

## CHAPTER -VI: MINING AND OTHER NON-TAX RECEIPTS

### 6.1 Results of audit

Test check of the records of the Departments of Water Resources, Geology and Mining conducted during the year 2008-09 indicated non/short levy and assessment of royalty, dead rent and service charge, non/short levy of water charges and non-realisation of dues of water charges amounting to Rs. 423.92 crore in 765 cases which fall under the following categories:

(Rupees in crore)

Sl. no.	Category	Number of cases	Amount
<b>Water Resources Department</b>			
1	Assessment and collection of water charges - A Review	1	403.83
<b>Total</b>		<b>1</b>	<b>403.83</b>
<b>Geology and Mining Department</b>			
2	Under assessment of royalty and interest	45	1.54
3	Non/short levy of dead rent and interest	54	0.22
4	Loss of revenue due to non-cancellation of lease of inoperative mines	4	0.20
5	Other irregularities	661	18.13
<b>Total</b>		<b>764</b>	<b>20.09</b>
<b>Grand Total</b>		<b>765</b>	<b>423.92</b>

During the year 2008-09, the departments concerned accepted arrears of water charges, non/short levy of water charges, non/short levy of dead rent and interest, under assessment of royalty and other deficiencies amounting to Rs. 405.28 crore in 474 cases.

After the issue of draft paragraphs, the Geology and Mining Department recovered Rs. 13.32 lakh in three cases.

The results of a review on “**Assessment and collection of water charges**” involving revenue of Rs. 403.83 crore and a few illustrative audit observations of Geology and Mining Department involving revenue of Rs.33.29 lakh highlighting important audit finding are mentioned in the succeeding paragraphs.

## **6.2 REVIEW ON “ASSESSMENT AND COLLECTION OF WATER CHARGES”**

### **Highlights**

- Due to non-maintenance of water account, the monitoring mechanism in the Department had inadequacies resulting in non-utilisation of created irrigation potential leading to foregoing of revenue of Rs. 28.03 crore.

**(Paragraph 6.2.8)**

- Absence of monitoring of quantity of water supplied, the division was raising demand on the basis of records maintained by the industry which was fraught with the risk of being manipulated and consequent short raising of demand.

**(Paragraph 6.2.9)**

- Non-levy of penal rate on unauthorised drawal of water resulted in revenue loss of Rs. 316.26 crore.

**(Paragraph 6.2.12)**

- Non-realisation of interest and service charge on unpaid dues amounting to Rs. 36.37 crore.

**(Paragraph 6.2.13)**

- Short levy of water charges amounted to Rs. 18.26 crore.

**(Paragraph 6.2.14)**

- Application of incorrect rate of water charges for illegal drawal of water led to revenue loss of Rs. 4.91 crore.

**(Paragraph 6.2.15)**

### **6.2.1 Introduction**

The State of Chhattisgarh has a geographical area of 1, 37,360 sq.km. It is divided into five river basins. The Mahanadi basin covers 75,546 sq.km, the Godavari basin covers 39,577 sq.km, the Ganges basin covers 18,808 sq.km. the Narmada basin covers 2,113 sq.km. and the Bramhani basin covers 1,316 sq. km. of catchment area in the State.

The total irrigation potential of 17.58<sup>1</sup> lakh hectares has been created as on 31 March 2008 from six major, 32 medium and 2,242 minor completed irrigation projects and 71 Lift Irrigation Schemes (LIS)<sup>2</sup>. At the time of the formation of the State, the created irrigation potential was 13.28 lakh hectares. Thus, additional potential of 4.3 lakh hectares has been created after the formation of the State.

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<sup>1</sup> As per the Administrative Report of the department for the year 2008-09

<sup>2</sup> Mechanism to lift water from lower base to irrigate upper cultivable areas.

Out of the 59.90 lakh hectare metre<sup>3</sup> of available surface water, the usable surface water in the State is 41.72 lakh hectare metre of which only 22 *per cent* is being tapped and used.

According to Section 37 of Madhya Pradesh Irrigation (MPI) Act, 1931 (as adopted in Chhattisgarh), water may be supplied for irrigation, industrial, urban and for other purposes not connected with agriculture. The receipts under water charges are collected by the Water Resources Department (WRD) primarily for water supplied to:

- farmers for agriculture purposes;
- municipalities/ Public Health Engineering Department for domestic use;
- power plants for energy production; and
- industries for industrial purposes.

**It was decided to review the accuracy of assessment and collection of water charges. The review indicated a number of system and compliance deficiencies which have been discussed in subsequent paragraphs.**

### **6.2.2 Organisational set up**

The department is headed by the Principal Secretary/ Secretary to the Government of Chhattisgarh. The Engineer-in-Chief (EnC) is the head of the department assisted by four Chief Engineers (CE). There are 11 circles headed by Superintending Engineers (SE) who supervise 62 divisions headed by Executive Engineers (EE).

### **6.2.3 Scope of audit**

The review was conducted in the offices of EnC, all the four CEs and six<sup>4</sup> out of 62 divisions for the period 2004-05 to 2008-09. The divisions were selected because their combined revenue earning amounted to 73 *per cent* of the total revenue from water charges. The selection was finalised after discussing with the Secretary of the department during the entry conference, who also agreed that these six divisions were the high risk units.

### **6.2.4 Audit objectives**

The audit was conducted with a view to ascertain:

- the efficiency and effectiveness of the system of assessment and collection of water charges;
- whether water charges were being levied and collected as per rates agreed upon and conditions prescribed in sanction were being adhered to; and
- whether there was an efficient and effective internal control mechanism within the department to check non/short levy and evasion of Government revenue.

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<sup>3</sup> Hectare metre: measure of capacity, 1 hectare X 1 metre

<sup>4</sup> Kharang Division, Bilaspur; Kharkhara Mohdipat Division, Durg; Tandula Division, Durg; Korba Division, Korba; Minimata Bango Water Management Division, Korba; Raipur Division, Raipur.

### 6.2.5 Audit criteria

The audit was conducted on the basis of criteria derived from:

- provisions contained in MP Irrigation Act, 1931 and Irrigation Rules, 1974 (as adopted in Chhattisgarh);
- notifications issued by the Government of Chhattisgarh, WRD for fixation and revision of rates of water charges; and
- provisions and conditions in the agreement (form 7-A) for supply of water.

### 6.2.6 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Department in providing necessary information and records to audit. The scope and methodology of audit was discussed with the Secretary of the Department in an entry conference held on 13 March 2009. The review was forwarded to the State Government on 14 August 2009. The review was discussed with the Secretary of the Department in an exit conference held on the 26 August 2009. The Secretary accepted all the recommendations made by the audit. The response of the Government received at the exit conference and at other points of time has been appropriately incorporated in the relevant paragraphs.

### 6.2.7 Trend of revenue

Details of budget estimates and actual revenue realised from 2004-05 to 2008-09 are depicted below:

(Rupees in crore)				
Year	Budget Estimates (BE)	Actual Receipts (AR) <sup>5</sup>	(-)Shortfall/ (+) Surplus	AR as percentage of BE
2004-05	93.86	79.96	13.90	85.19
2005-06	112.94	46.70	66.24	41.35
2006-07	119.67	115.23	3.17	96.37
2007-08	127.80	124.63	3.17	97.52
2008-09	170.91	148.35	22.56	86.80

(Source: Budget documents and Finance Accounts of the State)

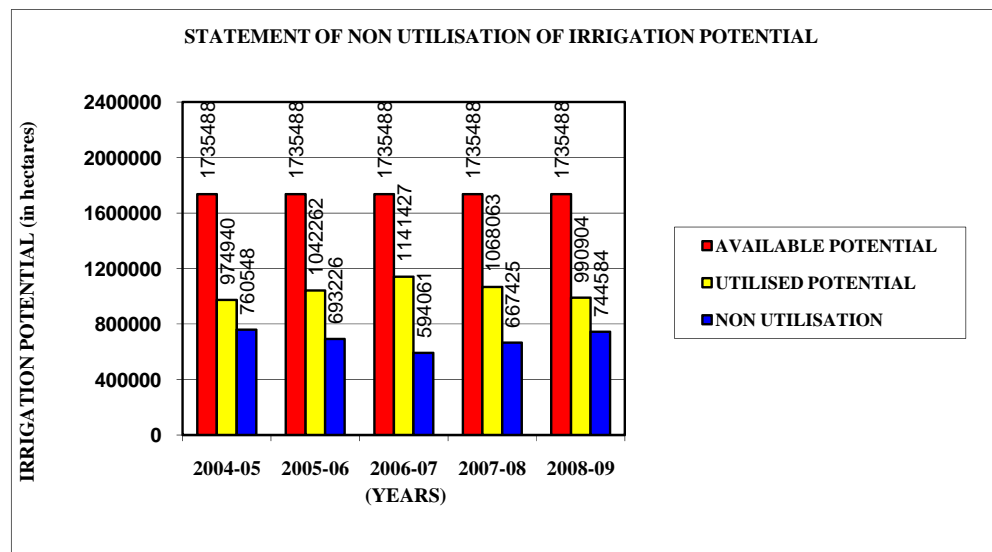
It was observed that the actual were in close consonance with estimates and receipts showed an increasing trend except in 2005-06 where there was a sharp drop in receipts which also created a large gap with the budget estimates. Further scrutiny showed that this drop was primarily due to a reduction in the receipts from irrigation, in respect of the major projects. The receipts fell from Rs. 51.60 crore during 2004-05 to Rs. 25.77 crore in 2005-06 and again increased to Rs. 48.58 crore during 2006-07.

During the exit conference, the Secretary directed the EnC to investigate the reasons for the variation and intimate these to audit. The reasons have not been received (October 2009).

<sup>5</sup> As reported in Finance Account of the State.

**Audit findings****System deficiencies****6.2.8 Revenue forgone due to non-utilisation of irrigation potential created by projects and schemes**

The department implements different projects/schemes under major, medium and minor projects and LIS for creating irrigation potential and utilises the same for providing irrigation to the catchment area as defined in the schemes and levy charges on the beneficiaries. In view of scarcity of water resources, a detailed account is required to be prepared at the divisional level. After providing for transit loss of water, balance is to be utilised judiciously for irrigation and non-irrigation purposes. **Audit scrutiny revealed that the divisions were not maintaining any water accounts. Consequently, the monitoring mechanism for optimum utilisation of irrigation potential had inadequacies.** It was observed that against the available irrigation potential of 17.35 lakh hectares<sup>6</sup>, the department utilised 10.44 lakh hectares (60.12 per cent) on an average in last five years and the utilisation ranged from 56 to 65 per cent as depicted below:



(Source: Information furnished by four CEs)

Non-utilisation of available irrigation potential has resulted in loss of revenue to the extent of Rs. 28.03 crore which could have been collected as irrigation charges as mentioned below:

<sup>6</sup> six major projects : 9,85,300 hectares; 32 medium projects : 1,68,312 hectares; 2,242 minor projects : 5,61,096 hectares and 71 lift irrigation schemes : 20,780 hectares (Compiled from data furnished by four CEs)

Year	Unutilised potential (in lakh hectares)	Loss of Revenue <sup>7</sup> (Rupees in crore)
2004-05	7.60	6.16
2005-06	6.93	5.62
2006-07	5.94	4.81
2007-08	6.67	5.41
2008-09	7.45	6.03
<b>TOTAL</b>	<b>34.59</b>	<b>28.03</b>

(Source: Information furnished by four CEs)

During the exit conference, the Secretary stated that as per the finding of the Indian Institute of Management, the gap between available potential and utilised potential in the State of Chhattisgarh is lower than the national average and efforts would be made to reduce this further.

**The Government may consider directing the field units to maximise the utilisation of available irrigation potential and prepare division wise water accounts for effective monitoring of irrigation potential created, utilised, water usage by various agencies and revenue realisation.**

#### **6.2.9 Lack of system to monitor the quantity of water supplied**

Clause 10 of the agreement for supply of water to industries/power plants (form 7A) provides that automatic measuring devices shall be installed and maintained at its own cost by the Company drawing water. Clause 17 of the agreement provides that the Company shall allow at all times, an officer of the department to inspect the measuring device. **Audit scrutiny revealed that there was an absence of system to monitor the quantity of water supplied. Further, no records were maintained in any of the test checked divisions to monitor the installation of measuring devices and their working. No system of taking readings at the prescribed intervals had been instituted and details of inspection conducted were also not available.**

Scrutiny of the WR Management division, Korba indicated that 15 industries were drawing water from Minimata barrage project but none of them had installed the measuring devices. It was further noticed that the division was raising demand on the basis of the water supplied as per the log book of the pump installed by the industries and the department did not have any information about the actual water utilized. Thus, the demand raised against these industries on account of water used had been purely on ad hoc basis.

After this was pointed out, the EE replied that correspondence had been made with the industrial institutions for installation and the bills are presently prepared on the basis of readings of log books of pumps of industries. The reply did not explain the circumstances under which the supply was commenced although the industries concerned had not complied with the terms of the agreement. Besides, the preparation of demand on the basis of the log books maintained by the industries was fraught with the risk of loss of

<sup>7</sup> at the minimum rate of Rs. 81 per hectare

revenue as there were no controls to ensure that the log books were not being manipulated.

**The Government may issue instructions that water supply should not be allowed to start before measuring devices are installed. It should also prescribe a system of periodic inspection of measuring devices and raising of demand based on the reading on these devices.**

During the exit conference, the Secretary accepted the recommendation and stated that directions will be issued to the concerned.

#### **6.2.10 Arrear recovery mechanism**

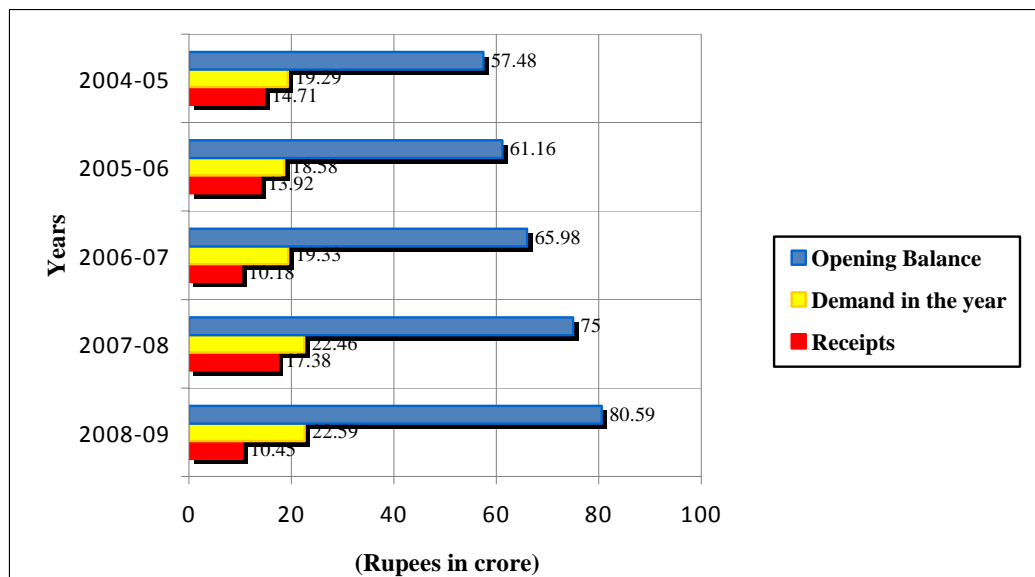
Section 60 of the MPI Act *inter alia* stipulates that any sum payable as canal revenue<sup>8</sup>, which remained unpaid on the day following the date on which it is due, is an arrear of canal revenue. The receipts during the year should be more than the demand raised during the year to stem the mounting arrears. Further, Section 61 of MPI Act provides that arrears of canal revenue shall be recovered as arrears of land revenue. The Government, vide notification dated 15 January 1977 designated all the Assistant Engineers and Canal Deputy Collectors of the Irrigation Department as Additional *Tehsildars* for the recovery of canal revenue as arrears of land revenue.

**Audit scrutiny indicated that the method adopted by the department in raising demand had no correlation with the accumulated arrears at the beginning of the year. While the accumulated arrears had kept increasing, the demand raised had remained almost stagnant and far below the amount of arrears in each year. It was also observed that the Assistant Engineers and Canal Deputy Collectors of the Department had not issued Revenue Recovery Certificates (RRCs) and therefore had not utilised the powers of the Additional *Tehsildars* vested in them for speedy recovery of the arrears. Also, as per the existing procedure, though the targets fixed on the Assistant Engineers and Canal Deputy Collectors included recovery of arrears, yet there was no mechanism to monitor the achievement of targets by the higher authorities. Consequently, the accumulated arrears increased.**

Information collected from the four CEs, in respect of receipts from farmers for agricultural purposes, featuring the opening balance of arrears, demand raised during the year and total revenue realised during the year are exhibited below:

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<sup>8</sup> Canal revenue : Revenue received for water provided for irrigation



(Source: Information furnished by four CEs)

The tabulation highlights the persistent gap between demand and the accumulated arrears which increased from Rs. 57.48 crore to Rs. 80.59 crore.

A test check of the records in selected six divisions (for the period 2003-04 to 2008-09) indicated that Rs. 63.58 crore was pending for recovery as of March 2009 as shown in the table below:

(Rupees in crore)		
Sl. no.	Name of Division	Amount
1.	Kharang Division, Bilaspur	2.71
2.	Kharkhara Mohadipat Division, Durg	8.31
3.	Tandula Division, Durg	25.96
4.	Korba Division, Korba	0.09
5.	Minimata Bango Water Management Division, Korba	8.30
6.	Raipur Division, Raipur	18.21
<b>Total</b>		<b>63.58</b>

It was observed that none of the divisions had initiated any action to issue RRC for effecting recovery as arrears of land revenue.

After this was pointed out, it was intimated by the EEs that major portion of accumulated arrears pertain to unpaid water charges for water supplied for irrigation purposes and due to indifferent attitude of farmers in payment of water charges, collection on this account is very poor. However, the reasons cited did not justify the gap between the arrears and the demand and the non-issue of RRC.

During exit conference, the Secretary reiterated the stand taken by the EEs and stated that the divisions will be directed to increase the recovery.

**The Government may consider to review the proservice charge of raising demand to make it more realistic.**



### **6.2.11 Internal control**

Internal controls are intended to provide reasonable assurance of proper enforcement of laws, rules and departmental instructions. They help in prevention of frauds and other irregularities. Internal controls also help in the creation of reliable financial and management information systems for prompt and efficient service and for adequate safeguards against evasion of Government revenue.

#### **6.2.11.1 Non-establishment of Internal Audit**

Internal Audit Wing (IAW) of an organisation is a vital component of the internal control mechanism which enables the organisation to assure itself of the degree of compliance with prescribed systems.

As per information furnished by the department, no internal audit wing had been established in the department since the formation of State. Due to the absence of an internal audit mechanism, the Government did not have any means for getting an independent assurance on the efficacy of the functioning of its systems.

During the exit conference, the Government stated that the feasibility of starting an Internal Audit wing would be examined.

**The Government may consider setting up an independent internal audit wing to ensure that the omission pointed out in this review could be detected, prevented and avoided in future.**

### **Compliance deficiencies**

According to Section 40 of MPI Act 1931, the conditions for the supply of water for industrial, urban or other purposes not connected with agriculture and the charges thereof shall be agreed upon between the State Government and the company, firm, private persons or local body concerned and fixed in accordance with the rules made under the Act. The Government, vide gazette notification dated 9 August 2000 inserted rule 71-A (1) in MPI Rules, 1974 which provides that the agreement in form 7A shall be executed **prior to using water**. According to rule 73 of MPI Rules 1974, the charges for water which has been used in an unauthorised manner otherwise than on cultivated land shall be thrice the volumetric rate fixed under Section 37 of the Act. Further, according to clause 12 of standard agreement in form 7A, non-payment of bill within the stipulated time attracts levy of interest at the rate of 24 *per cent* on the sum due and one *per cent* service charge. If the payment is not made within a period of six months, it will be considered as breach of contract.

**Audit scrutiny revealed several cases of non-compliance of aforesaid provisions as mentioned in the succeeding paragraphs.**

### **6.2.12 Non-levy of penal rates on unauthorised drawal of water**

Test check of records of the office of EE, Water Management Division, Minimata Bango Project, Korba indicated that after the introduction of form 7A with effect from June 1998, though the EE, Korba has sent the draft agreement to M/s National Thermal Power Corporation (NTPC), Korba repeatedly, yet each time the NTPC authorities had returned it unsigned.

Consequently, the NTPC was drawing water from the canal of Minimata Bango barrage without any agreement and this was unauthorised as per rule 71-A (1).

The Government had also intimated (June 2004) the Engineer in Chief that in the absence of any agreement, the drawal could be treated as unauthorised. However, even after another five years, the NTPC continues to draw water without executing any agreement and penal rate also has not been levied. The penal charges for the unauthorised drawal amounts to Rs. 316.26 crore for the period June 1998 to March 2009.

During the exit conference, the Secretary agreed that the drawal of water without execution of agreement is a case of unauthorised drawal and efforts were being made to execute the agreement. It also intimated that the matter regarding levy of penal rate till the date of agreement will be examined and the position conveyed to audit. Further reply has not been received (November 2009).

**The Government may consider making it mandatory to execute agreements in all cases prior to supply of water and imposition of penal rates in cases of unauthorised drawal.**

#### **6.2.13 Non-realisation of interest and service charge on unpaid dues**

Test check of the records revealed that the department was supplying drinking water to five<sup>9</sup> municipal corporations through three<sup>10</sup> divisions. The department had raised bills of Rs. 24.63 crore for water drawn for drinking purpose during the audit period, against which Rs. 1.06 crore only had been realised. The department had not demanded the interest and service charge amounting to Rs. 12.80 crore (as detailed in *appendix 6.1*) from the municipal corporations, resulting in non-realisation of revenue amounting to Rs. 36.37 crore on account of unpaid dues, interest and service charge.

During the exit conference, the Secretary agreed with the audit observation and stated that action will be taken to recover the outstanding amounts from the municipal corporations.

**The Government may examine the feasibility of adjusting the arrears of revenue against the grants given to municipal corporations by different departments.**

#### **6.2.14 Short levy of water charges**

Bhilai Steel Plant (BSP) executed an agreement (April 2006) with the State Government for drawal of 4.2 TMC<sup>11</sup> i.e. 11.89 crore cubic meter (cum), of water which was made effective retrospectively from April 2000. According to the condition (2) of the agreement, the company shall in any event pay water charges for at least 90 *per cent* of the total quantum of water allowed to

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<sup>9</sup> Bhilai, Durg, Korba, Raipur and Rajnandgaon.

<sup>10</sup> Kharkhara Mohdipat Division, Durg; Rudri Division, Dhamtari and Hasdeo Bango Water Management Division, Korba.

<sup>11</sup> TMC stands for Thousand Million Cubic feet = 2.832 crore cubic meter.

be drawn, even though the actual quantum of water drawn is less than the total quantum of water permitted to be drawn by the company.

Test check of the records of EE, Tandula Water Resource Division, Durg indicated that BSP is drawing water according to its requirements with effect from April 2000 and the EE is raising the bill of water charges for water actually drawn. It was observed that the bills raised were always less than the mandatory 90 per cent of the total quantum of water allowed to be drawn. This resulted in short levy of Rs. 18.26 crore during the last five years, as detailed below:

Year	90 per cent of the quantum of water allowed in agreement (cum.)	Quantum of water for which Bills issued (cum.)	Difference (cum) (2-3)	Short levy of water charges <sup>12</sup> (Rupees in crore)
1	2	3	4	5
2004-05	10,70,38,800	6,89,82,862	3,80,55,938	3,38,69,785
2005-06	10,70,38,800	8,98,03,196	1,72,35,604	1,55,12,044
2006-07	10,70,38,800	7,48,07,332	3,22,31,468	6,31,73,667
2007-08	10,70,38,800	9,34,91,346	1,35,47,454	2,66,88,484
2008-09	10,70,38,800	8,51,60,030	2,18,78,770	4,33,19,965
<b>Total</b>	<b>53,51,94,000</b>	<b>41,22,44,771</b>	<b>12,29,49,229</b>	<b>18,25,63,945</b>

(Source: Bill Register of Tandula Water Resource Division, Durg)

During the exit conference, the Government agreed with the audit observation and stated that the differential amount would be realised from BSP. Report on recovery has not been received (November 2009).

### 6.2.15 Application of incorrect rate of water charges for illegal drawal of water

Scrutiny of the records of the EE, Kharkara, Mohadipat Division, Durg indicated that the Government granted (November 1987) permission to the *Audhyogik Kendra Vikas Nigam (AKVN)*, Raipur, which is now renamed as Chhattisgarh State Industrial Development Corporation (CSIDC), Raipur, for supply of water for industrial growth centres of Borai, Durg. Subsequently, the AKVN executed an agreement with a private firm M/s Radius Water Company Limited (RWCL) for supply of water to the industries by constructing an *anicut*<sup>13</sup>. According to the condition of the agreement, RWCL was required to get the drawing and design of the *anicut* approved by the Government. Further, with the introduction of form 7A (standard form of agreement between the Government and the water users) applicable from June 1998, the CSIDC executed an agreement in April 2000 with the Government for the aforesaid purpose.

The Government subsequently found that agreement had not been executed in the standard form 7A as required under the Government notification dated

<sup>12</sup> Calculated at rates varying between Rs. 1.50 to Rs. 3 per cum and Re. 0.28 and Re. 0.36 per cum applicable for industrial use and drinking purposes respectively on 50:50 ratio as per the departmental order of August 2008.

<sup>13</sup> *Anicut* is a structure constructed in river bed for drawal of water by installing pump.

November 2000 and AKVN/CSIDC had also breached the agreement by getting the *anicut* constructed without Government approval. On receipt of direction from the Government, the EE, Kharkhara Mohdipat division issued a show cause notice to CSIDC (January 2003) and started raising bills for unauthorised drawal at the penal rate of three times the rate applicable for drawal of water from self made source. Subsequently, the agreement with the CSIDC was also cancelled (October 2004). Since the CSIDC had got the *anicut* constructed without the Government approval, the construction was unauthorised and the resultant water source was also unauthorised. Therefore, it should not be treated as “self made source”. In this background, the penal rate of three times should be applied to the highest rate which is charged for the drawal of water from the sources made by the Government. Application of a lower rate has resulted in short levy of water charges of Rs. 4.91 crore.

During the exit conference, the Government agreed with the audit observation and stated that the rate applicable for unauthorised drawal of water from the Government source will be applied in this case.

#### **6.2.16 Conclusion**

Review of the system for assessment and collection of water rates in the State indicated that various agencies were drawing water without executing agreements with the department or in contravention of agreements leading to shortfall in revenue realisation. There was shortfall in utilisation of irrigation potential and the accumulated arrears of revenue from water provided for irrigation was more than the collection of the last five years. Non-compliance of the provisions of the Act/Rules and Government notifications led to non-levy of penal rates, short levy of water charges etc., amounting to Rs. 254.37 crore. The internal control mechanism in the department was weak as evidenced by the internal audit wing.

#### **6.2.17 Summary of recommendations**

The Government may consider implementation of the following recommendations for rectifying the system and compliance deficiencies.

- direct the field units to maximise the utilisation of available irrigation potential and prepare division wise water account for effective monitoring of irrigation potential created, utilised, water used by various agencies and revenue realisation;
- issue instructions that water supply should not be started before measuring devices are installed and prescribe a system of periodic inspection of measuring devices and raising of demand based on the reading on these devices;
- review the proservice charge of raising demand to make it more realistic;
- set up an independent internal audit wing to ensure that the omission pointed out in this review could be detected, prevented and avoided in future;
- make it mandatory to execute agreements in all cases of prior to supply of water and imposition of penal rates in cases of unauthorised drawal; and

- examine the feasibility of adjusting the arrears of revenue against the grants given to municipal corporations by different departments.

### **6.3 Other audit observations**

*Scrutiny of the records of mining department indicated several cases of non-observance of provisions of Act/Rules, non/short levy of tax and other cases are mentioned in the succeeding paragraphs of this chapter. These cases are illustrative and are based on test check carried out in audit. Such omissions on the part of assessing authorities are pointed out in audit each year but not only do the irregularities persist, these remain undetected till an audit is conducted. There is a need for the Government to improve the internal control system including the internal audit.*

### **6.4 Non-compliance of the provisions of Act/Rules**

*The Mineral Concession (MC) Rules, 1960 and Madhya Pradesh Minor Mineral (MPMM) Rules, 1996 provide for levy of :*

- i) interest on belated payment of royalty;*
- ii) re-allotment of inoperative mines; and*
- iii) levy of penalty and realisation of dead rent.*

### **6.5 Non-levy of interest on delayed payment of royalty**

Under the Mineral Concession Rules, 1960 the Government may charge simple interest at the rate of 24 *per cent* per annum on any rent, royalty or fee or other sum due to the Government under the rules or under the terms and conditions of any prospecting licence or mining lease, from the sixtieth day of the expiry of the date fixed by the Government for payment of such royalty, rent, fee or other sum and until such payment is made.

Test check of the records of the Deputy Director, Mining Branch, Collectorate, Raipur (August 2008) for the period April 2007 to March 2008, indicated that the royalty payment was delayed by 2 to 11 months but the department did not levy interest of Rs. 12.46 lakh on the delayed payment.

After the cases were pointed out (January 2009), the department (May 2009) intimated that an amount of Rs. 3.28 lakh had been recovered and action was being taken for recovery of balance. Further reply has not been received (November 2009).

The matter was reported to the Government (January 2009); their reply has not been received (November 2009).

### **6.6 Non-cancellation of lease of inoperative mines**

Under the Mineral Concession Rules, 1960 if any lease holder does not start mining within two years from the date of execution of the lease deed or discontinues the mining operation for a continuous period of two years after the commencement of such operation, the State Government shall by an order declare the mining lease as lapsed and communicate the declaration to the lessee.

Test check of the records of the DMO, Durg in May 2008 indicated that the mining operation in four dolomite leases remained inoperative for two to nine years from the sanction of the execution of the mining leases in 1997 and

2001. The department, however, did not initiate any action to terminate the lease deeds for subsequent allotment of mining leases to other applicants. Had timely action to terminate the non-operative leases and sanction of fresh leases been taken, at least Rs. 18.53 lakh could have been realised toward royalty (based on the yearly royalty quoted in those lease deeds) out of which Rs. 14.89 lakh pertained to the last five years.

After this was pointed out (September 2008), the Mining Officer (August 2009) stated that one mining lease had been declared as lapsed and proposal had been sent to Government for cancellation of the remaining three leases.

The matter was reported to the Government (September 2008); their reply has not been received (November 2009).

### **6.7 Non-levy of penalty for non-submission of records for assessment**

As per Rule 30(19) of the Madhya Pradesh Minor Mineral Rules, 1996 (as adopted by the Chhattisgarh Government) the lessee shall submit the records and books of accounts for the purpose of assessment of royalty to the Assessing Authority concerned within thirty days from the 30<sup>th</sup> June/31<sup>st</sup> December or whenever demanded by the Assessing Authority concerned through a notice in writing. In case he fails to do so, a penalty of rupees one thousand may be imposed for every month till he produces the records.

Test check of the records of the District Mining Officer (DMO) Kawardha (July 2008), indicated that in 12 cases, the records and books of accounts were not submitted by the lessees for royalty assessment for periods ranging between 11 to 47 months. However, the department has not issued any notices to the defaulting lessees for production of records for assessment of royalty. Besides, the department has not imposed penalty on the lessees for non-submission of records. This has resulted in non-levy of penalty of Rs. 4.26 lakh.

After the cases were pointed out (July 2008), the Mining Officer stated (July 2008) that letters have been issued to lessees for submission of the records, on receipt of which assessment would be made and royalty with penalty for delay would be recovered. Further developments had not been reported (November 2009).

The matter was reported to the Government (April 2009); their reply has not been received (November 2009).

### **6.8 Non-realisation of dead rent and interest thereon**

According to the provisions of the Madhya Pradesh Minor Minerals Rules (as adopted by the Chhattisgarh Government) and terms of lease deed, lessee shall be liable to pay royalty on mineral extracted from the lease area at the rates specified in Schedule II and IV to the rules or dead rent, whichever is higher. Dead rent is required to be deposited in advance on or before 20<sup>th</sup> January of each year except for the first year of lease. If the lessee fails to pay the dead rent/royalty due in time, he shall be liable to pay interest at the rate of 24 *per cent* per annum for the period of default.

Test check of the records of the Deputy Director, Mining Branch, Collectorate, Raipur (August 2008) and District Mining Officer, Raigarh (May 2008) indicated that in 14 cases the lessees did not pay dead rent of Rs. 5.56 lakh for the period January 2001 to December 2008. The department had also not raised any demand for dead rent of Rs. 5.56 lakh and interest of Rs. 1.52 lakh thereon.

After this was pointed out (September 2008-December 2008), the Mining Officer, Raipur reported (September 2009) recovery of Rs. 83,000 and Mining Officer, Raigarh reported (August 2009) recovery of Rs. 4.93 lakh. Balance amount of Rs. 1.32 lakh is still to be recovered (November 2009).

The matter was reported to the Government (September and December 2008); their reply has not been received (November 2009).

**Raipur**  
**The**

**(PRAVEEN KUMAR SINGH)**  
**Accountant General (Audit)**  
**Chhattisgarh**

**Countersigned**

**New Delhi**  
**The**

**(VINOD RAI)**  
**Comptroller and Auditor General of India**