

CHAPTER - VIII

EXECUTIVE SUMMARY

What we have highlighted in this Chapter	<p>In this Chapter we present illustrative cases of ₹ 80.34 crore selected from observations noticed during our test check of records relating to non/short levy/realisation of dead rent/royalty, non/short levy of interest, non assessment of rural infrastructure and road development tax etc. in the office of the District Mining Officers where we found that the provisions of the Acts/Rules were not observed.</p> <p>It is a matter of concern that though similar omissions have been pointed out by us repeatedly in the Audit Reports for the past several years, the Department has not taken corrective action.</p>
Tax collection	<p>In 2011-12 the collection from mining receipts decreased by 3.92 <i>per cent</i> over the previous year.</p>
Internal audit not conducted	<p>The Department reported (January 2013) that the internal audit wing has not been established.</p>
Very low recovery by the Department of observations pointed out by us in earlier years	<p>During the period from 2006-07 to 2010-11, through our Inspection Reports we had pointed out non/short levy/realisation, underassessment, loss of mining receipts etc., with revenue implication of ₹ 2,944.63 crore in 5,636 cases. Of these, the Department/Government had accepted audit observations in 4,829 cases involving ₹ 2,077.37 crore and had since recovered ₹ 249.45 crore in 606 cases. The recovery position as compared to acceptance of objections was very low ranging from 7.67 <i>per cent</i> to 31.25 <i>per cent</i>.</p>
Results of audit conducted by us in 2011-12	<p>In 2011-12 we test checked the records of 32 units relating to mining receipts and found underassessment, non/short realisation of revenue and other irregularities involving ₹ 171.95 crore in 1,316 cases.</p> <p>The Department accepted under assessment and other deficiencies of ₹ 170.80 crore in 1,145 cases, which were pointed out by us during the year 2011-12.</p>
Our conclusion	<p>The Department needs to initiate immediate action to recover the amount on account of non/short realisation of royalty, non-imposition of penalty, non levy of interest etc. pointed out by us, more so in those cases where it has accepted our contention.</p>

CHAPTER - VIII MINING RECEIPTS

8.1 Tax administration

The Mining Department functions under the overall charge of the Secretary, Mining, Government of Madhya Pradesh. The Director, Geology and Mining is the head of the Department who is assisted by Deputy Directors at Headquarters and District Mining Officers (DMOs) at the district level. The DMOs are assisted by Assistant DMOs and Mining Inspectors. The DMOs, Assistant DMOs and Inspectors are under the administrative control of the Collector at the district level.

Mining Receipts are collected under the provisions of the following Acts and Rules and notifications issued thereunder:

- Mines and Minerals (Development and Regulation) Act, 1957;
- Mineral Concession Rules, 1960;
- Mineral Conservation and Development Rules, 1988;
- Marble Development and Conservation Rules, 2002;
- Madhya Pradesh Minor Mineral Rules, 1996;
- Madhya Pradesh Minerals (Prevention of Illegal Mining Transportation and Storage) Rules, 2006;
- Madhya Pradesh Rural Infrastructure and Road Development Act, 2005;
- The Colliery Control Rules, 2004; and
- Coal Bearing Areas Act, 1957.

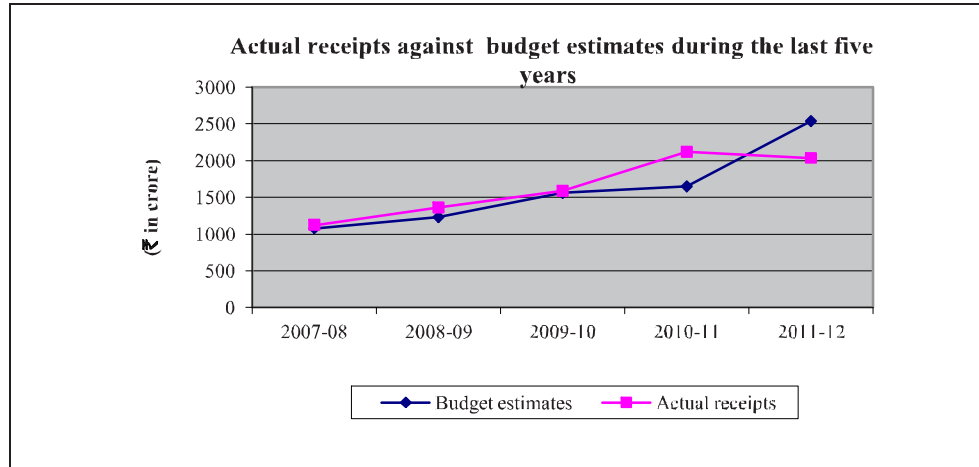
8.2 Trend of receipts

Actual Mining Receipts during the period 2007-08 to 2011-12 along with the total non-tax receipts during the same period are exhibited in the following table and line graph:

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total non-tax receipts of the State	Percentage of actual mining receipts vis-a-vis total non-tax receipts
2007-08	1,080.00	1,125.39	(+) 45.39	(+) 4.20	2,738.18	41.10
2008-09	1,235.00	1,361.08	(+) 126.08	(+) 10.21	3,342.86	40.72
2009-10	1,566.00	1,590.47	(+) 24.47	(+) 1.56	6,382.04	24.92
2010-11	1,650.00	2,121.49	(+) 471.49	(+) 28.58	5,719.77	37.09
2011-12	2,540.00	2,038.31	(-) 501.69	(-) 19.75	7,482.73	27.24

(Source: Budget Estimates and Finance Accounts of Government of Madhya Pradesh)



In 2011-12, the collection from mining receipts decreased by 3.92 per cent over the previous year. The variation between BEs and actuals ranged between (-) 19.75 per cent and (+) 28.58 per cent. The reasons for variation between budget estimates and actuals in 2011-12 were attributed by the Department to the recovery of outstanding road development tax and increase in royalty amount owing to the revision of royalty rates of minor minerals (August 2012).

8.3 Impact of audit

8.3.1 Position of Inspection Reports (IRs)

During the period 2006-07 to 2010-11, through our IRs we had pointed out cases of non/short levy/realisation, underassessment, loss of mining receipts etc. with revenue implication of ₹ 2,944.63 crore in 5,636 cases. Of these, the Department/Government had accepted audit observations in 4,829 cases involving ₹ 2,077.37 crore and had since recovered ₹ 249.45 crore in 606 cases (up to 30 November 2012). The details are shown in the following table:

(₹ in crore)

Year of Inspection Reports	No. of units audited	Objected		Accepted		Recovered		Percentage of recovery to amount accepted
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	
2006-07	31	1,258	38.84	1,258	38.84	68	6.93	17.84
2007-08	34	1,474	513.88	1,457	97.25	81	8.94	9.19
2008-09	34	433	333.73	368	240.07	188	39.53	16.47
2009-10	34	1,384	1,774.20	674	1,431.55	109	109.78	7.67
2010-11	37	1,087	283.98	1,072	269.66	160	84.27	31.25
Total		5,636	2,944.63	4,829	2,077.37	606	249.45	

The recovery position as compared to acceptance of objections was very low ranging from 7.67 per cent to 31.25 per cent during the period 2006-07 to 2010-11. We have brought this issue to the notice of the head of the Department as well as the Finance Secretary to the Government (August 2012).

8.3.2 Position of Audit Reports

In the Audit Reports 2006-07 to 2010-11, we had pointed out cases of underassessment, non/short realisation of royalty/dead rent/contract money, non-levy of interest on belated payment, non-imposition of penalty etc. with revenue implication of ₹ 1,067.24 crore in 39 paragraphs. While the Department accepted observations of ₹ 581 crore, it recovered a sum of only ₹ 70.02 crore up to March 2012, as shown in the following table:

(₹ in crore)

Year of Audit Report	Number of paragraphs	Money value	No. of paragraphs accepted	Money value of accepted paragraphs	No. of paragraphs against which recovery made	Amount recovered up to 31.03.12
2006-07	8	5.20	7	4.16	5	3.33
2007-08	1	395.76	1	340.79	1	63.25
2008-09	8	102.93	6	9.27	5	2.28
2009-10	11	447.89	8	143.11	4	0.35
2010-11	11	115.46	8	83.67	5	0.81
Total	39	1,067.24	30	581.00	20	70.02

We recommend that the Government should take appropriate steps to recover the amounts involved, at least in the accepted cases.

8.4 Working of Internal Audit Wing

The Department reported (January 2013) that the internal audit wing has not been established and therefore no internal audits were undertaken during the year 2011-12.

8.5 Results of audit

Test check of the records of 32 units relating to Mining Receipts during 2011-12 revealed underassessment, non/short realisation of revenue and other irregularities involving ₹ 171.95 crore in 1,316 cases which fall under the following categories:

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1.	Non/short levy of interest on belated payments	198	0.60
2.	Non/short levy of dead rent/royalty	330	23.94
3.	Non-assessment of rural infrastructure and road development tax	144	95.77
4.	Short realisation of contract money in trade quarries	361	7.37
5.	Other observations	283	44.27
Total		1,316	171.95

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 170.80 crore in 1,145 cases, which were pointed out in audit during the year 2011-12.

A few illustrative audit observations involving an amount of ₹ 80.34 crore are mentioned in the following paragraphs:

8.6 Short realisation of revenue due to non revision of contract money

As per Condition No. 6 of the contract agreement for trade quarries sanctioned under the Madhya Pradesh Minor Mineral Rules, if during the currency of the contract the rates of royalty are revised, then the contract money shall also be revised proportionately. The Government had revised the royalty rates of minor minerals in March 2010.

We observed (between May 2011 and February 2012) during scrutiny of returns and contract files of trade quarries in 19 District Mining Offices¹, that the Department did not revise the contract money from ₹ 5.65 crore to ₹ 8.87 crore in cases of 141 trade quarry contractors for the period from 5 March 2010 to 31 March 2011. This resulted in short realisation of contract money of ₹ 3.22 crore².

After we pointed this out (between May 2011 and March 2012), DMO, Datia stated (June 2011) that pit passes had been issued to the contractors according to revised royalty rates in terms of the notification. We do not agree as the contract money should also have been revised according to conditions of the contract agreement irrespective of the fact whether the contractors extract the whole quantity of mineral or not.

We reported the matter to the Department and the Government (between May and June 2012); their replies have not been received (March 2013).

¹ Badwani, Balaghat, Betul, Chhatarpur, Chhindwara, Damoh, Datia, Dhar, Dindori, Harda, Jabalpur, Jhabua, Khandwa, Mandla, Ratlam, Rewa, Satna, Shajapur and Sidhi.

² Out of ₹ 3.22 crore, ₹ 6 lakh pertains to 18 trade quarry contractors in three DMOs (Dindori, Khandwa, Mandla) for 27 days in the year 2009-10 and ₹ 3.16 crore pertains to 19 DMOs for the year 2010-11.

8.7 Short realisation of royalty due to incorrect application of rate of royalty

As per section 9 (i) of the Mines and Minerals (Development and Regulation) Act, every lessee of a mining lease has to pay royalty in respect of minerals removed or consumed by him from the leased area, at the rates specified in the Second Schedule of the Act. Further, as per Rule 64 (D) of the Mineral Concession Rules, the State Government shall add 20 *per cent* to the benchmark value* and this value shall be reckoned to be the sale price for the purpose of computation of royalty.

We observed (January 2009) while scrutinising individual case files, payment challans and returns of mining leases in the District Mining Office, Neemuch that two lessees of laterite mineral had paid royalty (between April 2006 and March 2008) of ₹ 3.62 lakh against the payable amount (as per the average value published by Indian Bureau of Mines) of ₹ 16.07 lakh for dispatched quantity of 1.24 lakh tons of laterite due to application of

incorrect rate of royalty. Had the Department scrutinised the periodical returns submitted by the lessees, this irregularity could have been detected. Failure of the Department to check the returns and demand the correct rate of royalty resulted in short realisation of revenue of ₹ 12.45 lakh.

We reported the matter to the Department and the Government (between March and May 2012); their replies have not been received (March 2013).

* The state wise average value for different individual minerals as published by Indian Bureau of Mines in the 'Monthly Statistics of Mineral Production' shall be the benchmark for computation of royalty by the concerned State Government in respect of any mineral produced any time during a month in any mine in the State. For the purpose of computation of royalty the State Government shall add 20 *per cent* to this benchmark value. This value shall be reckoned to be the sale price for the purpose of computation of royalty.

8.8 Non realisation of rural infrastructure and road development tax

According to the provisions of the Madhya Pradesh Rural Infrastructure and Road Development Act and notification of September 2005, rural infrastructure and road development tax at the rate of five *per cent* per annum of the market value of major minerals produced after deducting amount of royalty actually paid by the lessee and ₹ 4,000 per hectare per year in case of idle mines is to be levied on lessees holding mining leases. The Act further provides that the competent authority shall assess the sale value of minerals on the basis of returns/accounts submitted by the lessees and shall assess and demand the tax by the end of May each year. In case of non payment of tax, the competent authority shall, under section 4(2), impose penalty not exceeding three times of the tax payable, but not before giving a reasonable opportunity to the assessee of being heard. According to sub-section 5 of section 4, the competent authority shall recover the amount of tax and penalty, if not paid, as arrears of land revenue.

We observed (between May 2011 and February 2012) during scrutiny of the production records of major minerals in respect of mining leases in 12 District Mining Offices³ that 48 lessees had paid road development tax of ₹ 2.51 crore between April 2010 and March 2011 against the payable amount of ₹ 73.04 crore. The DMOs did not issue demand notices to recover the tax. This resulted in non-realisation of tax of ₹ 70.53 crore,

besides penalty leviable under the Act.

After we pointed this out between May 2011 and February 2012, DMO Chhindwara stated (November 2011) that a demand notice was issued to the lessee (Western Coal Fields Ltd.) who appealed to the Commissioner, Jabalpur against the demand of road development tax. The fact, however, remains that the DMO had issued demand notice only for the period April to June 2010 and no action was taken for the period from July 2010 to March 2011. In respect of another lessee (M/s Krishna Pink Alloy), the DMO stated (November 2011) that action for recovery of tax would be taken after obtaining documents relating to sale value of mineral produced by the lessee. The other DMOs stated (between May 2011 and February 2012) that demand notices would be issued/necessary action would be taken.

We reported the matter to the Department and the Government (between May and June 2012); their replies have not been received (March 2013).

³ Chhatarpur, Chhindwara, Jabalpur, Jhabua, Katni, Mandla, Rewa, Satna, Shahdol, Sidhi, Singrauli and Umaria.

8.9 Non-working of mining leases

According to Rule 22 (A) of Mineral Concession Rules, mining operations shall be undertaken in accordance with the duly approved mining plan. Further, as per rule 28(1) of the Rules *ibid*, where mining operations are not commenced for a continuous period of one year from the date of execution of the lease or is discontinued for a continuous period of one year after commencement of such operations, the State Government shall, by an order, declare the mining lease as lapsed and communicate the declaration to the lessee.

We observed (between November and December 2010) during scrutiny of mining plans and returns submitted by lessees in District Mining Officer, Betul and Neemuch that two leases of zinc/limestone had been sanctioned in March 2005 and November 1995 respectively for a period of 20 years over

a total area of 18.564 hectare. The lessee had not commenced mining till November 2010 in Betul and the lessee in Neemuch had stopped mining from July 2006 onwards. The lessees paid only dead rent during this period. Since the mining activities were either not commenced or were stopped for a long period, the leases were required to be declared as lapsed. However, this was not done by the Department. Had these leases been granted to other applicants, they would have fetched revenue according to the potential of the mines. Besides, discontinuance of mining prevents socio-economic growth of the region, mineral development and employment generation.

After we pointed this out in December 2010, DMO, Betul stated (December 2010) that the lessee had deposited the payable amount of dead rent of ₹ 12,000. He further stated that there was no loss of revenue because the lessee neither extracted nor sold any quantity of mineral from the leased area. We do not agree as the lease was sanctioned to the lessee for working the mines as per the mining plan in anticipation of revenue in the shape of royalty and not for keeping the mine idle and paying dead rent. The DMO, Neemuch stated (November 2010) that a proposal for cancellation of the lease would be forwarded to the Government. Further report has not been received (March 2013).

We reported the matter to the Department and the Government (between March and May 2012); their replies have not been received (March 2013).

8.10 Short realisation of contract money

According to Rule 37(i) of Madhya Pradesh Minor Mineral Rules and conditions No. 5(i) and 9 of the contract agreement for trade quarry, every contractor has to pay contract money to the State Government on the scheduled date. If the contract money remains unpaid for more than three months, the contract may be cancelled and the quarry may be re-auctioned. Consequently, upon re-auction of the quarry, if the Government sustains any loss, the same will be recovered from the original contractor as arrears of land revenue.

We observed (between May 2011 and January 2012) during scrutiny of case files of contract money in respect of trade quarries in 22 DMOs⁴ that contract money of ₹ 5.06 crore from 141 contractors had fallen due for payment between April 2009 and March 2011 against which an amount of ₹ 2.02 crore only was paid by the contractors. This

resulted in short realisation of contract money of ₹ 3.04 crore. The DMOs had not initiated any action against the contractors under the terms of the contract to cancel the contract and re-auction the quarries.

After we pointed this out, DMO, Sehore stated (June 2011) that out of the objected amount, ₹ 9 lakh had been deposited on an earlier occasion. We do not agree as the deposited amount had already been excluded by audit while calculating the contract money payable. DMO, Rajgarh stated (May 2011) in two cases that the trade quarries could not be operated for want of the No Objection Certificate (NOC) from MP Pollution Control Board (PCB) and in the remaining case audit would be intimated about the action to be taken. The fact remains that the DMO should have ensured that the NOC was obtained by the contractor from the PCB. The other DMOs stated (between May 2011 and January 2012) that demand notices would be issued/necessary action would be taken. Further report has not been received (March 2013).

We reported the matter to the Department and the Government (between May and June 2012); their replies have not been received (March 2013).

⁴ Badwani, Chhatarpur, Chhindwara, Damoh, Dhar, Dindori, Harda, Jabalpur, Khandwa, Kargone, Mandla, Raisen, Rajgarh, Ratlam, Rewa, Sagar, Satna, Sehore, Seoni, Shajapur, Sidhi and Umaria.

8.11 Short realisation of dead rent of quarry lease

According to Rule 30 (1) (a) of Madhya Pradesh Minor Mineral Rules, every lessee of quarry lease shall pay yearly dead rent for every year, except for the first year, at the rates specified in Schedule IV, in advance for the whole year, on or before the twentieth day of the first month of the year.

We observed (between May 2011 and February 2012) during scrutiny of individual files of lessees in 27 DMOs⁵ that 214 quarry lessees had paid dead rent of ₹ 30.47 lakh against the payable amount of ₹ 1.84 crore for the period from January 2010 to December 2011. The DMOs

did not issue demand notices and initiate action to recover the unpaid balance of Government money. This resulted in short realisation of dead rent of ₹ 1.54 crore.

We reported the matter to the Department and the Government (between March and June 2012); their replies have not been received (March 2013).

8.12 Non realisation of dead rent of mining lease

According to section 9(A)(i) of the Mines and Minerals (Development and Regulation) Act, and rules made thereunder, every lessee of a mining lease has to pay dead rent every year to the State Government at the rates prescribed in Schedule III of the Act in respect of all areas included in the lease provided that where the lessee becomes liable to pay royalty for any mineral removed or consumed, he shall be liable to pay either such royalty or the dead rent in respect of that area, whichever is greater. The rules also provide for levy of interest on belated payments at the rate prescribed therein.

We observed (between October 2010 and December 2011) during scrutiny of individual files of lessees of DMOs Shahdol and Satna that two lessees holding 18 mining leases of major minerals had not paid the amount of dead rent of ₹ 46.43 lakh between April 2009 and March 2011. The DMOs did not issue demand notices and initiate action to

recover the dead rent. This resulted in non-realisation of dead rent of ₹ 46.43 lakh. Besides, interest was also leviable.

We reported the matter to the Department and the Government (between March and June 2012); their replies have not been received (March 2013).

⁵ Anuppur, Badwani, Balaghat, Chhatarpur, Chhindwara, Damoh, Datia, Dhar, Harda, Jabalpur, Jhabua, Katni, Khandwa, Khargone, Mandla, Narsinghpur, Raisen, Rajgarh, Ratlam, Rewa, Sagar, Satna, Sehore, Shahdol, Shajapur, Ujjain and Umaria.

8.13 Non levy/realisation of interest on defaulted payments

As per Rule 30(d) of Madhya Pradesh Minor Mineral Rules, every lessee of quarry lease is required to pay dead rent to the State Government on or before the 20th day of first month of the year, failing which the lessee is liable to pay interest at the rate of 24 *per cent* per annum till the default continues besides any penal action to be taken under the rules. As per Rule 30(i)(b), in case of breach of any of the conditions specified in the Rules, the Collector/Additional Collector shall give a show cause notice for penal action in writing to the lessee, directing him to remedy the breach within sixty days from the date of the notice. If the breach is not remedied within the stipulated period the sanctioning authority, without prejudice to any other action, may determine the lease and forfeit the whole or part of the security deposit or in the alternative may impose penalty prescribed under the rules.

8.13.1 We observed (between December 2008 and November 2011) during scrutiny of the case files related to dead rent and royalty in respect of quarry leases in eight DMOs⁶ that 67 quarry lessees had delayed the payment of dead rent by eight to 2,257 days. Out of these, in 11 cases the delay in payment of dead rent was beyond one year. The DMOs had not initiated any action either for levy of interest on these belated payments or for cancellation of lease. This resulted in non realisation of

interest of ₹ 8.33 lakh.

We reported the matter to the Department and the Government (between March and June 2012); their replies have not been received (March 2013).

Under the Madhya Pradesh Minor Mineral Rules and condition No.5(i) of the contract agreement, contractors of trade quarries are required to pay contract money on or before the date indicated in their contract agreement, failing which the contractor is liable to pay, in addition to the contract money, interest at the rate of 24 *per cent* per annum till the default continues.

8.13.2 We observed (between February 2009 and December 2011) during scrutiny of the case files of contract money in respect of trade quarries of seven DMOs⁷ that 44 contractors had delayed the payment of contract money (between April 2007 and March 2011) for periods ranging

from six to 930 days. The DMOs did not initiate any action for levy of interest on the delayed payments. This resulted in non levy of interest of ₹ 12.68 lakh.

⁶ Badwani, Balaghat, Hoshangabad, Katni, Narsinghpur, Sagar, Satna and Shivpuri.

⁷ Anuppur, Balaghat, Datia, Dhar, Narsinghpur, Shahdol and Umaria.

We reported the matter to the Department and the Government (between March and June 2012); their replies have not been received (March 2013).

8.14 Short realisation of royalty on quarry lease

As per Rule 30(i)(b) of Madhya Pradesh Minor Mineral Rules, every lessee holding a quarry lease shall pay to the State Government royalty in respect of minerals removed by him from the leased area at the rates specified in Schedule-III to the Rules. In case of breach of any of the conditions specified in the Rules, the Collector /Additional Collector shall give a show cause notice for penal action in writing to the lessee and directing him to remedy the breach within sixty days from the date of the notice. If the breach is not remedied within the stipulated period the sanctioning authority, without prejudice to any other action, may determine the lease and forfeit the whole or part of the security deposit or in the alternative may impose penalty prescribed under the rules.

We observed (between May 2011 and January 2012) during scrutiny of the case files in respect of quarry leases in nine DMOs⁸ that 22 lessees had paid royalty of ₹ 75.94 lakh against the payable amount of ₹ 1.13 crore during the period April 2009 to March 2011. The DMOs did not take action either to levy penalty or to forfeit the security deposit.

This resulted in short realisation of royalty of ₹ 36.96 lakh.

We reported the matter to the Department and the Government (between May and June 2012); their replies have not been received (March 2013).

8.15 Short realisation of royalty on mining lease

According to Section 9(i) of the Mines and Minerals (Development and Regulation) Act, every lessee of a mining lease has to pay royalty in respect of minerals removed or consumed by him from the leased area, at the rates specified in the Second Schedule of the Act.

We observed (between November 2011 and February 2012) during scrutiny of the case files and payment challans in respect of mining leases in DMOs Balaghat and Chhindwara that two lessees had paid royalty between April 2010 and March 2011 of ₹ 33.06 crore against the payable amount of ₹ 33.44 crore for the dispatched quantity of copper and manganese. Despite the short payment of royalty by the lessees, the DMOs did not take any action to assess and recover the amount of ₹ 37.74 lakh towards royalty. This resulted in short realisation of royalty of ₹ 37.74 lakh.

We reported the matter to the Department and the Government (between May and June 2012); their replies have not been received (March 2013).

⁸ Harda, Jabalpur, Katni, Khandwa, Rajgarh, Satna, Shahdol, Singrauli and Tikamgarh.

8.16 Irregularities in issuing temporary permits

According to Rule 68(1) of the Madhya Pradesh Minor Mineral Rules, the Collector shall grant permission for extraction, removal and transportation of any minor mineral from any specific quarry or land which may be required for the works of any Department and undertaking of the Central Government or the State Government. Sub-rule (3) further provides that such permission shall only be granted on payment of advance royalty calculated at the rates specified in Schedule III.

We observed (between December 2010 and June 2011) during scrutiny of case files and temporary permits issued to contractors under DMOs Chhindwara and Sagar that 12 temporary permits were issued to nine contractors for State Government construction work between April 2009 and September 2010. The DMOs did not realise the entire sum of royalty payable in advance and instead issued permits against part payment by the contractors. As a result, the Department could realise

₹ 27.06 lakh only against the payable royalty of ₹ 60.29 lakh leading to short realisation of revenue of ₹ 33.23 lakh. Had the DMOs realised the royalty in advance according to the requirement of sub-rule (3), short realisation of revenue could have been avoided.

We reported the matter to the Government and the Department in March and June 2012; their replies have not been received (March 2013).

8.17 Non imposition of penalty due to non-submission of returns

According to rule 30 (20) (a)(b)(c) of the Madhya Pradesh Minor Minerals Rules, every lessee of quarry lease shall furnish monthly, six monthly and annual returns to the DMO in prescribed forms on the specified dates, failing which the lessee is liable for payment of penalty not exceeding double the amount of annual dead rent required to be imposed by the sanctioning authority.

We noticed that the Department has not prescribed control registers to monitor the timely receipt of returns and no reports on the status of receipt of returns from the contractors were also prescribed for submission by the DMOs to higher authorities. We observed (between December 2010 and January 2011) during

scrutiny of 60 individual lease files of lessees under DMOs, Seoni and Shivpuri that 10 lessees had not submitted 163 monthly, 27 six monthly and 15 annual returns for the period from April 2008 to March 2010. In the absence of prescribed periodical returns, accuracy of the royalty/dead rent/penalty paid by the lessees could not be verified. Therefore, the lessees were liable to pay penalty for non-submission of periodical returns. However, the DMOs did not initiate any action to impose and realise the penalty from the lessees which resulted in non realisation of revenue of ₹ 12.75 lakh in

the form of penalty calculated at double the amount of dead rent. In the absence of a mechanism for watching submission of returns, the non-filing of returns by the lessees escaped the notice of the Department.

We reported the matter to the Department and the Government (between March and May 2012); their replies have not been received (March 2013).

Bhopal
The

(D.K.SEKAR)
Accountant General
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Countersigned

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The

(VINOD RAI)
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