

EXECUTIVE SUMMARY

A Performance Audit was conducted on Controls and Systems for Sustainable Mining in Karnataka to ascertain whether policies of the Government were monitored and implemented; the system of assessment, levy and collection of revenue was effective and efficient. The impact of mining on socio-economic and environment sectors has been discussed.

The audit revealed a number of system and compliance deficiencies which are briefly discussed in this Report.

General

Management of mineral resources is the responsibility of both the Central and the State Governments in terms of entry 54 of the Union list and entry 23 and 50 of the State list of the Seventh Schedule of the Constitution of India. The Department of Mines and Geology is responsible for the levy and collection of mineral receipts based on the production and despatch of minerals.

(Paragraph 1.1)

Audit findings

In the course of audit it was noticed that a committee for implementation and monitoring of Karnataka Mineral Policy (KMP), 2008 was formed in July 2009 under the chairmanship of the Secretary, Commerce and Industries Department. However, even after a lapse of three years of its formation, the Government has not formulated any time bound action plan to monitor the implementation of the KMP, so that the desired objectives of the policy could be achieved in a time bound manner.

(Paragraph 2.2.2)

Audit revealed that though the Government constituted a high level committee in May 2007 under the chairmanship of the Chief Secretary of the State for working out the modalities for granting leases to integrated steel plants, no mining lease was sanctioned to these steel plants after 2007.

(Paragraph 2.3)

Incorrect application of sale prices of iron ore published by the India Bureau of Mines (IBM) in 36 cases in three divisions resulted in short levy of royalty amounting to ₹ 13.11 crore.

(Paragraph 3.3)

There was lack of co-ordination between work executing departments responsible for deduction of royalty at source and the Department of Mines and Geology (DMG). This resulted in non/short collection and remittance of royalty to the extent of ₹ 23.75 crore to the Government.

(Paragraph 3.6)

Audit found procedural inconsistencies and lack of transparency in the Department while considering applications for mining lease, which triggered a number of court cases.

(Paragraph 4.3.1 and 4.3.2)

Non-insistence for registration of lease deeds and short determination of consideration for levy of stamp duty resulted in non/short realisation of stamp duty and registration fee of ₹ 1.11 crore.

(Paragraph 4.5)

Deficiencies in fixation of annual targets for production of iron ore were noticed, quarry plans in 104 out of 120 granite quarry leases test checked were not available, leading to non-monitoring of activities of lessees as per mining plan.

(Paragraph 5.2.1 and 5.3)

Though the State was empowered to frame rules for preventing illegal mining, transportation and storage of minerals, these were not framed till April 2011. This resulted in irregular mining, transportation, etc. and loss of revenue to the State exchequer.

(Paragraph 6.1)

In three Divisions, four lessees had extracted 14.68 lakh MT of iron ore valued at ₹ 150.59 crore either without the approval of mining scheme or without the consent of Karnataka State Pollution Control Board (KSPCB).

(Paragraph 6.2.1)

Iron ore of 9.95 lakh MT valued at ₹ 107.40 crore was extracted beyond the permissible limit prescribed in the mining plan. The cost of the mineral though recoverable, was not recovered. Besides, three lessees had extracted 3.26 lakh MT of iron ore valued at ₹ 40.46 crore before entering into mining leases.

(Paragraph 6.2.2 and 6.2.3)

There was lack of coordination between Indian Bureau of Mines (IBM), Commercial Tax Department (CTD), Forest Department, Transport Department and DMG to ascertain the correct quantity of the production figures of iron ore. We also found that the data/information relating to mining activities available with the departments like Transport, Forest, Commercial Tax were at variance with the data available with the DMG.

(Paragraph 6.2.7)

The mining operations were taken up without obtaining statutory clearances from Ministry of Environment and Forests (MoEF)/Karnataka State Pollution Control Board (KSPCB) and the quantity of mineral valued at ₹ 562.79 crore produced was more than the quantity prescribed in environment clearance and the consent issued by KSPCB.

(Paragraph 8.7 and 8.9)

Higher level of air pollution contributed to the growth of diseases like tuberculosis and other respiratory infections in the mining taluks of Hospet and Sandur. The area under cultivation and irrigation in Bellary had declined leading to increase in the extent of barren land. Report on prosecution of the employers under Child Labour Act was indicative of promotion of child labour which apart from being unlawful would affect the sustained development of the society.

(Paragraph 9.9)