)	8	8	105	343
6.	Panchkula	23	21	77	565
7.	Yamunanagar	33	33	85	650
Total		229	199		

During exit conference, the Department stated that closure reports of 30 stone crushers (Ambala = 2, Faridabad = 23, Gurugram = 3 and Panchkula = 2) had been sought from the concerned MOs. After rechecking the relevant records of 30 stone crushers, audit found that licences of three stone crushers (Faridabad) were renewed between March 2018 and October 2018, one stone crusher owner in Faridabad submitted incomplete application for renewal of licence in September 2018, the Department issued reminder/sought report in June 2017/April 2018 for renewal of licence in one case each in Gurugram and Faridabad respectively and the remaining 24 stone crushers (Ambala = 2, Faridabad = 18, Gurugram = 2 and Panchkula = 2) were found closed/dismantled/non-operational as per reports submitted by the concerned MOs between March 2018 and November 2018.

(ii) Delayed/non-grant of renewal of licences

There was delay in grant of renewal of licences by the Department. The details of grant of licences for renewal by the Department from the date of receipt of applications are given in the table below:-

Table No. 11: Delayed/non-grant of renewal of licences of stone crushers

Sr. No.	District	Number of applications submitted	Number of licences		Range of delay (in days)	
			Renewed with delay	Not renewed	From	To
1.	Bhiwani	25	23	2	13	317
2.	Faridabad	60	44	16	8	205
3.	Gurugram	52	52	0	7	454
4.	Mahendergarh (Narnaul)	8	8	0	9	91
5.	Panchkula	21	21	0	9	142
6.	Yamunanagar	33	33	0	8	494
Total		199	181	18		

The Department renewed licences with delay ranging between seven and 494 days after the date of receipt of applications. The stone crushers continued to be in operation even during the period of pendency of renewal of licences. The Department did not grant renewal of licences to owners of 18 stone crushers even though applications were submitted by them. The reasons for non-grant of renewal of licence were not available in the relevant files. However, these 18 stone crushers continued to operate despite their licences not being renewed. This indicated lack of control mechanism in the Department to ensure that stone crushers with only valid licences could operate.

In 57 cases out of 181, delay in renewal was on account of delayed receipt of NOCs. Range of delay was between four and 419 days, as detailed below:-

Table No. 12: Range of delay in receipt of NOCs from licencees

Sr. No.	Range of delay (in days)	Number of cases
1.	Upto 90 days	23
2.	Between 91 and 180 days	13
3.	Between 181 and 270 days	15

Sr. No.	Range of delay (in days)	Number of cases
4.	Between 271 and 365 days	4
5.	Above 365 days	2
Total		57

Of this, the records of 50 cases were checked in the office of HSPCB and it was observed that there was no delay in issuance of NOC by the HSPCB after completion of formalities by the applicants. Delay was either on account of owners submitting incomplete applications or submitting applications after delay. This resulted in delay in grant of renewal of licences to operate by the Department.

Further, it was found that three licences¹³ were granted renewal of licences by the Department and NOC from HSPCB was not found on record. The Department stated that NOCs (Gurugram = 2 and Panchkula = 1) were available in the office and licences were renewed only after obtaining NOCs from HSPCB. After rechecking the relevant records, audit found that out of the above three cases, NOC in one case (Gurugram) was found on record and it was received in time. In the remaining two cases (Gurugram = 1 and Panchkula = 1) NOCs were not found on record. Renewal of licences was granted in 133 cases¹⁴ against NOCs having lesser period of validity than the period of the renewal of the licences. The Department stated that period of grant of consent to operate by HSPCB was not related to the period of grant/renewal of licence of the stone crushers and the validity of NOC was seen on the date of grant of renewal of licence.

During exit conference (6th November 2018), the Department stated that 18 stone crusher owners in Bhiwani and Faridabad applied for renewal of licences but applications were found not signed, applied for renewal without licence fee, without valid NOC from HSPCB, etc. Audit rechecked after the exit conference and found that the Department renewed 11 licences in Faridabad between February 2018 and October 2018 whereas seven licences (Bhiwani = 2 and Faridabad = 5) were not renewed by the Department till date.

There was delay in renewing licences by stone crusher units. Department failed to ensure that only stone crushers with valid licences could operate.

¹³ Gurugram – 2 and Panchkula – 1.

¹⁴ Bhiwani – 13, Faridabad – 42, Gurugram – 35, Mahendergarh (Narnaul) – 6, Panchkula – 19 and Yamunanagar – 18.

6.3.12.2 Absence of system to monitor the source of procurement of raw material by Stone Crushers

Raw material for the stone crushers is procured from legal mines of Haryana as well as from mines of adjoining States of Rajasthan, Punjab, Himachal and Uttar Pradesh. Stone crushers operating in Haryana obtain licences from the Mining Department by filling in prescribed application form. However the application form does not contain information regarding the source of procurement of raw material. This information is essential for the Mining Department to ensure that the raw material procured from adjoining States is from legal mines of the respective States. Lack of monitoring of the source of procurement is fraught with the risk of procurement of raw material from illegal mines.

6.3.13 Brick kilns

Coal including coke, which is used in brick kilns, is covered under Essential Commodities Act, 1955 for maintaining or increasing supplies or for securing their equitable distribution and availability at fair prices. Thus, Food and Supplies Department was authorised for regulating the grant of licences and its renewal in respect of this specified essential commodity including grant of licences to the owners of brick kilns for the purpose of manufacturing, storage and sale of bricks. The Department regulates grant of permits for excavation of brick earth used in brick kilns. Presently, the grant of licences and its renewal to the owners of brick kilns is regulated under the provisions contained in the Haryana Control of Bricks Supplies Order, 1972. The records of 4,139 brick kilns were examined and measured against the provisions contained in the above Orders, 1972. The following irregularities/shortcomings were noticed:

6.3.13.1 Short/non-recovery of royalty, additional royalty and interest thereon from brick kiln owners

Section 24 of the Punjab Minor Minerals Concession Act, 1964, as applicable to the State of Haryana also, and Haryana Government notification of June 2012 provide that recovery of annual royalty of ₹ 30,000, ₹ 25,000, ₹ 15,000 and ₹ 5,000 is to be made from the owners of A, B, C and D category¹⁵ brick kilns respectively from 1st April of each year. Further,

¹⁵ A category: brick kiln which has more than 11 lakh bricks; B category: brick kiln which has between nine and 11 lakh bricks; C category: brick kiln which has between seven and nine lakh bricks; and D category: brick kiln not fired during the year in which stock in and outside the kiln as on 1st day of April and available stock of bricks of all types is no more than five lakh bricks.

additional royalty at the rate of 25 *per cent* of the annual royalty is also recoverable from the brick kiln owners (BKO). Failure to do so will attract interest at the rate of 15 *per cent* (upto 30 days) and 18 *per cent* (31 to 60 days) per annum. Delay beyond 60 days would invite action for termination of the permit with recovery of entire outstanding amount along with interest at the rate of 21 *per cent* per annum for entire period of default.

In the offices of 14 MOs¹⁶ (between September 2016 and January 2018) audit observed that 181 BKOs out of 4,139 were required to deposit ₹ 0.55 crore on account of annual royalty and additional royalty between April 2013 and April 2016. However, recovery of ₹ 0.02 crore only was made from seven BKOs and that too after due date, resulting in short/non-payment of royalty and additional royalty of ₹ 0.53 crore. In addition, interest of ₹ 0.24 crore upto March 2018 was also leviable. The Department neither initiated action to terminate the permits of these BKOs nor levied interest for delay beyond 60 days. In Rewari, no shortcoming was noticed in all 102 brick kilns.

During exit conference, the Department stated that recovery of royalty, etc. from BKOs was an on-going process and arrears of royalty, additional royalty and interest due thereon was recovered from the BKOs at the time of deposit of annual royalty for the next year. Audit observed that better monitoring was needed to recover the royalty, etc. from the BKOs in time to ensure collection of revenue in the year it became due.

6.3.14 Internal control and monitoring mechanism

Internal control is an integral process by which the Department governs its activities to ensure integrity and achieve its objectives effectively and efficiently. An inbuilt internal control mechanism and strict adherence to the provisions contained in the Departmental codes and manuals provide reasonable assurance to the Department about compliance of applicable rules, achieving reliability of financial reporting and effectiveness and efficiency in its operations.

6.3.14.1 Delayed/non submission of monthly/annual returns

Rule 56 (15) of Rules, 2012 provides that a contractor shall submit to the prescribed authority a monthly return in Form MMP-1 by 7th of every month containing details of total quantity of the mineral raised and dispatched from the area during the preceding calendar month, its value and such other details

¹⁶ Ambala, Bhiwani, Faridabad, Gurugram, Hisar, Jind, Kurukshetra, Mahendergarh (Narnaul), Panchkula, Panipat, Rohtak, Sirsa, Sonapat and Yamunanagar.

as prescribed in the said Form. Further, a contractor shall submit to the prescribed authorities an annual return in Form MMP-2 by 30th April of every year containing details of the quantity and value of the mineral extracted, dispatched, stacked during the previous financial year, average number of regular labourers employed, number of accidents, if any, compensation paid and number of days worked.

In the offices of the following 10 MOs audit observed that there was delay in submission of the monthly and annual returns in Forms MMP-1 and MMP-2 respectively by the contractors, the details of which are given in the table below:-

Table No. 13: Delayed/non-submission of monthly/annual returns

Sr. No.	Mining Office	Total number of mining contracts/leases where returns were delayed/not submitted	Range of delay (in days) in submission of monthly return in Form MMP-1		Range of delay (in days) in submission of annual return in Form MMP-2
			From	To	
1.	Ambala	1	1	12	Not submitted
2.	Bhiwani	9	1	100	Not submitted
3.	Faridabad	2	Not submitted		Not submitted
4.	Hisar	1	-	39	Not submitted
5.	Kurukshetra	1	5	110	Not submitted
6.	Mahendergarh (Narnaul)	10	2	175	Not submitted – except in one case
7.	Panchkula	3	14	249	Not submitted
8.	Panipat	4	8	68	Not submitted
9.	Sonipat	8	1	139	Not submitted
10.	Yamunanagar	11	1	166	Not submitted
Total		50	1	249	

No mines were auctioned in the remaining five offices¹⁷ of MOs during the period of audit. The contractors submitted monthly returns with a delay ranging between one and 249 days. Two contractors in Faridabad did not submit the monthly returns in Form MMP-1 during the year 2016-17. The annual returns in Form MMP-2 were not submitted by any of the contractors. In Mahendergarh (Narnaul) and Bhiwani where leases were granted, annual returns were not submitted except in one lease in Mahendergarh (Narnaul).

¹⁷ Gurugram, Jind, Rewari, Rohtak and Sirsa.

During exit conference, the Department agreed that delay in submission of monthly/annual returns were noticed in some of the cases and it was being ensured that these returns would be submitted in time in future. The Department further stated that initiation of proposed IT based system called E-rawanna¹⁸ would ensure real-time generation of information relating to mining activities.

The delayed/non-submission of monthly/annual returns resulted in failure to make timely assessment of the correct amount of dead rent or royalty to be recovered from the lessees as the Department resorted to only random checking of minerals excavated and transported by the lessees. Moreover, the records of such random checking were not available with the Department. The Department as a result also failed to assess whether the quantum of mineral extracted during the year was as per approved mining plan.

6.3.14.2 Monitoring of Minerals during transportation

Rules 98 (1) and (2) of Rules 2012 provides that no person shall transport any mineral from one place to another by any carrier without having a valid mineral transport pass. The mineral concession holder shall apply for and shall be issued the booklets containing duly numbered mineral transit passes by the concerned Mining Officer. The mineral concession holder shall maintain a register of all receipts and dispatches along with the particulars of the mineral transit passes issued by him and furnished such details in monthly production and dispatch reports and shall maintain a complete account of the booklets of mineral transit passes utilised by him.

Further, Rule 98 (5) of Rules, 2012 provides that all relevant details such as the source of dispatch, the registration number of vehicle, the weight of mineral or quantity of mineral dispatched from the source, the name of the transporter and the destination of the consignment shall be filled up in a legible manner in the mineral transit pass, which shall be presented on demand by an authorized officer.

During the examination of the records (May-June 2019) in the office of the Director, Mines and Geology Department, Haryana, audit was intimated that check post/barriers were established at inter-state entry or at any other points with a view to checking of transportation of minerals. These check

¹⁸ End to end E-governance Application in Administration and Regulation of Mining System through IT Enables Services to monitor mining operations, transportation of minerals, checking of illegal mining, etc.

posts/barriers are not permanent. The number of such check posts are increased and decreased as per situation.

Audit further observed that records relating to the minerals excavated, weighing of minerals, permits for transporting the minerals from the mining sites, etc. was maintained by the staff employed by the concerned contractors. The Department resorted to only random checking of minerals excavated and transported by the contractors. Moreover, the records of such random checking were not available with the Department and the Department was monitoring the mining activities manually without using any scientific methods.

The Government of India, Ministry of Environment, Forest and Climate Change issued Sustainable Sand Mining Management Guidelines, 2016 for monitoring of mining activities. Some of the important recommendations are:

- **Security features in transport permits:** The transport permit shall be printed on approved Magnetic Ink Character Recognition (MICR) code paper, which shall have unique barcode, unique quick response (QR) code, fugitive ink background, invisible ink mark, void pantograph and watermark;
- **Scanning of transport permits/receipts and uploading on server:** The data stored in the barcode of the transport permit shall be scanned through barcode scanner for uploading it on the server using computer/software, android application having internet connectivity on Subscriber Identification Module (SIM) card and by sending Short Message Service (SMS) through mobile facilitating generation of a unique invoice code for restricted usage within specified validity period.

During exit conference, the Department stated that the process of developing E-rawanna system was at an advanced stage, which would be useful in monitoring mining operations, transportation of minerals, checking of illegal mining, etc.

6.3.14.3 Human resources

The office of the Director, Mines and Geology Department, Haryana, Chandigarh (December 2017) had a sanctioned strength of 293 in different cadres in 2004-05. The Department had an overall working strength of 164 as on 31 March 2017 against the sanctioned strength of 268 in different cadres, which resulted in overall shortage of manpower to the extent of

104 (38.81 per cent). The main cadre-wise shortages in the field offices as on 31 March 2017 are given in the table below:-

Table No. 14: Shortage of manpower in field offices in specific cadres

Sr. No.	Name of post	Sanctioned strength	Men-in-position	Shortage	Shortage in per cent
1.	Mining Engineer/Officer	18	10	8	44.44
2.	Mining Inspector	40	22	18	45.00
3.	Mining Accountant/Clerk	31	9	22	70.97
4.	Mining Guard	117	84	33	28.21
Total		206	125	81	

There was 70.97 per cent vacancy in the cadre of mining accountant/clerk. This cadre is responsible for maintaining records relating to ledger account for contracts/leases containing details of the amount of contract money due, amount deposited, date of deposit, copies of challans, balance amount due, interest to be recovered, etc., Such a huge vacancy affected the maintenance of records and monitoring recovery of dues from the contractors. No mining accountants/clerks were posted in Hisar, Kurukshetra, Mahendergarh (Narnaul) and Rewari.

Further, it was observed that there was no rational deployment of staff. Seventeen and three Mining Guards were posted in mining offices at Gurugram and Jind respectively where mining contracts did not exist as on 31 March 2017. Two posts each of Mining Guards at Bhiwani (15 contracts), Hisar (one contract), Kurukshetra (one contract), Rewari (three contracts) and six posts each of Mining Guards at Faridabad (Four contracts) and Mahendergarh (Narnaul) (11 contracts) were lying vacant as given in the table below:-

Table No. 15: Details of Mining Guards posted in field offices

Sr. No.	District	Sanctioned strength	Number of contracts/ leases	Men-in-position	Requirement as per number of contracts/ leases	Excess (+)/ shortfall (-) as per number of contracts/ leases
1.	Gurugram	25	0	17	0	(+) 20
2.	Jind	3	0	3	0	
3.	Bhiwani	10	15	8	10	(-) 20
4.	Hisar	3	1	1	3	

Sr. No.	District	Sanctioned strength	Number of contracts/ leases	Men-in-position	Requirement as per number of contracts/ leases	Excess (+)/ shortfall (-) as per number of contracts/ leases
5.	Kurukshetra	3	1	1	3	
6.	Rewari	3	3	1	3	
7.	Faridabad	18	4	12	18	
8.	Mahendergarh (Narnaul)	8	11	2	8	
Total				45	45	0

Twenty Mining Guards posted in districts having no mining operations could have been posted in other mining districts having equal number of shortages. The Government reviewed the staff position of the Department and approved 125 posts in various cadres in March 2016. But these posts have not been filled up till March 2018.

There is no rational deployment of available manpower. Department may review the position of staff deployment for ensuring better monitoring.

6.3.14.4 Internal audit wing

Internal audit is a tool in the hands of management to assure itself that the prescribed systems are functioning well. It ensures adherence to the provisions of the acts, rules as well as the departmental instructions issued from time to time.

Audit observed that internal audit wing was not in existence in the Department. The non-existence of internal audit wing in the Department was also pointed out in the Audit Report (Revenue) of the Comptroller and Auditor General of India for the year 2003-04 but no remedial action was taken by the Department during the last 15 years. The non-existence of internal audit wing resulted in lack of effective monitoring and accumulation of huge arrears against the contractors. The Department did not collect ₹ 1,476.21 crore on account of balance bid security, contract money and Fund from the contractors, royalty/additional royalty from the BKO's, etc. in timely manner resulting in loss of revenue to that extent to the State Government.

During exit conference, the Department stated that internal audit system was not operational due to shortage of related staff. It was further stated that posts of Section Officers have been sought in the restructuring proposal.

6.3.15 Conclusion

The Performance Audit on the functioning of Mines and Geology Department revealed several shortcomings and deficiencies. Department has not done any independent assessment of mineral reserves available. There were instances of non-compliance of provisions of the Mines and Minerals (Development and Regulation) Act, 1957, Rules, 2012 and various instructions issued by the State Government. There were instances of delayed/non-execution of agreements by the contractors, delayed/non-deposit of balance bid security, short/non-deposit of monthly installments of contract money and interest thereon from the contractors. There was short contribution to the Fund by the contractors as well as by the Government. Management and monitoring of the Fund by the Department was deficient.

There is poor monitoring of mining operations by department. Boundaries of mines are not clearly demarcated in the ground. There were indications of change in river flow regime and ground water intrusion due to excessive mining.

There were delays in renewal of licences to operate stone crushers. Some stone crushers continued to operate without valid licences. Cases of short/non-recovery of royalty, additional royalty and interest thereon from the brick kiln owners were also noticed. There was delay in submission of monthly returns by the contractors and annual returns were not submitted.


6.3.16 Recommendations

Audit recommends that the Government may consider:-

- assessing the mineral reserve available within State;
- developing a system of pre-bid qualification of the potential bidders based on objective assessment criteria for ensuring sustainability of mining operations;
- adopting a procedure to obtain bank/performance guarantees from the contractors to ensure timely recovery of balance bid security, monthly installments of contract money and other recoverables and to reduce the quantum of outstanding dues;

- deploying scientific methods for remote monitoring of the mining activities by installing CCTV cameras at the mining sites and use of IT based computerised transport permits and receipts/slips for maintaining records of the mined minerals as recommended by GOI in Sustainable Sand Mining Management Guidelines, 2016;
- ensure rational deployment of staff based on the workload of field offices; and
- strengthening internal control mechanism for effective assessment, monitoring and timely recovery of Government revenue.

Chandigarh
The 01 October 2019


(FAISAL IMAM)
Accountant General (Audit), Haryana

Countersigned

New Delhi
The 04 October 2019


(RAJIV MEHRISHI)
Comptroller and Auditor General of India

