

EXECUTIVE SUMMARY

Performance Audit was conducted on the functioning of Directorate of Mines and Geology in Andhra Pradesh to ascertain whether the systems and procedures for approval/renewal of mineral concessions were as per the prescribed rules/regulations and were properly complied with; the provisions for levy, assessment and collection of mineral receipts were properly enforced to safeguard the revenue of the State; and whether the monitoring and vigilance mechanism in Andhra Pradesh Government/Directorate of Mines and Geology was adequate and effective.

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

General

Central and the State Governments are jointly responsible for the development of mining sector and mineral exploitation in India. In Andhra Pradesh the Directorate of Mines and Geology under Department of Industries and Commerce is responsible for grant, administration and monitoring of mineral concessions relating to minor minerals as well as levy and collection of mineral receipts.

(Paragraphs 1.1 to 1.4)

Audit Findings

Administration and Management of mineral concessions

During the course of audit, it was found that there were delays in disposal of mineral concession applications mainly due to non-receipt of reports/No Objection Certificates from the Revenue Department. However, in some cases, mineral concessions were granted without clearance from Revenue Department officials.

(Paragraphs 2.1.1 and 2.1.3)

Mineral concessions for quarrying of granite were granted without mining plans. In eight leases granted for quarrying/mining iron ore, limestone and ball clay the production was 28 *per cent* more than quantity allowed in the mining plans approved by the Government.

(Paragraph 2.1.2)

Security Deposits amounting to ₹ 44.39 lakh of 79 quarry leases were not forfeited to the Government.

(Paragraph 2.2.2)

Permits were issued for transport of 1,054 MT of iron ore during the periods when Government had suspended the mining operations of lessees.

(Paragraph 2.2.4)

Leases were transferred by two partnership firms by changing their partners and by a lessee to a company through sale of leased area without taking prior approval of the Government. The Government did not take any action against such unapproved transfer of leases. In another case, Government allowed transfer of lease without clearance of dues by the transferor lessee.

(Paragraphs 2.3.1 and 2.3.2)

Government allowed 387 inoperative mining leases to continue beyond the limits of inoperative periods.

(Paragraphs 2.4.1 and 2.4.2)

Management of sand leases

Auction of sand reaches was conducted without obtaining prior clearance of the Ground Water Department

(Paragraph 3.1.1)

Minimum Bid Amounts of sand reaches were fixed without taking into account actual quantity of sand available for quarrying, resulting in a revenue loss of at least ₹ 2.04 crore. This was despite the dimensions of sand pockets being given in the Ground Water Department clearance certificates.

(Paragraph 3.1.2)

Statutory dues of ₹ 70.96 lakh towards security deposits were short-collected and Earnest Money Deposit of ₹ 2.08 crore was incorrectly adjusted against knocked down amount to be paid.

(Paragraph 3.2.1)

Lease periods were incorrectly reckoned in cases of 24 sand leases extending undue benefit of ₹ 56.05 lakh to the lessees.

(Paragraph 3.3.1)

Provisions of APMMC Rules were violated to condone delay in payment of dues, to permit payment in instalments and to irregularly grant refunds.

(Paragraphs 3.4.1, 3.4.2 and 3.4.4)

Issues relating to environment

Audit found that quarrying of sand took place beyond limits fixed by Ground Water Department due to non-inclusion of limit of quantity of sand that can be quarried in the notification for auction. Waybills were also issued for transportation of such sand quarried beyond the limits prescribed.

(Paragraph 4.1)

Audit found that machinery such as proclains were being used for quarrying sand in violation of APMMC Rules. Government did not cancel lease of a leaseholder in Lankapally sand reach despite recommendation of Director of Mines and

Geology, after machinery which the leaseholder was using was seized by Regional Vigilance and Enforcement Officer, Vijayawada.

(Paragraph 4.2)

Measures suggested in Mineral Concession Rules and Mineral Concession Development Rules for ensuring safety and for reducing the impact of environmental pollution due to mining were not adhered to. Audit found that boundary pillars were not erected in 33 cases. The waste and sub-grade material were not properly disposed of in 16 cases. Barrier zones to prevent pollution in mining areas were not provided for in seven cases.

(Paragraph 4.4.1)

Audit noticed through field visits, cases of quarrying beyond permissible depths, construction of unauthorised path for transportation of sand causing blockage of water flow in the river and illegal quarrying in non-leased sand reaches.

(Paragraphs 4.4.2, 4.4.3 and 4.4.4)

Internal Control, Human Resources and other Issues

Audit noticed many deficiencies in the accounting system of the Department - Demand Collection and Balance Registers were furnished with delay in 15 out of 19 offices test checked; there were variations between the closing and opening balances of successive financial years. Also, there was no mechanism to ensure the veracity of details given by other departments regarding seigniorage fee to be recovered from the contractors executing works for them.

(Paragraph 5.1.3)

The Department suffered from staff shortage. Vacancies in the crucial cadres of Joint Directors and Deputy Directors were 57 and 78 *per cent* of sanctioned strength.

(Paragraph 5.2.1)

A portion of Development of Mineral Resources and Technological Upgradation Fund (DMRTUF), funded by contribution of 10 *per cent* of annual sales turnover of the Andhra Pradesh Mineral Development Corporation (APMDC), was diverted for expenditure which did not match its mandate. During the period from 2009-10 to 2011-12, no activities were taken up to utilize the amounts available in the Fund. The Committee which managed the Fund also did not ensure timely remittance of contributions to the Fund by APMDC.

(Paragraph 5.3.1)