

EXECUTIVE SUMMARY

Minerals are valuable natural resources. Being finite and non-renewable, their exploitation is guided by long term national goals and perspectives. Mineral exploration and development is closely linked with the development of the economy and upliftment of the local population. However, a harmony and balance is to be maintained between conservation and development as it intervenes with the environment and social structure.

Management of mineral resources is the responsibility of both the Central Government and the State Governments in terms of entry 54 of the Union list (List I) and entry 23 of the State list (List II) of the Seventh Schedule of the Constitution of India.

Receipts from mines and minerals mainly consist of royalty which is levied either on specific or *ad valorem* basis on the quantity of minerals removed or consumed from mines. Dead rent is levied on the area leased out for mining activity. Other receipts for the Mineral Resources Department are application fees, license fees, prospecting charges, penalties and interest for delayed/belated payments of dues *etc.* Rates of royalty and dead rent in respect of major minerals are prescribed by the Central Government but these are collected and utilised by the State Government, whereas rates of royalty and dead rent in respect of minor minerals are determined by the State Government and their collection and utilisation is done by the State Government.

Chhattisgarh is one of the foremost mineral rich States in the country. There are almost 28 varieties of minerals present in the State, including precious stones like diamond, iron ore, coal, tin ore, bauxite and gold. In addition to its deposits of diamond and gold, the State is also known for having India's only producing tin mine and one of world's best quality of iron ore deposits at Bailadila in Dantewada district. The mining receipts of ₹ 2,470.44 crore realised during the year 2010-11 constituted 19.23 and 64.41 *per cent* of the total revenue and non-tax revenue, respectively, of the State.

We conducted a Performance Audit on "Assessment, Levy and Collection of Major and Minor Mineral Receipts" for the period 2006-07 to 2010-11 in order to ascertain whether the provisions of various Acts and Rules made thereunder were enforced effectively by the Mineral Resources Department. We also ascertained whether there existed an effective system for computation, levy and realisation of various fees, royalty, penalty *etc.* in the Department and action taken in cases of default or unauthorised excavation of minerals was effective. We examined the internal controls and the monitoring mechanism in the Department for their effectiveness.

We found that the Government of Chhattisgarh has not developed any Mineral Policy on the lines of the model State Mineral Policy circulated in October 2009 by the Central Government to the State Governments, even after passage of more than two years.

We observed that the internal control mechanism in the Mineral Resources Department was weak as in the absence of a separate Internal Audit Wing coupled with low percentage of inspections by Mining Inspectors, there was no effective system of internal check on the activities of the Department. In the absence of Government weighbridges, weighment of excavated minerals was done at the private weighbridges leaving scope for leakage of revenue.

We found that a large number of applications for mining leases were pending resulting in non-exploitation of minerals. We noticed cases where mining operations were not in accordance with the mining plan and instances where operations were done without an approved mining plan. There were substantial delays in cancellation of leases of inoperative mines.

Due to wrong calculation of average annual royalty by the DDMA/DMOs there was short realisation of Stamp Duty and Registration Fees.

Our scrutiny revealed misuse of transit passes and dispatch of minerals without valid transit passes, and also cases where the cost of minerals was not recovered in cases of unauthorised mining.

We found that a large number of stone crusher leases were operating without environmental consent. The Department did not have a monitoring mechanism to watch this. We further observed that Environment Cess and Infrastructure Development Cess on both major and minor minerals due were neither assessed nor realised.

We found irregularities in management of leases, unauthorised excavation, non/short assessment and realisation of royalty, misuse of transit passes *etc.* aggregating ₹ 294.54 crore as mentioned in the succeeding Chapters of this Report.