

CHAPTER V

INTERNAL CONTROL, HUMAN RESOURCES AND OTHER ISSUES

5.1 Internal control

Internal controls ensure integrity and sustainability of any system over the long run.

5.1.1 Shortfall in inspection of mines and quarries

Assistant Directors, Assistant Geologists, Royalty Inspectors and Technical Assistants have the responsibility of inspecting of mines and quarries to prevent smuggling, illegal extraction and illegal transportation of minerals. As per Item No. 4.31 of Departmental Manual the number of inspections of mines/ quarries to be conducted in a month by ADMG is 15 and by the remaining officials 20.

In 18 ADMG offices⁷⁶, the ADsMG and other technical staff had not conducted inspections as prescribed during the period 2006-07 to 2011-12.

Inspecting official	Total number of inspections to be conducted from 06-07 to 11-12	Total number of inspections conducted from 06-07 to 11-12	Short fall	Percentage of short fall
Asst. Director	19,440	9,235	10,205	52.49
Asst. Geologist	25,920	8,259	17,661	68.14
Royalty Inspector	25,920	9,120	16,800	64.81
Technical Asst.	25,920	4,597	21,323	82.26

The shortfall was above 50 *per cent* at all levels. Further, the details of leased areas inspected, results of inspection and submission of inspection reports to higher authorities were not available on record. Shortfall in conduct of inspections by the departmental officials is indicative of poor monitoring of the mining activities.

Government replied (May 2013) that shortfall was due to manifold increases in workload, deployment of staff for other Government duties, vacancy in certain posts for years and non-increase in staff strength. However, ADsMG had issued instructions to their subordinate staff to conduct inspections as required under the rules.

5.1.2 Lack of monitoring of receipt of returns

As per Rule 28(3) of APMMC Rules, the lessee or the person to whom a permit is given shall keep true accounts of the quantity and other particulars of all minor minerals obtained and dispatched from the quarry. As per Sub Rule-iv

⁷⁶ Anantapur, Banaganapalle, Dachepalle, Guntur, Hyderabad, YSR Kadapa, Karimnagar, Kurnool, Miryalaguda, Nandigama, Ongole, SPSR Nellore, Rajahmundry, Srikakulam, Tadipatri, Tandur, Vijayawada and Yerraguntla.

under Rule 10-I of APMMC Rules, the authorised agent shall submit a monthly return to the Asst. Director/ Deputy Director concerned before sixth of the succeeding month.

Audit noticed that in 1,069 out of 3,298 quarry leases test checked for the period from 2006-07 to 2011-12, leaseholders and their agents had not submitted the quarterly/monthly returns. The ADsMG⁷⁷ concerned had also not watched their receipt.

Government accepted (May 2013) the audit observation and stated that district officers while inspecting the leased areas were directing the lease holders to submit the returns and issuing show cause notices to lessees.

The system of monitoring the receipt of the returns needs to be strengthened.

5.1.3 Issues relating to accounts

As per item no. 16.10 of the Mines and Geology Departmental Manual, 1980, after the MRAs have been finalized and after entries have been posted in Demand Collection and Balance (DCB) registers, statements of lease-wise demand, collection and balances for the previous financial year are to be sent by the ADsMG to DMG by 30 June of the subsequent year for compiling the consolidated DCB and submitting the same to the Government. This is to monitor the arrears and to pursue their recovery. As per instructions⁷⁸ of Government, various departmental officers of the works executing departments shall recover the seigniorage charges for the minerals consumed from bills of the contractors.

Audit scrutiny in 19 ADMG offices⁷⁹ revealed the following:

- **Delay in compilation of DCB statements:-** Fifteen ADsMG⁸⁰ submitted DCB statements with a delay ranging from one month to 11 months. ADMG, Kurnool had not submitted DCB for the year 2011-12 till April 2013. Delayed submission of DCBs resulted in delayed compilation of consolidated DCB and onward submission to Government.

Government replied (May 2013) that delay in compilation of DCBs was due to shortage of staff.

- **Variation in balances:-** In all test checked offices, closing balances of demands of the previous year were not tallying with opening balances of subsequent year. Because of this, the DCB register did not reflect the true and fair picture of the balances.

⁷⁷ Anantapur, Banaganapalle, Dachepalli, Hyderabad, Miryalaguda, Ongole, Tadipatri, Tandur and Yerraguntla.

⁷⁸ Memo No. 52387/Progs.IV/ASO/II/81-8 Dt.26 November 1982.

⁷⁹ Anantapur, Banaganapalle, Dachepalli, Eluru, Guntur, Hyderabad, Karimnagar, Kurnool, Miryalaguda, Nandigama, Ongole, SPSR Nellore, Rajahmundry, Srikakulam, Tadipatri, Tandur, Vijayawada, Yerraguntla and YSR Kadapa.

⁸⁰ Anantapur, Banaganapalle, Dachepalli, Hyderabad, Karimnagar, Kurnool, Miryalaguda, Nandigama, Ongole, Rajahmundry, Srikakulam, Tadipatri, Vijayawada, Yerraguntla and YSR Kadapa.

Government replied (May 2013) that the variations were due to advance payments and delayed submission of accounts by lessees due to which revisions in DCB registers became necessary.

- **Inadequate details for other departmental receipts:-** Officers of various Government departments executing works have to recover seigniorage fee from bills of the contractors for the work done. Seigniorage fee has to be calculated with reference to quantities of minerals used in works as per theoretical requirements at the rates prescribed in the APMMC Rules. Audit observed that the other departmental officers while sending the cheques/DDs for recoveries made by them were not furnishing full details viz. name of the minerals used, quantities of mineral consumed, the rate at which seigniorage fee was recovered, the amount of seigniorage fee recovered and balance, if any, to be recovered. In absence of these details, it is not possible for ADsMG to verify correctness of recovery of seigniorage fee and other dues.

5.1.4 Ineffective functioning of the Observation Check Points (OCP)

Five Observation Check Points (OCP) were sanctioned by Government in 2005 at Bethamcherla, Bugga, Gouthapur, Ibrahimpatnam and Piduguralla to check and collect penalties for excess transportation of minerals above the permitted quantities at the rates prescribed. Audit test checked three OCPs at Bugga in Kurnool District, Gouthapur in Rangareddy District and Piduguralla in Guntur District.

During audit of three ADMG offices⁸¹ it was noticed that two OCPs were manned by two persons each. Deployment of insufficient number of staff in the OCPs may affect their activity to check illegal transportation of minerals.

Location of the OCP	Royalty Inspector/Technical Assistant		Home guards	
	Sanctioned	Men-in-position	Sanctioned	Men-in-position
Bugga	3	2	3	0
Gouthapur	6	2	6	6
Piduguralla	*	2	*	0

Note: *The staff sanction particulars were not made available by the ADMG, Dachehalli.

Following systemic deficiencies in the working of OCPs were noticed:

- Penalties are to be levied on the quantity of minerals being transported in excess of the permit limit. No facilities or arrangements like weighbridges were provided to assess excess quantity.
- There were no instructions for maintaining basic records like register of penalties, register of vehicles checked and statement of amounts remitted to the treasury. In the absence of these records, performance of the OCP and correctness of the penalties levied and remitted to Government account could not be monitored. No provisions for sending

⁸¹ Banaganapalle, Dachehalli and Tandur.

returns to the controlling offices and reconciling the remittances of the OCPs were made.

Government replied (May 2013) that though orders for deputation of 14 Technical Assistants were issued (June 2012) by the DMG, the vacancies of Home Guards were due to unwillingness of the Police Department to spare their services. Non-installation of weighbridges was due to possibility of shifting the OCPs to other places. In respect of other observations, DMG issued instructions (October 2012) to the concerned officials for compliance.

5.2 Human Resources

5.2.1 Manpower

Audit noticed that on 31 March 2012, the Department had a working strength of 790 in different cadres as against sanctioned strength 967, with an overall shortage of 18 per cent. The cadres with major shortages are given below:

Cadre	Sanctioned Strength	Men-in-position	Shortfall (in percentage)
Zonal Joint Director	7	3	57
Deputy Director	9	2	78
Royalty Inspector	111	85	23
Draughtsman	3	0	100
Assistant Driller	7	4	43
Typist	36	24	33

Source: figures supplied by DMG

Shortages at key levels are likely to affect administration, approval of mining plans, grant of quarry leases and inspections of mining/quarry leases etc. Government itself admitted that basic accounting functions like maintenance of DCB registers and inspection of mines and quarries were neglected due to shortage of staff.

Government replied (May 2013) that, the vacancies of JDMGs were not filled due to non-availability of qualified and eligible persons and that the vacancies of DDsMG were filled in the month of September, 2012.

5.3 Other Points of Interest

5.3.1 Improper utilization of Development of Mineral Resources and Technological Upgradation Fund (DMRTUF)

Government constituted⁸² “Development of Mineral Resources and Technological Upgradation Fund” (DMRTUF) with the objectives of (i) collection of data related to availability, exploitation and management of mineral reserves (ii) identification and acquisition of latest technology and equipment for exploration of mineral resources and mineral based industries, (iii) computerization and creation of database for the entrepreneurs in the field

⁸² G.O.Rt.No.237 Ind. & Com. (Mines-II) Dept., Dt. 29 March 1997 and G.O.Ms.No. 32 Ind. & Com. (Mines-I) Dept., Dt. 06 February 1998.

of exploration of mineral resources etc. The committee that manages the Fund is headed by Principal Secretary in charge of mines department as Chairman, the DMG as Member Secretary and seven other members. The fund is constituted from 10 *per cent* of the sales turnover achieved by APMDC every year in lieu of exclusive rights of exploration of certain minerals. Government authorized DMG to accept the contribution from APMDC. DMG operates the fund through a Personal Deposit (PD) Account.

As seen from the accounts for the years 2006-07 to 2011-12, DMRTUF received ₹ 3.01 crore through contribution made by APMDC. Short contribution from APMDC amounted to ₹ 56.83 crore.

(₹ in lakh)

Year	Sales turnover of APMDC	10 per cent of the Sales turnover	Amount contributed	Short contribution
2006-07	10,411	1,041.10	39.23	1,001.87
2007-08	10,728	1,072.80	40.00	1,032.80
2008-09	15,613	1,561.30	40.00	1,521.30
2009-10	21,718	2,171.80	44.32	2,127.48
2010-11	*	-	66.47	0
2011-12	*	-	71.29	0
Total	58,470	5,847.00	301.31	5,683.45

* the accounts of APMDC for 2010-11 and 2011-12 were not finalised, hence the contribution due to DMRTUF could not be ascertained.

Audit observed (May 2012) the following deficiencies in utilisation of funds:

- Amounts from DMRTUF were diverted to meet expenditure not related to the activities under the mandate of the Fund. During years 2008-09 and 2009-10, ₹ 25.20 lakh was diverted towards payments to lawyers and the telephone charges of the office of the DMG.
- A pilot project at a cost of ₹ 1.65 crore in YSR Kadapa District for 'Design and Development of Online Application Processing System in the Department of Mines and Geology' was awarded⁸³ in February 2008 to the A.P. State Remote Sensing Application Centre (APSR SAC) to be completed within a year. Though 90 *per cent* of the project cost i.e., ₹ 1.49 crore was paid (March 2008) as advance from DMRTUF, the pilot project was not completed even after lapse of five years. No action was initiated by the DMG to get the pilot project completed in time.
- Scrutiny of the statement of projects undertaken by DMRTUF during the years 2009-10 to 2011-12 revealed that no activities were undertaken even after provision of resources by APMDC indicating non-utilisation of the Fund. Improper utilisation or non-utilisation of available resources defeated the purpose of constituting this fund.

Records relating to planning and processing of projects undertaken, meetings of executive committee and minutes thereof were not made available to audit.

⁸³ G.O.Ms.No.37 Ind. Com. (Mines.1) Dept. Dt. 05 February 2008.

Government replied (May 2013) that they are pursuing the matter of contribution of ten *per cent* of turnover with APMDC. It further stated that the desired objectives of DMRTUF could not be met due to non-availability of the project proposals. Regarding irregular expenditure of ₹ 25.20 lakh met out of the Fund, the DMRTUF had been regularly writing to department for refund of the same.