

CHAPTER-VII: NON-TAX RECEIPTS

7.1 Tax administration

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

There are 49 Mining Engineers (ME)/Assistant Mining Engineers (AME), who are responsible for assessment and collection of revenue besides prevention of illegal excavation and despatch of minerals from areas under their control. The Department has a separate vigilance wing headed by ADM (Vigilance) for prevention of illegal excavation and despatch of minerals.

7.2 Results of audit

There were 120 auditable units¹ in the Departments of Mines, Geology and Petroleum. Out of these, audit selected 29² for audit wherein 34,276 cases³ of Mining Leases (ML), Royalty Collection Contracts (RCC)/Excess Royalty Collection Contracts (ERCC), cases of illegal mining/transportation of mineral, cases of recovery under Land Revenue Act, Short Term Permits (STP) *etc.*, existed. Out of these, audit selected 23,374 cases⁴(approximate 68.19 *per cent*) wherein audit noticed 2,512 cases (approximate 10.75 *per cent* of sampled cases) involving ₹ 248.77 crore of non-recovery/short recovery of cost of unauthorised excavated minerals, dead rent and royalty, District Mineral Foundation Trust (DMFT) Fund/National Mineral Exploration Trust (NMET) Fund, non-levy of penalty/interest, non-forfeiture of security deposit. These cases are illustrative and are based on a test-check carried out by us. Audit pointed out some of the similar omissions in earlier years, not only these irregularities persist but also remain undetected till next audit is conducted. The substantial proportion of errors, omissions and other related issues (approximate 10.75 *per cent*) noticed in audit indicated that the Government needed to improve the internal control system including strengthening of internal audit so that occurrence/recurrence of such lapses can be avoided. Irregularities noticed

¹ Includes 35 implementing units.

² Includes four implementing units.

³ 9,286 Mining Leases (ML); 13 Petroleum mining leases (PML); 2 Prospecting licences (PL); 148 Royalty Collection Contracts (RCC)/Excess Royalty Collection Contracts (ERCC); 2,600 Quarry licences (QL); 5,602 cases of illegal mining/transportation of mineral; 612 cases of recovery under Rajasthan Land Revenue Act, 1956; 8,257 cases of revenue assessment; 2,194 cases of outstanding dues; 5,551 Short Term Permits and 11 Petroleum Exploration Licences (PEL).

⁴ 2,838 ML; 13 PML; 2 PL; 144 RCC/ERCC; 262 QL; 4,235 cases of illegal mining/transportation of mineral; 599 cases of recovery under Rajasthan Land Revenue Act, 1956; 8,257 cases of revenue assessment; 1,462 cases of outstanding dues; 5,551 STPs and 11 PEL.

broadly fall under the following categories:

(₹ in crore)			
Sl. no.	Category	Number of cases	Amount
1	Paragraph on 'Receipts from major minerals'	1	87.53
2	Non-recovery/short recovery of cost of unauthorised excavated minerals	133	12.87
3	Non-recovery/short recovery of dead rent and royalty	213	12.23
4	Non-levy of penalty/interest	353	28.16
5	Non-forfeiture of security deposit	746	20.43
6	Non-recovery/short recovery of DMFT/NMET Fund	55	63.39
7	Other irregularities	Revenue	917
		Expenditure	95
Total		2,513	248.77

During the year 2018-19, the Department accepted short realisation of revenue of ₹ 38.81 crore in 1,583 cases, of which 660 cases involving ₹ 29.50 crore were pointed out in audit during the year 2018-19 and rest in earlier years. The Department recovered ₹ 7.63 crore in 872 cases, out of which 16 cases involving ₹ 0.13 crore were of current year and the rest were of earlier years.

A paragraph on 'Receipts from major minerals' having revenue implication of ₹ 87.53 crore and few illustrative cases involving ₹ 2.46 crore are discussed in the succeeding paragraphs.

7.3 Receipts from major minerals

7.3.1 Introduction

Rajasthan is blessed with 79 varieties of minerals, out of which 57 are being commercially exploited. State's share is nine *per cent* in the country's total mineral production. Mining is not only a major source of employment in the rural and tribal areas of the State, but also a major source of revenue for the Government, playing an important role in the development of the State.

The Department of Mines and Geology (Department) was formed in 1949 with the purpose of discovery, extraction and administration of these mineral resources in the State. The Department administers central legislations {*viz.* the Mines and Minerals (Development and Regulation) (MMDR) Act, 1957 and the Minerals (Other than Atomic and Hydro Carbons Energy Minerals) Concession Rules, 2016} for major minerals as well as implements Rajasthan Minor Mineral Concession Rules, 2017 for minor minerals. Majority of activities under the mining sector (*viz.* grant of lease, cancellation of lease, collection of royalty, ensuring safe and eco-friendly mining *etc.*) are controlled by the Directorate, Department of Mines and Geology (Directorate).

According to the legal provisions, the minerals have been classified into two categories namely:

- (i) **Major Minerals:** minerals like Agate, Asbestos, Barytes, Bauxite, Cadmium, Coal, Copper, Lead, Manganese, Nickel, Rock Phosphate, Tungsten, Wollastonite, Zinc, *etc.*, as specified in Second Schedule appended with the MMDR Act 1957; and
- (ii) **Minor Minerals:** any mineral which the Central Government may by notification in the official Gazette declare as Minor Mineral *i.e.* building stones, gravel, ordinary clay, ordinary sand *etc.*

MMDR Act, 1957 lays down the legal frame-work for the regulation of mines and development of all minerals other than petroleum and natural gas. The Central Government had framed the Mineral Concession Rules, 1960 (MCR) and also notified the Minerals {Other than Atomic and Hydro Carbons Energy Minerals} Concession Rules, 2016 for regulating grant of reconnaissance permits (RP), prospecting licenses (PL) and mining leases (ML) in respect of all minerals except minor minerals. The Central Government has also framed the Mineral Conservation and Development Rules (MCDR), 1988⁵, for conservation and systematic development of minerals. These Rules are applicable to all minerals except petroleum, natural gas, coal, lignite, sand for stowing and minor minerals.

7.3.2 Audit Objectives

We undertook the audit to assess:

- Whether adequate provisions exist in the Act and Rules made thereunder for grant of concession for exploitation of Major Minerals, correct estimation of reserves, levy, assessment and collection of mining receipts;

⁵ These Rules were superseded by MCDR, 2017 with effect from 27 February 2017.

- Whether the provisions of the Act, Rules, notifications and orders/circulars governing mining receipts from Major minerals are being implemented efficiently and effectively; and
- Whether adequate internal control and monitoring mechanism including IT system in place is adequate for preventing illegal excavation of minerals and for safeguarding the revenue.

7.3.3 Audit Criteria

The audit criteria to achieve the audit objectives were derived from:

- The Mineral Conservation and Development Rules, 1988 and 2017;
- Mines and Minerals (Development and Regulation) Act, 1957;
- The Mines and Minerals (Contribution to District Mineral Foundation) Rules, 2015;
- The Minerals (Other than Atomic and Hydro Carbons Energy Minerals) Concession Rules, 2016;
- The Mineral (Auction) Rules, 2015;
- The Minerals (Evidence of Mineral Contents) Rules, 2015;
- The Mineral Concession Rules, 1960;
- National Mineral Policy, 2008;
- The Minerals (Transfer of Mining Lease Granted Otherwise than through Auction for Captive Purpose) Rules 2016 and
- Rajasthan Mineral Policy, 2011 and 2015.

7.3.4 Scope of Audit

The Audit on 'Receipts from Major Minerals' was conducted from August 2018 to May 2019, covering period from April 2015 to March 2019 (upto audit month). Nine Mining Engineer (ME)/Assistant Mining Engineer (AME) offices⁶ out of 49 were selected using the Probability Proportional to Size (Systematic) method of sampling. Besides the selected offices, the Principal Secretary, Mines and Petroleum, Jaipur and the Directorate, Udaipur were covered in Audit. Apart from this, deficiencies noticed in allocation and operations of mines for major minerals during regular audit of 2017-18 were also included in the paragraph.

The Entry Conference was held on 25 March 2019 with the Director, Mines and Geology (DMG) along with senior officers of the Department wherein audit objectives, scope and criteria were discussed. The report has been finalised after considering the views of the Department expressed during Exit Conference held on 9 August 2019.

The audit findings were communicated to the Department and reported to the Government (September 2019). Government forwarded its reply in November 2019.

⁶ ME: Barmer, Bhilwara, Chittorgarh, Jaisalmer, Jalore, Sirohi, Rajsamand-II, Udaipur and AME: Nimbahera.

7.3.5 Revenue from Major Minerals

As per details provided by the DMG, Udaipur there are 189 mining leases (March 2018) of major minerals in the State. The revenue collection from major minerals during 2015-16 and 2017-18 was as under:

Sl. No.	Year	Revenue (₹ in Crore)
1	2015-16	1,938.54
2	2016-17	2,436.63
3	2017-18	2,696.66
4	2018-19	2,999.34

(Source: Information provided by DMG).

Audit Findings

We checked records of all the 111 MLs⁷ of major minerals in selected nine ME/AME offices and three regular audit ME/AME offices. Our findings on 238 issues, involving ₹ 87.53 crore, seen during audit are mentioned in following paragraphs.

Further, it is also pertinent to mention that these audit findings are based on our analysis of cases in selected offices only and there is a possibility of more such cases occurring in the remaining offices. Therefore, the Government is expected to review all other cases having possibility of similar deficiencies/irregularities and required to take corrective action.

7.3.6 System Issues

7.3.6.1 Mineral survey and prospecting

The State of Rajasthan is rich in mineral resources in terms of variety, quality and quantum. As per chapter-V of the manual of the Department of Mines and Geology, the Department is to undertake mineral survey and prospecting work for different minerals throughout the State.

DMG has a Geology wing to undertake the following:

- Regional Mineral Survey;
- Regional Geological Mapping;
- Detailed Geological Mapping;
- Pitting, Trenching and Sampling;
- Drilling (Both coring and non-coring) and
- Chemical Analysis and Beneficiation studies of rocks/minerals and ores.

The State Government in the Mineral Policy 2015 envisaged increase in 'land under mining' from the current 0.54 per cent to 1.5 per cent of the total area of the State. The State has an area of 3,42,239 square kilometres, out of which 1,846 square kilometres is covered under mining leases/licences. Thus, the Department needs to add 3,287.59 square kilometres of "land under mining" to achieve its aim.

According to the Annual Progress Report of Mineral Survey and Prospecting Scheme 2017-18 of the Department, during 2017-18 total 52 projects were

⁷ Selected offices: Barmer (30), Bhilwara (8), Chittorgarh (3), Jaisalmer (24), Jalore (5), Sirohi (9), Rajsamand-II (3), Udaipur (10) and Nimbahera (9). Regular audit offices: Bikaner (3), Jaipur (3) and Gotan (4).

operating under eight exploration programmes for different minerals. The targets and achievements were as follows:

Sl. No.	Nature of work (unit)	Target 2017-18	Total Achievement	Percentage of Achievement*
1.	Regional Mineral Survey (Sq. Kms.)	3,850.00	3,587.00	93.16
2.	Regional Geological Mapping (Sq. Kms.)	335.00	355.00	105.97
3.	Detail Geological Mapping (Sq. Kms.)	65.00	70.65	108.69
4.	Drilling (Metre)	3,000.00	2,714.50	90.48
5.	Geophysical survey (Line Kms.)	120.00	120.40	100.33

* The shortfall in targets was due to non-availability of Geologist and proposed drilling on contractual basis did not mature.

The DMG surveyed and identified (between April 2015 to March 2019) 15 blocks over an area of 75.52 square kilometres of major minerals. Out of these five blocks over an area of 19.89 square kilometres were auctioned and 10 blocks could not be auctioned. The survey and prospecting work done by the Department with reference to Mineral Policy 2015 was negligible as it was done only in 19.89 square kilometres (0.61 per cent) against the targeted increase of 3,287.59 square kilometres. This shows that the Department did not survey and identified the mineral potential of the land effectively.

It was also observed that applications for 4,708 mining leases of major minerals were rejected/declared ineligible after 12 January 2015. The Department should have investigated availability of mineral in the areas for which the applications were received. The Department could have auctioned these areas after establishing the mineral content and could have earned additional revenue after 12 January 2015. Further, it was also noticed that the Department did not have any database of mineral reserves which remained in the leased area after expiry of leases.

Audit noticed that in two ME/AME offices⁸ where the Department had identified mineral but the process for auction was not started as detailed below:

- Scrutiny of records of AME office, Gotan revealed that a mining lease of limestone (minor mineral) (45/1993) over an area of 10 square kilometres near village Dhanapa *tehsil* Merta, District Nagaur was transferred (April 2012) in favour of a company. The ML was finally declared 'Null and Void' (December 2014) due to illegal transfer and possession was taken by the Government.

The mining plan of the lease disclosed that the limestone in the leased area was both Cement (major mineral) and Chemical grade (minor mineral). The lessee despatched mineral limestone as cement grade and also applied for transfer the mining lease in favour of a company. It also proves that the lease has ample reserves of Cement Grade Limestone.

According to the mining plan there was a reserve of 129.52 million ton of limestone. Out of this, the lessee dispatched 9.82 million ton of mineral limestone. Thus, 119.7 million ton (129.52-9.82) reserves of mineral limestone (of cement or chemical grade) still remained in the area, however, the area was not re-allotted by the Department.

⁸ ME Bikaner (1) and AME Gotan (1).

In this regard paragraph number 6.7.1 and 7.7.1 under caption 'Irregular sanction of limestone leases as minor mineral' were included in Comptroller and Auditor General's Audit Reports for the year ended 31 March 2011 and 2012 respectively. The Public Accounts Committee (PAC) in its 260th report of 2017-18 recommended (5 March 2018) that as the mineral was being used for cement manufacturing, therefore, the leases should be sanctioned as major mineral leases. Despite the recommendation of PAC, the Department did not take action accordingly.

Government replied (November 2019) that a writ petition filed by the transferee company was pending before Hon'ble Rajasthan High Court and the court has stayed (August 2019) the matter. It was also stated that a ML of mineral limestone can only be allotted through auction now. Further progress is awaited (May 2020).

- Scrutiny of records of ME office, Bikaner revealed that a mining lease of lignite (2/80) was sanctioned in favour of Rajasthan State Electricity Board near village Palana, *tehsil* and district Bikaner over an area 800.19 hectare for 20 years (May 1995 to May 2015). The possession of the lease was taken back by the Department in May 2015. In the possession report it was clearly mentioned that no mining operations were carried out in the area for mineral lignite. As per the factual report of the Department a reserve of 12 million ton of mineral lignite was available in the leased area. However, the Department failed to re-allot the area.

Government replied (November 2019) that leased area was not re-allotted as densely populated residential colonies have come up in the area. The reply of the Government is not tenable as the ML was granted on Government land and colonies were constructed in absence of mining operation in the leased area. It also shows that the Department did not protect the area where there was possibility of mineral excavation. This showed that the objectives of mineral development, revenue generation as well as power generation could not be achieved.

The above cases show that the Government did not take appropriate action to re-allot the areas on the basis of available mineral reserves to increase the 'Land under Mining' as envisaged in Mineral Policy 2015.

7.3.6.2 Transfer of mining leases in violation of the provisions

- **Hydro-carbon/Energy mineral**

According to Rule 37 (1) of MCR, 1960 the ML of mineral lignite can only be transferred after previous approval of Central Government.

Further, Section 21(5) of MMDR Act stipulates that whenever any person raises, without any lawful authority, any mineral from any land, the State Government may recover from such person the mineral so raised, or, where such mineral has already been disposed of, the price thereof, and may also recover from such person, rent, royalty or tax, as the case may be, for the period during which the land was occupied by such person without any lawful authority.

During scrutiny of records of ME, Barmer it was noticed that two MLs of mineral lignite (number 8/2005 Kapurdi block and 24/2005 Jalipa block) were

sanctioned in *tehsil* and district Barmer in favour of a Government Company over an area of 7,205.82 hectare (Kapurdi block 3,223.51 hectare and Jalipa block 3,982.31 hectare) for a period of 50 years from December 2010 and June 2013 respectively. These mining leases were transferred from Government Company to its subsidiary a joint venture company (51 *per cent* share of Government company and 49 *per cent* share of a subsidiary of a Public Limited Company). Transfer lease deeds were executed (October 2011 and May 2015) and the transferee was allowed to work in the leased area.

The Ministry of Coal, Government of India *vide* letter dated 18 May 2016 denied ex-post facto approval of transfer and observed “*However, with regard to the transfer of mining lease from Government Company to its subsidiary for Kapurdi and Jalipa lignite blocks, the same is void ab initio since there is no provision in the MMDR act 1957 and Mineral Concession Rules 1960 for the same without previous approval of Central Government. Hence, Government of Rajasthan’s request for the same is hereby declined.*” In respect of mining operations undertaken by transferor/transferee after the transfer of mining lease from Government Company to its subsidiary, the Government of India directed to take suitable action as per the provisions of MMDR Act, 1957 and other applicable statutes.

Thus, as per the directions of the Government of India the Department was required to stop mining operations in the area and initiate action to recover cost of mineral along with royalty and other applicable taxes *etc.*, as provided in the Act. The Department, however, did not stop the mining operations; resultantly 2,40,53,901.01 MT of mineral lignite was despatched between 25 May 2015 and March 2019 from these mines by the transferee. In view of the directives given by the Government of India the Department was required to recover cost of mineral despatched from the mines *i.e.* ₹ 2,937.42 crore⁹. But the Department did not recover the cost and thus gave undue benefit to the transferee, of which 49 *per cent* (₹ 1,439.34 crore) gone to the subsidiary of public limited company.

The Government replied (November 2019) that the proposals of the Department for taking necessary action for unauthorised mineral excavation were pending at the Government level. Further progress is awaited (May 2020).

● **Non-Metallic mineral**

As per Rule 3 of the Minerals (Transfer of Mining Lease Granted Otherwise than through Auction for Captive Purpose) Rules, 2016 a ML granted otherwise than through auction which is being used for captive purpose can only be transferred. Further, Rule 6(1) of *ibid* Rules stipulates that the transferee shall in addition to the royalty pay as transfer charges an amount equal to 80 *per cent*¹⁰ of the royalty paid.

During scrutiny of records of AME Nimbahera it was noticed that a mining lease (10/2006) near village Araniya Joshi, Mota Shahabad, *tehsil* Nimbahera district Chittorgarh was sanctioned (May 2010) in favour of a Private Limited

⁹ Cost of mineral worked out as per interim/ad-hoc transfer price for mineral lignite approved by Rajasthan Electricity Regulatory Commission for the year 2015-16: ₹ 1,246.18; 2016-17: ₹ 1,213 and 2017-18 : ₹ 1,213 per MT. As the data was not available for the year 2018-19 the transfer price approved for the previous year is adopted.

¹⁰ As per schedule-IV of the Minerals (Transfer of Mining Lease Granted Otherwise than through Auction for Captive Purpose) Rules, 2016.

Company for mineral limestone (Cement Grade) for 30 years. The lessee informed (May 2016) that the status of the company has changed from private limited company to public limited company. Thereafter, a new company (Nuvoco Vistas Corporation Limited) informed (May 2017) that name of company (Lafarge India Limited) has now been changed as Nuvoco Vistas Corporation Limited and requested to change the name in the records.

Financial Advisor and Legal Advisor of the Department opined that the lessee sought for name change, whereas the ML was required to be transferred. The matter was sent to the State Government (September 2018) for issuing necessary directions. However, the Department directed (November 2018) the Company (Private Limited) to submit transfer application but the lessee did not submit the transfer application.

Audit further noticed that during the period June 2016 to March 2019, 3,31,481.66 MT of mineral limestone (Cement Grade) was despatched from the leased area bearing a liability of ₹ 2.65 crore¹¹ for royalty. Had the lease been transferred an amount of ₹ 1.59 crore could have been realised as transfer charges.

The Government replied (November 2019) that matter was pending for examination at higher level in the light of new facts presented by the company. Further progress is awaited (May 2020).

7.3.6.3 Lack of system to cross check the metal content

As per Rule 39(4) of Minerals (Other than Atomic and Hydro Carbons Energy Minerals) Concession Rules, 2016 wherever the Act specifies that the royalty in respect of any mineral is to be paid based on London Metal Exchange or London Bullion Market Association price, the royalty shall be calculated at the specified percentage of the average sale price of the metal for the month as published by the Indian Bureau of Mines, for the metal contained in the ore removed or the total by-product metal actually produced, as the case may be, of such mineral for the month. The second schedule appended with Section 9 of MMDR Act prescribed rates of royalty in case of Bauxite, Copper, Gold, Laterite, Lead, Silver, Tin and Zinc on the basis of certain percentage of London Metal Exchange Price.

During test check of records of selected offices, it was noticed that eight MLs were sanctioned in five ME offices¹² for extraction of minerals having metal contents. The royalty is being paid by the lessees on the basis of *percentage* of metal content in ore/concentrate, the royalty of these leases was 63.09 to

¹¹ 3,31,481.66 MT mineral X ₹ 80 per MT (royalty rate) = ₹ 2,65,18,533.

¹² ME Ajmer: (16/1992 for Lead, Zinc), Bhilwara (8/1999 for Cadmium, Silver, Lead, Zinc), Jhunjhunu (9/1991 for copper, 8/1993 for copper and 8/1995 for copper), Rajsamand-II (7/1995 and 166/2008 for Cadmium, Silver, Lead, Zinc) and Udaipur (3/1989 for Cadmium, Silver, Lead, Zinc).

76.98 per cent of the total revenue of the Department from major minerals as detailed under:

S. No.	Year	Revenue from Royalty of eight MLs (₹ in Crore)	Total Revenue of the Department from Major Minerals (₹ in Crore)	Percentage of column 3 to column 4
1	2	3	4	5
1	2015-16	1,223.09	1,938.54	63.09
2	2016-17	1,687.29	2,436.63	69.25
3	2017-18	2,075.84	2,696.66	76.98
4	2018-19	2,033.94	2,999.34	67.81

Section 24(1) of the MMDR Act empowers the DMG to inspect mine/minerals/area/document for the enforcement of the provisions of the Act or Rules made thereunder. However, records were not available for inspections carried out or for independent assessment of grades of ore conducted by the DMG. There were no check gates to ascertain the quantity and quality of mineral despatched. Also the Department did not have mechanism to get the samples examined in its laboratory.

It was further noticed that the metal content in ore/concentrate was decided by the lessee on his own in aforesaid cases. The Department relied on the information furnished by the lease holder and assessed the royalty accordingly.

The Government while accepting the facts replied (November 2019) that necessary directions have been issued (September 2019) to concerned authorities for monthly examination of the data submitted by the lease holders.

7.3.6.4 Non-working mines not declared as lapsed

Rule 28 of MC Rules, 1960 read with Rule 20 (1) of the Minerals (Other than Atomic and Hydro Carbons Energy Minerals) Concession Rules, 2016 stipulates that where mining operations are not commenced within a period of two years from the date of execution of the mining lease, or is discontinued for a continuous period of two years after commencement of such operations, the mining lease shall be declared as lapsed. The areas of the leases could be re-allotted by adopting procedure prescribed in the rules.

Scrutiny of records of 13 MLs¹³ in seven (five selected and two regular audit offices) ME offices disclosed that operations in these mining leases were either not started or stopped by the lessees for two continuous years. The concerned authorities, however, did not take the action as required. Resultantly these leased areas could not be re-allotted and State Government was devoid from its revenue.

The Government replied (November 2019) that one ML of ME Udaipur has been cancelled, proposals for cancellation of two MLs under jurisdiction of ME Sirohi were under consideration, proposals for cancellation/lapse of one ML (ME Udaipur) were sought. Seven MLs have not been cancelled/lapsed (three

¹³ Selected offices: Barmer (1), Bhilwara (3), Rajsamand-II (1), Sirohi (2) and Udaipur (4). Regular audit offices: Bikaner (1) and Jaipur (1).

MLs of ME Bhilwara, one ML of ME Bikaner, one ML of ME Rajsamand-II and two MLs of ME Udaipur). However, no reply was furnished in respect of one ML each of ME Barmer and Jaipur. Further progress is awaited (May 2020).

7.3.6.5 Lack of co-ordination between Department and Indian Bureau of Mines

Government of India, Ministry of Mines, Indian Bureau of Mines (IBM), Regional office, Ajmer provided (May 2019) information of 181 mining leases of major minerals held in the State of Rajasthan with following remarks:

- Work suspended in 30 mining leases;
- State Government was requested for termination in 17 MLs; and
- State Government was requested for declaring 9 MLs as lapse.

In case of Major Minerals the mining lease holders were required to deposit Financial Assurances with the IBM, whereas no information in this regard was available in the offices of Mines Department having jurisdiction over the MLs/PLs. The co-ordination between these two agencies (IBM and DMG) will be helpful for both the departments to regulate mining operations as per rules and to ensure the compliance of certain conditions of ML/PL *etc.*

The information provided by the IBM also disclosed that 65 mining lease holders have submitted financial assurance of only ₹ 0.50 crore as against ₹ 6.91 crore required as per rules.

The Government replied (November 2019) that progress of recovery would be intimated after obtaining information about outstanding financial assurance from IBM. However, reply regarding suspension of work in 30 MLs, termination of work in 17 MLs and declaring nine MLs as lapse was not furnished.

7.3.7 Compliance issues

7.3.7.1 Short payment of District Mineral Foundation Trust Fund amount

According to Rule 73 of RMMC Rules, 2017, it is mandatory for the lessee to obtain *e-rawanna*¹⁴ generated through online application. Further, Rule 13 (1) (iii) (a) of the District Mineral Foundation Trust (DMFT) Rules, 2016 provides that every mineral concession holder of major minerals shall pay the contribution fund in respect of any mineral removed by him from and/or consumed within the area allotted/permitted as prescribed in the Mines and Minerals (Contribution to District Mineral Foundation) Rules, 2015.

According to Rule 2 of the Mines and Minerals (Contribution to District Mineral Foundation) Rules, 2015 (September 2015), every holder of a mining lease of major mineral shall, in addition to the royalty, pay to the District Mineral Foundation of the district in which the mining operations are carried on, an amount at the rate of:

- (a) ten *per cent* of the royalty paid in terms of the second schedule to the MMDR Act, 1957 in respect of mining leases or, as the case may be,

¹⁴ *e-rawanna* is an electronically generated Form from the Departmental web portal for despatch, consumption or processing of mineral or overburden from a specified area granted under any mineral concession or permit.

- prospecting licence-cum-mining lease granted on or after 12 January 2015; and
- (b) thirty *per cent* of the royalty paid in terms of the second schedule to the said Act in respect of mining leases granted before 12 January 2015.

Scrutiny of records of five ME/AME offices¹⁵ revealed that though the Department facilitated (May 2016) payment of royalty and generation of (October 2017) *e-rawanna* through their web portal but similar provision was not made for payment of DMFT Fund amount. Scrutiny of records further revealed that 21 lease holders of major mineral despatched 4.33 crore MT of minerals during 17 September 2015 and 31 March 2018 bearing a liability of ₹ 773.79 crore for royalty. An amount of ₹ 232.11 crore was payable towards DMFT on these despatches but the lease holder deposited ₹ 195.15 crore only. This resulted in short payment of DMFT Fund amount of ₹ 36.96 crore (₹ 232.11 crore - ₹ 195.15 crore). Similar observation was also included in Comptroller and Auditor General's Audit Reports for the year ended 31 March 2018. However, still the deficiency persists and new cases are being seen by Audit.

The Government replied (November 2019) that concerned offices have been directed (September 2019) to recover the amount. Further, appropriate provisions were being made in the Department of Mines and Geology Online Management System (DMGOMS) for DMFT Fund amount. Further progress is awaited (May 2020).

7.3.7.2 Short deposit of National Mineral Exploration Trust Fund amount

According to section 9-C (4) of MMDR Act the holder of a mining lease shall pay to the National Mineral Exploration (NME) Trust, a sum equivalent to two *per cent* of the royalty paid in terms of the second schedule, in such manner as may be prescribed by the Central Government.

Scrutiny of records of six ME/AME offices¹⁶ disclosed that 22 major mineral lease holders paid NME Trust Fund amount of ₹ 71.81 crore instead of payable amount of ₹ 91.35 crore which became due on the payable royalty amount of ₹ 4,567.47 crore during the period from 2015-16 to 2017-18. This resulted in short payment of NME Trust Fund amount of ₹ 19.54 crore (₹ 91.35 crore - ₹ 71.81 crore).

The Government replied (November 2019) that concerned offices have been directed (September 2019) to recover the amount. Further, appropriate provisions were being made in the DMGOMS for NME Trust Fund amount. Further progress is awaited (May 2020).

7.3.7.3 Non-recovery of interest on delayed deposits

According to the Rule 49 of the Minerals (Other than Atomic and Hydro Carbons Energy Minerals) Concession Rules, 2016 the State Government may, without prejudice to the provisions contained in the Act or rules made thereunder, charge simple interest at the rate of 24 *per cent* per annum on any rent, royalty or other sum due to that Government under the Act or rules made thereunder or terms and conditions of any mineral concession from the sixtieth

¹⁵ ME: Jaisalmer (6), Sirohi (2) and Udaipur (3). AME: Gotan (4) and Nimbahera (6).

¹⁶ ME: Bhilwara (2), Jaisalmer (7), Rajsamand-II (2) and Udaipur (3). AME: Gotan (3) and Nimbahera (5).

day of the expiry of the date fixed by that Government for payment of such royalty, rent, fee or other sum and until payment of such royalty, rent, fee or other sum is made.

During review of records of three ME/AME offices¹⁷ it was noticed that four lease holders delayed the deposit of amounts towards royalty and other sums due to the Government ranging between 38 to 2,764 days. But the Department did not levy interest of ₹ 30.16 crore.

The Government replied (November 2019) that necessary provisions for calculation of interest were being made in the DMGOMS. However, reply regarding recovery of objected amount was not furnished.

7.3.7.4 Short recovery of royalty

According to Section 9(1) of the MMDR Act the holder of a mining lease granted before the commencement of this Act shall, notwithstanding anything contained in the instrument of lease or in any law in force at such commencement, pay royalty in respect of any mineral removed or consumed by him or by his agent, manager, employee, contractor or sub-lessee from the leased area after such commencement, at the rate for the time being specified in the Second Schedule in respect of that mineral.

The State Government issued order (April 2000) for calculating royalty on monthly basis, raising demand and action for recovery of the same. Further, it also ordered (March 2008) to recover the payable royalty by 7th of every month on provisional basis¹⁸.

As the assessments of MLs of limestone (cement grade) were pending since 2001 the Department convened a meeting (January 2014) in which representatives of cement industry and Department officers participated. It was decided in the meeting that assessments pending prior to 2013 may be finalised taking already determined clinker¹⁹ and limestone ratio. Based on the results of the meeting the Department sent a proposal (March 2014) to the State Government which directed (May 2014) to finalise the pending royalty assessments on the basis of Clinker Limestone ratio already finalised or actual despatch of mineral whichever is higher.

During scrutiny of records of ME Udaipur, it was noticed that two MLs (23/2001 and 186/2008) for mineral limestone (cement grade) near *Village Manderiaya tehsil Vallabh Nagar* were sanctioned in favour of a company. Royalty assessment of the leases for the period 10 December 1999 to 31 March 2016 was finalised in May 2018. Scrutiny of assessment order revealed that during the period 10 December 1999 to 31 March 2002 the lease holder produced 13.14 lakh MT clinker and no clinker was produced thereafter. 17.16 lakh MT of mineral lime stone was shown as consumed for production of cement in the assessment order. The Assessing Authority, however, added extra quantity of mineral and assumed 18.30 lakh MT²⁰ of mineral limestone was consumed for production of clinker and levied royalty amounting to ₹ 6.87 crore.

¹⁷ Chittorgarh (₹ 22.53 crore), Gotan (₹ 1.47 crore) and Udaipur (₹ 6.16 crore).

¹⁸ Provisional royalty was to be calculated on the basis of previous month's despatch of mineral.

¹⁹ *Clinker* is a nodular material produced in the kilning stage during the production of cement and is used as the binder in many cement products. It is produced by heating limestone and clay. Clinker, when added with gypsum and ground finely, produces cement.

²⁰ 17.73 lakh MT (Limestone consumed) and 0.57 lakh MT (Extra quantity).

According to the State Government's direction (May 2014) 19.97 lakh MT²¹ of mineral limestone was required for preparing 13.14 lakh MT clinker. Therefore, royalty of ₹ 7.74 crore²² was leviable.

The Assessing Authority while finalising the assessment levied royalty of ₹ 6.87 crore against the leviable royalty of ₹ 7.74 crore. This resulted in short levy of royalty of ₹ 0.87 crore.

On being pointed out, the Government furnished (November 2019) comments pertaining to the assessment years 2016-17 and 2017-18 which were not relevant to the audit observation. Thus, relevant compliance was awaited (May 2020) though called for (December 2019).

7.3.8 Online Management System

Department had developed a web based application named DMGOMS for online submission of application for mineral concession, deposit almost all government dues, generate online *e-rawanna/transit pass*, maintaining demand registers, lease information, data of permits issued, illegal mining cases and amounts deposited, empanelment of weighbridges *etc.* online.

Timely updation of information in the DMGOMS is essential for effective monitoring of the leases as well as working of the officials. We noticed following deficiencies in DMGOMS during audit:

- Data of available mineral reserves of the allotted leases was not maintained;
- The Department facilitated its lessees to pay royalty through online system but the facility for depositing contribution towards DMFT Fund and NME Trust Fund amount was not provided. This was earlier reported in paragraph number 7.4.5 of Comptroller and Auditor General's Audit Report for the year ended 31 March 2018 but till now DMFT/NMET Fund are being paid manually (September 2019).
- Scrutiny of 111 concession files of 12 ME/AME offices²³ compared with database maintained at DMGOMS disclosed following shortcomings:
 - ✓ details of security deposit was not updated in 27 cases and security deposit in form of National Savings Certificate had expired in 28 cases.
 - ✓ financial assurance deposited by the lease holders was not updated in 57 cases.
 - ✓ details of production/despatch of mineral was not mentioned in 97 cases.
 - ✓ information of mining plan (43 cases), Environment Clearance (31 cases) and Consent to Operate (24 cases) was not updated.
 - ✓ In 16 cases demand of royalty and penalty was not raised through DMGOMS.

²¹ 13,13,624 MT clinker X 1.52 (conversion factor).

²² Quantity of clinker produced during 10 December 1999 to 31 March 2000 was 2,02,209 MT for which royalty of ₹ 98,35,445.76 (at the rate of ₹ 32 per MT) and clinker produced during 1 April 2000 to 31 March 2002 was 11,11,415 MT for which royalty of ₹ 6,75,74,032 (at the rate of ₹ 40 per MT) aggregating royalty of ₹ 7,74,09,477.76 was leviable.

²³ Selected offices: Barmer (30), Bhilwara (8), Chittorgarh (3), Jaisalmer (24), Jalore (5), Sirohi (9), Rajsmand-II (3), Udaipur (10) and Nimbahera (9). Regular audit offices: Bikaner (3), Jaipur (3) and Gotan (4).

The Government replied (November 2019) that work of updation of information in the Departmental online system was being carried out. However, reasons for non-updation of information in the system were not furnished. Further progress is awaited (May 2020).

7.3.9 Internal Control and Monitoring

Monitoring and internal control is a management tool that provides reasonable assurance that the objectives of an organisation are being achieved in an efficient, effective and adequate manner. It ensures that financial interests and resources of the organization are safeguarded, reliable information is available to the management and activities of the entity comply with applicable rules, regulations and laws. We noticed following deficiencies/weakness:

7.3.9.1 Internal Audit

As per provisions of Manual of Department of Mines and Geology, Rajasthan, Udaipur internal audit of all ME/AME offices except AME Tonk and Jaisalmer is required to be conducted annually. As per information provided, Department categorised its subordinate offices in three streams; (i) Mines, (ii) Vigilance and (iii) Geology and planned to audit them in their respective priority.

Scrutiny of records of the DMG, Udaipur disclosed that audit of almost all the Mines offices was pending since 2004-05. The matter is being pointed out continuously in the Comptroller and Auditor General's Audit Reports since 2011-12. The Department intimated that internal audit of five ME/AME offices²⁴ was conducted in 2015-16 to 2017-18 against 64 offices. Thus, the internal audit conducted by the Department was inadequate.

In absence of internal audit, the Departmental authorities were not aware of the weaknesses in the system which resulted in evasion or leakage of revenue as pointed out in this and previous Audit Reports. Thus, the Department needs to strengthen its internal audit wing. Department accepted (January 2019) the facts and intimated that internal audit work could not be carried out due to unavailability of accounts personnel.

The Government replied (November 2019) that internal audit of one office was carried out during the year 2017-18 and 11 offices was carried out during 2018-19. Audit of two offices was being conducted. A working plan for audit of 64 Mines offices has been submitted (January 2019) by the Department. However, status of approval and execution of working plan was not intimated.

7.3.9.2 Non-achievement of target of lease inspection

Department prescribed (April 2013) the annual inspection norms of mining leases for MEs/AMEs.

Scrutiny of records pertaining to inspection of mining leases revealed that number of inspections carried out by ME/AME during the period 2015-16 to

²⁴ ME, Dungarpur (upto 2017-18), ME Jaipur (upto 2014-15), ME Rajsamand-I (upto 2014-15), AME Rishabhdeo (upto 2014-15) and ME Udaipur (upto 2016-17).

2017-18 were fall short against prescribed norms as detailed below:

Inspections required to be done by ME/AME	Targets for 2015-16 to 2017-18	Average Achievements	Average achievement percentage
Inspection of 120 mining leases.	360	204	56.54
Number of days on tour 84 days and 60 night halts per annum for inspection of mines and quarries and checking of unauthorised mining, mineral movement, Naka, Check Posts <i>etc.</i> only.	252/180	174/112	69.09/62.22

Database/register of lease inspections either in physical form or in the online system was not maintained by the Department for monitoring the action taken on the deficiencies noticed at the time of inspections. It was noticed that only the number of inspections conducted by ME/AME was informed to the Superintendent Mining Engineers. The Department had also not developed a scientific mechanism for selection of leases for inspection.

The Government replied (November 2019) that in continuation of the directions issued in April 2013 subordinate offices have been directed again to maintain a register. Regular monitoring of the same was being done. However, reasons for non-conducting lease inspections were not intimated.

7.3.10 Conclusion

The Department did not take appropriate action to increase the land under mining as envisaged in Mineral Policy 2015. In spite of database of proved mineral reserves available in the expired mining leases, the Department did not re-allot these areas.

The Department realised more than 63 *per cent* of its revenue from major minerals between 2015-16 and 2018-19 in form of royalty of metallic minerals based on metal contents in ore/concentrate. The Department, however, did not have mechanism to cross check the metal content percentage shown by the lessee to ensure correct levy and recovery of royalty.

The Department had facilitated lessees to make online payment of royalty, dead rent *etc.* but did not provide similar facility for collection of contribution towards District Mineral Foundation Trust Fund and National Mineral Exploration Trust Fund. This resulted in short collection of District Mineral Foundation Trust Fund and National Mineral Exploration Trust Fund amount.

Working of the Internal Audit Wing of the Department was inadequate and database of mining leases inspections and follow-up process was not maintained.

The Government replied (November 2019) that action was being taken by the Geological wing and DMGOMS section of the Department.

7.3.11 Recommendations

The Government/Department may consider to:

- *maintain a database of mineral reserves shown in the mining plans of the mining leases to evaluate mineral reserves;*
- *develop a mechanism to cross check the metal content as determined by the lease holder to ensure correct levy and recovery of royalty;*
- *insert an option for collection of District Mineral Foundation Trust Fund and National Mineral Exploration Trust Fund along with payment of royalty through online system; and*
- *maintain a database of lease inspections and follow-up thereof to ensure effectiveness of the inspections.*

7.4 Short recovery due to incorrect revision of royalty collection contracts

According to Rule 32(3) of the Rajasthan Minor Mineral Concession (RMMC) Rules, 1986 read with Rule 36(4) of the RMMC Rules, 2017 the amount to be paid annually by the contractor to the Government shall be determined in auction/e-auction or by tender/e-tender; provided that on enhancement or reduction in the rate of royalty:

- (i) the 'excess royalty collection (ERC) contractor' shall be liable to pay an enhanced or reduced amount of contract money calculated according to the following formula:

Revised contract amount = {(existing contract amount + total existing dead rent) X new royalty rate /existing royalty rate – total existing dead rent} and

- (ii) the 'royalty collection (RC) contractor' shall be liable to pay an enhanced or reduced amount of contract money in proportion to the enhancement or reduction for the remaining period of contract from the date of such enhancement or reduction.

Further, according to Rule 13(1) (iii) (b) of the District Mineral Foundation Trust Rules 2016²⁵, in case of minor minerals, the amount of contribution to be made to the District Mineral Foundation Trust (Trust) Fund shall be 10 per cent of the royalty paid.

Scrutiny of records relating to royalty collection contracts in selected units revealed the following irregularities:

Sl. No.	Particulars	Reply of the Government
	The State Government <i>vide</i> notification dated 5 August 2014 enhanced the rate of royalty of mineral limestone (building stone) from ₹ 90 per metric ton (MT) to ₹ 110 per MT ²⁶ and mineral masonry stone from ₹ 17 per MT to ₹ 23 per MT ²⁷ .	

²⁵ Notified by the State Government on 31 May 2016.

²⁶ In respect of Kota and Jhalawar districts.

²⁷ In respect of Kota and Jhalawar districts.

1	<p>During scrutiny of the records of the ME Ramganj Mandi (October 2018), it was noticed that an ERC contract²⁸ was sanctioned (March 2013) for annual contract value of ₹ 45.22 crore in favour of a contractor. After the royalty rates were revised on 5 August 2014²⁹, the Competent Authority revised the contract amount from ₹ 45.22 crore to ₹ 55.92 crore <i>vide</i> order dated 13 August 2014.</p> <p>Scrutiny of the order revealed that the contract amount was erroneously revised at ₹ 55.92 crore per annum instead of correct amount of ₹ 56.64 crore due to calculation error. The contractor deposited this revised contract amount. This resulted in short recovery of contract amount of ₹ 47.24 lakh³⁰ for the period from 5 August 2014 to 31 March 2015.</p>	<p>The Government replied (June 2019) that Hon'ble Rajasthan High Court, Jaipur Bench has stayed the recovery process. Further progress is awaited (May 2020).</p>
<p>The State Government <i>vide</i> notification dated 27 October 2017 enhanced the rate of royalty of mineral granite (blocks having any dimension more than 70 centimetre) from ₹ 215 per metric ton (MT) to ₹ 280 per MT, mineral masonry stone from ₹ 23 per MT to ₹ 28 per MT³¹, mineral <i>bajri</i> from ₹ 30 per MT to ₹ 35 per MT³² and mineral lime <i>kanker</i> from ₹ 20 per MT to ₹ 25 per MT. The enhanced rate of royalty of mineral granite (blocks having any dimension more than 70 centimetre) was later reduced to ₹ 235 per MT on 27 November 2017.</p>		
2	<p>During scrutiny of the records of the ME Jalore (January 2019), it was noticed that two ERC contracts³³ were sanctioned (March 2016 and May 2017) for annual contract value of ₹ 11.17 crore and ₹ 10.28 crore respectively in favour of two contractors. Subsequently the contract value was revised (1 November 2017) to ₹ 14.17 crore and ₹ 13.03 crore respectively due to enhancement in royalty rates. Thereafter, the contract value was further revised (29 November 2017 and 8 December 2017) to ₹ 12.77 crore and ₹ 11.74 crore respectively due to reduction of royalty rate.</p> <p>Scrutiny of the revision orders revealed that the revision of contract value was not done according to formula <i>ibid</i> on both the occasions as the authority concerned did not add the existing dead rent of the leases in the formula.</p> <p>This resulted in short recovery of ₹ 55.86 lakh (including DMFT Fund amount of ₹ 3.25 lakh).</p>	<p>The Government replied (June 2019 and November 2019) that in the one case the contractor has filed a writ petition before the Hon'ble Rajasthan High Court Jodhpur against the recovery proceeding. However, recovery is being affected under Land Revenue Act in second case.</p>
3	<p>During scrutiny of the records of the AME Nimbahera (February 2019), it was noticed that a royalty collection contract³⁴ was sanctioned (October 2016) for an annual contract value of ₹ 9.71 crore in favour of a contractor. On enhancement (27 October 2017) in the royalty rate of masonry stone the Competent Authority revised (10 November 2017) the contract amount to ₹ 10.35 crore.</p>	<p>The Government replied (June 2019) that no formula has been prescribed for revision of royalty collection contract value in the Rules <i>ibid</i>, therefore,</p>

²⁸ The contract was awarded for collection of excess royalty for the period from 1 April 2013 to 31 March 2015 on limestone (building stone) and masonry stone despatched from the sanctioned mining leased areas situated in the revenue area of *tehsil* Ramganj Mandi of district Kota and tehsils Jhalrapatan, Pirawa, Pach Pahar of district Jhalawar.

²⁹ The State Government *vide* notification dated 5 August 2014 enhanced the rate of royalty of mineral limestone (building stone) from ₹ 90 per MT to ₹ 110 per MT in respect of Kota and Jhalawar district and mineral masonry stone from ₹ 17 per MT to ₹ 23 per MT in respect of Kota and Jhalawar district.

³⁰ Short revision was ₹ 0.72 crore per annum (₹ 56.64 crore - ₹ 55.92 crore). Net effect of the revision for the contract amount was for 239 days, therefore, short revision of contract amount was ₹ 0.47 crore.

³¹ In respect of district Chittorgarh and Jalore.

³² In respect of Bikaner.

³³ The first contract was awarded for collection of excess royalty for the period from 1 April 2016 to 31 March 2018 on granite, masonry stone and rhyolite despatched from the sanctioned mining leased areas situated in the revenue area of *tehsil* Ahore district Jalore and *tehsils* Siwana, Samdari, district Barmer and the second contract was awarded for collection of excess royalty and DMFT Fund amount for the period from 5 June 2017 to 31 March 2019 on granite, masonry stone and rhyolite despatched from the sanctioned mining leased areas situated in the revenue area of district Jalore (except *tehsil* Ahore).

³⁴ The contract was awarded for collection of royalty, weighing fee and DMFT Fund amount for the period from 16 October 2016 to 31 March 2018 on limestone (building stone) and masonry stone despatched from the quarry licensed areas situated in the revenue area of *tehsil* Nimbahera and Bhadesar district Chittorgarh.

	<p>Scrutiny of the order revealed that the revision was not done properly as the Competent Authority incorrectly apportioned the despatched quantity of minerals limestone (building stone) and masonry stone. This resulted in short recovery of ₹ 33.97 lakh (including DMFT Fund of ₹ 3.09 lakh).</p> <p>It is pertinent to mention that in Ramganj Mandi (case mentioned at serial number 1 of this table), departmental authorities had adopted the actual quantity of mineral despatched during the contract period for revision of contract value.</p>	<p>contract amount was revised on the basis of quantity of minerals despatched prior to the contract period.</p> <p>Reply is not tenable as departmental authorities had adopted different parameters for revision of contract value.</p>
4	<p>During scrutiny of the records of the ME Bikaner (April 2019), it was noticed that a RC cum ERC contract was sanctioned (March 2016) for the period 1 April 2016 to 31 March 2018 to a contractor for annual contract value of ₹ 32.64 crore³⁵. The contract³⁶ was for collection of royalty and permit fee on mineral <i>bajri</i>, gravel, <i>murram</i>, lime <i>kanker</i> and <i>kanker</i> obtained from the overburden of the mining leases (ML) of mineral clay and excess royalty on mineral <i>bajri</i> excavated from the sanctioned MLs. After the increase (27.10.2017) in the royalty rates, the Competent Authority enhanced (13 December 2017) the contract value to ₹ 35.78 crore.</p> <p>Scrutiny of the revision order revealed that the Competent Authority enhanced the contract value assuming the permit fee 20 per cent of the total contract value. Royalty portion was assumed as Mineral <i>bajri</i> (48 per cent), <i>murram</i> (37 per cent) and lime <i>kanker</i> (15 per cent). However, there was no evidence on record for these assumptions made by the authority concerned.</p> <p>On being enquired (April 2019) by Audit about the assumptions made, the Competent Authority revised (July 2019) the contract value to ₹ 37.04 crore assuming royalty portion of mineral <i>bajri</i> (50 per cent), <i>murram</i> (17 per cent) and lime <i>kanker</i> (33 per cent). However, the Department did not intimate the basis of these assumptions. Thus, the Department has short levied ₹ 59.74 lakh (including DMFT Fund amount of ₹ 5.43 lakh) for the period 27/10/2017 to 31/03/2018.</p>	<p>The Government replied (October 2019) that recovery certificate under Rajasthan Land Revenue Act, 1956 for recovery of outstanding amount of ₹ 59.74 lakh has been issued (September 2019) and recovery would be intimated. However, details of quantity of mineral despatched, amount of recovered permit fee and royalty was not made available (May 2020) though called for (July 2019).</p>
<p><i>Government may consider to develop an uniform process for revision of RC/ERC contract value using Information Technology.</i></p>		

7.5 Short levy of interest for non/delayed payment of dead rent

According to Section 9A (1) of the Mines and Minerals (Development and Regulation) Act, 1957 read with Rule 31 of the Mineral Concession (MC) Rules, 1960, the holder of a major mineral mining lease shall pay dead rent every year, as specified³⁷. Simple interest at the rate of 24 per cent per annum on any sum due to Government under the Act or Rules is chargeable from the sixtieth day of the expiry of the due date under Rule 64(A) of the Rules *ibid*.

Ministry of Mines *vide* notification dated 10 February 2015 notified 31 major minerals (including silica sand, barytes, china clay, fireclay, quartz and soapstone) as minor minerals. Further, according to the Rule 18(3) of the RMMC Rules, 1986 read with Rule 28(2) (ii) of RMMC, Rules 2017, the lessee

³⁵ The contract amount included royalty/excess royalty and permit fee.

³⁶ The area of contract was the revenue area of Bikaner (except city limits), *tehsil* Nokha, Lunkaransar and Kolayat.

³⁷ According to the model form of mining lease agreement provided under Rule 31 of the MC Rules, a lessee was required to pay the annual dead rent in advance in two equal half yearly instalments.

of a minor mineral shall pay dead rent for the year in quarterly installments in advance. Interest at the rate of 15 *per cent* per annum shall be charged from the due date on all dues in respect of dead rent and royalty amount (up to 28 February 2017) and 18 *per cent* thereafter according to Rule 61 of the RMMC Rules, 1986 read with Rule 77 of the RMMC Rules, 2017.

During test check of the records of the office of ME Karauli (December 2018) it was observed that dead rent amounting to ₹ 63.29 lakh was due from three lease holders³⁸ during the period from April 2014 to January 2019. The lease holders deposited a sum of ₹ 18.59 lakh with delays ranging between five to 1,065 days. Remaining amount was not deposited by the lease holders up to 31 March 2019. The Department recovered an amount of ₹ 0.37 lakh as interest up to 31 March 2019.

Scrutiny of the demand and collection register disclosed that interest amounting to ₹ 22.15 lakh was leviable as per the provisions *ibid*. The Department, however, did not raise the demand accordingly. This resulted in non-recovery of interest amounting to ₹ 21.78 lakh.

The matter was reported (June 2019) to the Government. The Government replied (July 2019) that notices have been issued in two cases for depositing the amount; progress regarding recovery is awaited. In the remaining case the mining lease has been cancelled, however, reply did not elaborate on the action regarding recovery.

7.6 Effectiveness of internal control

7.6.1 Internal control

Internal control is an integral process designed to address risks in the organisation and provides reasonable assurance that following general objectives are achieved:

- executing orderly, ethical, economical, efficient and effective operations;
- fulfilling accountability obligations;
- complying with applicable laws and regulations; and
- safeguarding resources against loss, misuse and damage.

7.6.2 Internal audit

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

³⁸ (i) Lease number 1/1973 (for mineral silica sand-a major mineral which was declared as minor mineral on 10 February 2015, (ii) Lease number 1/1996 (for minerals barytes, china clay, fireclay, quartz and soap stone-major minerals which were declared as minor minerals on 10 February 2015 and (iii) Lease number 76/1979 (for minerals masonry stone and sand stone-minor minerals).

Scrutiny of records of the DMG, Udaipur disclosed that audit of almost all the offices of Mines and Geology Department was pending since 2004-05. In absence of internal audit, the Departmental authorities were not aware about the areas of the weaknesses in the system which resulted in evasion or leakage of revenue. The matter is being pointed out continuously in the Comptroller and Auditor General's Audit Reports since 2011-12. However, only four out of 133 units were audited during the year 2018-19 due to which not only the irregularities persisted but also remained undetected till an audit was conducted.

Illustrative instances highlighting poor internal control system and ineffective internal audit are discussed in succeeding paragraphs:

Sl. No.	Particulars	Reply of the Government
1	<p>Use of 'ordinary earth' by work contractors without Short Term Permit</p> <p>'Ordinary earth', used for filling or levelling purposes in construction of embankments, roads, railways, buildings, etc. was notified as minor mineral by the Government of India vide notification dated 8 February 2000. Rule 48(1) of the RMMC Rules, 1986 provides that no person shall undertake any mining operations except in accordance with the terms and conditions of the permission granted under these rules. Further, Rule 48(5) of the <i>ibid</i> Rules provided that whenever any person without a lawful authority or in contravention of the terms and conditions of the Short Term Permit (STP) raises any mineral from any land and where mineral so raised has already been despatched or consumed, the authorities may recover the cost of the mineral which will be computed as 10 times the royalty payable at the prevalent rates.</p> <p>The circular dated 15 November 2011 issued by the State Government prescribed a procedure for levy and collection of correct royalty on minerals to be used in execution of work by the contractors for Government departments/Autonomous bodies/ Government undertakings. According to the procedure the concerned Work Department is required to submit a copy of the work order and 'G' Schedule³⁹ of the work containing details of minerals to be used (in cubic metres or MT) for execution of work to the concerned ME/AME. Further, the ME/AME concerned is required to ensure that the Work Department recovers the royalty in accordance with the option⁴⁰ submitted by the contractor. The contractors who submitted option 'C' were required to purchase royalty paid minerals, as mining lease for 'ordinary earth' was not granted by the State Government and it could only be obtained under STP on payment of advance royalty.</p> <p>Scrutiny of records of short term permits at the AME Tonk, revealed that in one case as per 'G-Schedule', 66,304.74 MT (47,360.53 cubic metres) of 'ordinary earth' was required for</p>	<p>The Government replied (February 2019 and October 2019) that in one case notice (for depositing the amount) has been issued (February 2019). In another case the contractor deposited an amount of ₹ 2.71 lakh (including permit fee) on the basis of mineral consumption certificate received from concerned Works Department. The reply is not tenable as the audit objection was based on the quantity of mineral consumed in the work up to seventh running bill. Therefore, value of mineral be assessed as per quantity of mineral shown as</p>

³⁹ A schedule of quantities and prices included in contract document.

⁴⁰ The contractor was required to submit one of the options (A, B, C, D or E) for payment of royalty along with the affidavit to the concerned ME/AME before execution of work i.e. deduction of royalty was to be made from the running bills by the concerned Work Department (Option 'A'), deposit royalty in advance with the concerned ME/AME office at the time of issue of STP (Option 'B'), purchase royalty paid minerals and submit records of the same to the concerned ME/AME office for assessment at the stage of first as well as on final bill (Option 'C'), jointly use option 'B' and 'C' i.e. excavate on his own a certain quantity of minerals after paying royalty in advance and purchase royalty paid minerals for the remaining required quantity (Option 'D') and use royalty paid minerals during execution of work and an amount i.e. certain percentage of total cost of work as royalty will also be deducted at the time of payment of final bill (Option 'E').

	<p>execution of two works where contractors had submitted option 'C'. According to the running/final bill of the works, 50,955.23 MT of 'ordinary earth' was utilised in execution of these two works. The Mines office had not issued the STP to these contractors and thus the contractors irregularly utilised the 'ordinary earth'. The officer concerned failed to detect the irregularity. This resulted in non-raising of demand amounting to ₹ 15.29 lakh⁴¹ for illegal excavation of 'ordinary earth'.</p>	<p>consumed in final bill of the work.</p>
2	<p>Non-recovery of cost of mineral due to acceptance of wrong royalty receipts</p> <p>According to Rule 51(1) of the RMMC Rules, 2017 STP may be granted for excavation and use of mineral to a contractor for executing works of Government, Semi-Government institutions, Local Body or organisations aided or funded by the Government. Further, Rule 51(9)(iii) of the Rules <i>ibid</i> provides that contractor was required to apply for permit along with a self certified undertaking stating that the entire quantity of mineral will be procured or used royalty paid. It was further provided that the contractor shall submit the records of royalty paid minerals for the assessment, along with consumption certificate and get a no-dues certificate from the concerned ME. Further, according to Rule 54(5) of Rules, <i>ibid</i>, whenever any person without a lawful authority raises any mineral from any land and where mineral so raised has already been consumed, competent authority shall recover cost of mineral which shall be taken as ten times of royalty.</p> <p>During scrutiny of the records at the office of ME Pratapgarh (February 2019), audit observed that the ME issued (December 2017) three STPs⁴² to a contractor for mineral <i>bajri</i> under Rule 51 (9) (iii) of the RMMC Rules. Thereafter the contractor submitted the records of royalty paid minerals for the assessment.</p> <p>Further scrutiny of the records disclosed that while completing the assessment, the Assessing Authority considered the royalty receipts issued during September-October 2017 submitted by the contractor and provided the no-dues certificate (October 2018). The royalty receipts submitted by the contractor were issued prior to the date of sanction of work orders⁴³ and as such these royalty receipts should not have been linked to the works as per Rule 51 of Rules <i>ibid</i>. The Assessing Authority, however, irregularly considered these royalty receipts to provide undue advantage to the contractor. This resulted in non-recovery of the cost of the minerals amounting to ₹ 12.43 lakh⁴⁴.</p>	<p>The Government replied (August 2019) that notice to deposit the amount has been issued (June 2019) to the contractor. However, the Department has not provided information regarding fixing of responsibility for this irregularity though called for (December 2019).</p>

⁴¹ ₹ 15.29 lakh: 50,955.23 MT X Royalty rate ₹ 3 per MT X 10.

⁴² (i) STP: 50 dated 19 December 2017, (ii) STP: 52 dated 21 December 2017 and (iii) STP: 53 dated 21 December 2017.

⁴³ (i) Work order number 1240 dated 11 December 2017, (ii) Work order number 2300 dated 15 December 2017 and (iii) Work order number 2316 dated 15 December 2017.

⁴⁴ ₹ 12.43 lakh: 3,552 Metric Ton (1,120+1,440+992) mineral *bajri* X Royalty rate ₹ 35 per MT X 10.