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THE ACCOUNTANT GENERAL  
(COMMERCIAL AND RECEIPT AUDIT)  
**ANDHRA PRADESH**

**MANUAL ON MINERAL RECEIPTS**

*Issued By*

**THE ACCOUNTANT GENERAL (COMMERCIAL AND RECEIPT AUDIT),  
ANDHRA PRADESH, HYDERABAD-500 004.**



**PREFACE**

- (1) This Manual has been prepared for the guidance of the members of the State Receipt Audit parties, auditing the receipts and refunds relating to the Mineral Revenues and the Headquarters section which processes the local audit reports. In this Manual, the relevant provisions of the law and the procedure for the levy, assessment and collection of Mineral Revenues have been set out in general. References to the provisions of the Mines And Minerals (Regulation and Development) Act, 1957 or the Rules made thereunder or of other relevant Acts and Rules have also been given in this book. In the course of audit, if any reference has to be made to a particular provision of the law, such a reference should be made to the sections of the relevant Act or the Rules framed thereunder and not to the paragraphs of this Manual.
- (2) The Manual should be treated as a guide only and the audit checks indicated therein should not be taken as exhaustive.
- (3) Errors or omissions in the Manual may be brought to the notice of the Accountant General (Commercial and Receipt Audit), Andhra Pradesh, Hyderabad to whom suggestions for improvement may also be sent.
- (4) The state receipt audit parties may also equip themselves with a knowledge of the important provisions of the relevant Acts which are required for purposes of audit.
- (5) The State Receipt Audit (Headquarters) Section is responsible for up-dating this Manual from time to time.

Hyderabad,  
Date :28-11-2007

Accountant General (C & RA)  
Andhra Pradesh, Hyderabad – 500 004.

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# STATE RECEIPT AUDIT MANUAL – MINES AND GEOLOGY

## AUDIT OF REVENUE

### CHAPTER 1

#### INTRODUCTION

**1.1 Constitutional / Statutory responsibility of the Comptroller and Auditor-General of India for Audit of Receipts.** – The audit of revenues which is an important branch of audit of receipts is inherent in the powers vested in the Comptroller and Auditor-General of India by Art.151 of the Constitution. Art.151 lays down that the reports of the Comptroller and Auditor-General of India relating to the accounts of the Union and the States shall be submitted to the President or the Governor of a state, as the case may be, who shall cause them to be laid before each House of Parliament or Legislature. Thus the audit reports must relate to the totality of the accounts of the Union or a State and this totality would include all receipts embracing the revenues of the Union and of the States.

Section 16 of the Comptroller and Auditor-Generals' (Duties, powers and Conditions of Service) Act, 1971 specifically enjoins upon the Comptroller and Auditor-General to audit all receipts of the Union and of the States and to satisfy himself that the rules and procedures in that behalf are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are duly observed. For that purpose, the Comptroller and Auditor-General is authorised to undertake such examination of the accounts as he thinks fit and to report thereon.

**1.2. Principles of Receipt Audit.** – Audit of Receipts is broadly governed by the general principle laid down in Chapter 3 of section II of the Manual of Standing Orders (Audit). The instructions contained in this manual are supplementary thereto and describes specifically the procedure to be followed in the audit of receipts of mineral revenues taken up from 1974-75.

**1.3. Audit vis-a-vis Executive functions.**– It is the primary responsibility of departmental authorities to see that all revenues of Government which have to be brought to account are correctly and properly assessed, realised and credited to Government account. The Audit Department should not, however in any way, substitute itself for the authorities of Mines and Geology Department in the performance of its statutory duties.

The most important function of audit is to see (1) that adequate regulations and procedures have been framed by the department to secure an effective check on the assessment, collection and proper allocation of taxes, (2) that the departmental machinery

is sufficiently safe-guarded against errors and frauds and that, so far as can be judged, a procedure is calculated to give effect to the requirements of law and (3) to satisfy itself, by adequate test check, that such regulations and procedures are actually being carried out. It should also be borne in mind that the basic purpose of audit is not only to see that all demands raised are promptly collected and credited to Government but also to secure that these demands are correctly raised and they satisfy the requirements of law and that the Executive does not grant unjustified or unauthorised remissions to tax payers. In the Audit of Receipts, ordinarily the general is more important than the particular. The detection of individual errors is an incident rather than an object of Audit.

In taxation laws, lacunae may occur as a result of oversight or omission at the time of framing or enacting the laws. If the provisions of the law have led to consequences not intended at all in the policy or purpose underlying the law and the tax payer takes unfair advantage of such lacunae or provision by way of legal avoidance of tax Audit may bring to the notice of the Executive such legal evasions if no remedial action is under contemplation, the idea being not to criticise the Legislature but to enable the Government/Legislature to review the position and initiate remedial action, wherever necessary, to plug leakages of revenues.

Audit does not consider it the main part of its duties to review the judgement exercised or the decision taken in individual cases by Officers entrusted with those duties, but it must be recognised that an examination of such cases may be an important factor in judging the effectiveness of assessment procedure. Where, for example, the information received in any individual case is insufficient to enable Audit to see how the requirement of law has been complied with, Audit may consider it its duty to ask for further information to enable it to form the judgement required of it as to the effectiveness of the system. It is, however, towards forming a general judgement rather than to the detection of individual errors that the audit enquiries should be directed. This does not bar, as a matter of principle, irregularities being pointed out by Audit in individual cases, where substantial amounts are involved or where there have been serious violations of the law or the rules having the force of law. In the discharge of these functions, members of the Audit Department will have access to the relevant records and papers of the Mines and Geology Department but they should observe secrecy in the same way as the Officers of the Mines and Geology Department. To discharge the above functions effectively, the Auditor must be thoroughly conversant with the processes and procedures relating to the levy and collection of taxes and the laws and rules governing such processes and procedures.

**1.4. Audit vis-a-vis judicial pronouncements.**—The Audit Department does not question the decision of a High Court which is binding on the Officers functioning within the jurisdiction of that High Court till it is, in any way, modified or overruled by the Supreme Court. It is only in those cases where no authoritative interpretation of a provision of law by High Court or the Supreme Court is available that the Comptroller and Auditor-General states what in his judgement is the correct requirement of law on the basis of the plain meaning of the statute and puts forward that view to the Mines and Geology Department for its examination and acceptance.

**1.5.** In the subsequent chapters the basic provisions of the Acts and the rules governing the assessment and collection of mineral revenues are set out. Being only a summary, this can in no sense be regarded as substitute for Acts and rules made there under. Therefore, it should be treated merely as a preliminary step to enable the auditor to grasp the essentials of the administration of the Mines and Minerals (Regulation and Development) Act, 1957, the Mineral Concession Rules, 1960, the Andhra Pradesh Minor Mineral Concession Rules, 1966, The Oil fields (Regulation and Development) Act 1948 The Petroleum and Natural Gas Rules, 1959 The Andhra Pradesh Mineral Bearing Lands (Infrastructure) Cess Act, 2005, The Andhra Pradesh Mineral Bearing lands (Infrastructure)Cess Rules, 2005 and The Andhra Pradesh Revenue Recovery Act, 1864 For a further and exhaustive study he should refer to the provisions of the Acts and the case laws on the subject summarized in the leading commentaries.

The various fee and deposits collectable under the relevant Acts and Rules are given in Annexure I.

## **1.6. AUDITING STANDARDS**

Auditing Standards prescribe the norms of principles and practices, which the Auditors are expected to follow in the conduct of Audit. They provide minimum guidance to the Auditor that helps determine the extent of auditing steps and procedures that should be applied in; the audit and constitute the criteria or yardstick against which the quality of audit results are evaluated.

The norms of Principles and Procedures to be followed by Audit are prescribed in "Auditing Standards" (2nd Edition, 2002) which, *inter-alia*, include the following:

**A) Basic Postulates:** The basic postulates for auditing standards are basic assumptions, consistent premises, logical principles and requirements which help in developing auditing standards and serve the auditors in forming their opinions and report on particularly in cases where no specific standards apply.

The Basic Postulates are:

- 1) The Supreme Audit Institution of India (SAI) should comply with the International Organisation of Supreme Audit Institutions (INTOSAI) auditing standards in all matters that are deemed material.
- 2) The SAI should apply its own judgement to the diverse situations that arise in the course of Government auditing.
- 3) With increased public consciousness, the demand for public accountability of persons or entities managing public resources has become increasingly evident so that there is a need for the accountability process to be in place and operating effectively.
- 4) Development of adequate information, control, evaluation and reporting systems within the Government will facilitate the accountability process, Management is responsible for correctness and sufficiency of the form and content of the financial reports and other information.

- 5) Appropriate authorities should ensure the promulgation of acceptable accounting standards for financial reporting and disclosure relevant to the needs of the Government, and audited entities should develop specific and measurable objectives and performance targets.
- 6) Consistent application of acceptable accounting standards should result in the fair presentation of the financial position and the results of operations.
- 7) The existence of an adequate system of internal control minimises the risk of errors and irregularities.
- 8) Legislative enactments would facilitate the co-operation of audited entities in maintaining and providing access to all relevant data necessary for a comprehensive assessment of the activities under audit.
- 9) All audit activities should be within the SAIs audit mandate.
- 10) SAIs should work towards improving techniques for auditing the validity of performance measures
- 11) SAIs should avoid conflict of interest between the auditor and entity under audit.

**B) General Standards:** 1) The general auditing standards describe the qualifications of the auditor and the auditing institution so that they may carry out the tasks of field and reporting standards in a competent and effective manner. These standards apply to all types of audit for both auditor and audit institutions. While auditing, the auditor should be independent, competent and due care should be taken in planning, specifying, gathering and evaluating evidence and in reporting on findings, conclusions and recommendations.

2) The legal mandate provided in the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 provides for full and free access for the CAG and his auditors to all premises and records relevant to audited entities and their operations and provides adequate powers to the CAG to obtain relevant information from persons or entities possessing it.

3) The audit department seek to create among audited entities an understanding of its role and function, with a view to maintaining amicable relationships with them. Good relationships can help the SAI to obtain information freely and frankly and to conduct discussions in an atmosphere of mutual respect and understanding.

**C) Field standards** (1): The purpose of field standards is to establish the criteria or overall framework for the purposeful, systematic and balanced steps or actions that the auditor has to follow. These steps and actions represent the rules of investigation that the auditor, as a seeker of audit evidence, implements to achieve a specific result.

(2) The field standards establish the framework for conducting and managing audit work. They are related to the general auditing standards, which set out the basic requirements for undertaking the tasks covered by the field standards. They are also related to reporting standards, which cover the communication aspect of auditing, as the results from carrying out the field standards constitute the main source for the contents of the opinion or report

(3). The field standards applicable to all types of audit are:

a). The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.

b). The work of the audit staff at each level and audit phase should be properly supervised during the audit; and a senior member of the audit staff should review documented work.

c). The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control.

**i) Planning:** The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out without wastage of resources in an economic, efficient and effective way in a timely manner.

1) the following planning steps are normally included in an audit:

a). Collect information about the audited entity and its organisation in order to assess risk and to determine materiality:

b). Define the objective and scope of the audit:

c). Undertake preliminary analysis to determine the approach to be adopted and the nature and extent of enquiries to be made later.

d). Highlight special problems foreseen when planning the audit:

e). Prepare a budget and a schedule for the audit:

f). Identify staff requirements and a team for the audit: and

g). Familiarise the audited entity about the scope, objectives and the assessment criteria of the audit and discuss with them as necessary.

**ii). Supervision:**- The work of audit staff at each level and audit phase should be properly supervised during audit, and a senior member should review documented work.

1) The following paragraphs explain supervision and review as an auditing standard.

A) Supervision is essential to ensure the fulfillment of audit objectives and the maintenance of the quality of the audit work. Proper supervision and control is therefore necessary in all cases, regardless of the competence of individual auditors.

B) Supervision should be directed both to the substance and to the method of auditing. It involves ensuring that:

a. The members of the audit team have a clear and consistent understanding of the audit plan.

b. The audit is carried out in accordance with the auditing standards and practices of the SAI.

c. The audit plan and action steps specified in that plan are followed unless a variation is authorised.

d. Working papers contain evidence adequately supporting all conclusions, recommendations and opinions

e. The auditor achieves the stated audit objectives and

f. The audit report includes the audit conclusions, recommendations and opinions, as appropriate.

2) All audit work should be reviewed by a senior member of the audit staff before the audit opinions or reports are finalised. It should be carried out as each part of the audit progresses. Review bring more than one level of experience and judgement to the audit task and should ensure that:

- a. All evaluations and conclusions are soundly based and are supported by competent, relevant and reasonable audit evidence as the foundation for the final audit opinion or report.
- b. All errors, deficiencies and unusual matters have been properly identified, documented and either satisfactorily resolved or brought to the attention of a more senior SAI officer, and
- c. Changes and improvements necessary to the conduct of future audits are identified, recorded and taken into account in later audit plans and in staff development activities.

3) This standard emphasis's the importance of involvement of each higher level of supervision and does not in any way absolve the lower levels of audit staff carrying out field investigations from any negligence in carrying out assigned duties.

**iii) Study & Evaluation of Internal Control:** The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control and depend on the objectives of the audit and on the degree of reliance intended. Where accounting or other information systems are computerized, the auditor should determine whether internal controls are functioning properly to ensure the integrity, reliability and completeness of the data.

**iv) Compliance with Applicable laws and regulations:** In performance audit an assessment should be made of compliance with applicable laws and regulations when necessary to satisfy the audit objectives. The auditor should provide reasonable assurance to detecting illegal acts that could significantly affect audit objectives and should be alert to situation or transaction that could be indicative of illegal acts that may have an indirect effect on the audit reports.

The following paragraphs explain compliance as an auditing standard.

1) Reviewing compliance with laws and regulations is especially important when auditing government programs because decision-makers need to know if the laws and regulations are being followed, whether they are having the desired results, and, if not, what revisions are necessary. Additionally government organisations, programs, services, activities, and functions are created by laws and are subject to more specific rules and regulations.

2) Those planning the audit need to be knowledgeable of the compliance requirements that apply to the entity being audited. Because the laws and regulations that may apply to a specific audit are often numerous, the auditors need to exercise professional judgement in determining those laws and regulations that might have a significant impact on the audit objectives.

3) The auditor also should be alert to situations or transactions that could be indicative of illegal acts that may indirectly impact the results of the audit. When audit steps and procedures indicate that illegal acts have or may have occurred, the auditor needs to determine the extent to which these acts affect the audit results

4) In conducting audits in accordance with this standard, the auditors should choose and perform audit steps and procedures that, in their professional judgement, are appropriate in the circumstances. These audit steps and procedures should be designed to obtain

sufficient, competent, and relevant evidence that will provide a reasonable basis for their judgement and conclusions.

5) Generally, management is responsible for establishing an effective system of internal controls to ensure compliance with laws and regulations. In designing steps and procedures to test or assess compliance, auditors should evaluate the entity's internal controls and assess the risk that the control structure might not prevent or detect non-compliance.

6) Without affecting the SAI's independence, the auditors should exercise due professional care and caution in extending audit steps and procedures relative to illegal acts so as not to interfere with potential future investigations or legal proceedings. Due care would include considering the concerned laws and relevant legal implications through appropriate forum to determine the audit steps and procedures to be followed.

**v) Audit Evidence:** Competent, relevant and reasonable evidence should be obtained to support the auditors judgment and conclusions regarding organization, programme, activity or function under audit.

The following paragraphs explain audit evidence as an auditing standard.

1) The audit findings, conclusions and recommendations must be based on evidence. Since auditors seldom have the opportunity of considering all information about the audited entity, it is crucial that the data collection and sampling techniques are carefully chosen. When computer-based system data are an important part of the audit and the data reliability is crucial to accomplishing the audit objective, auditors need to satisfy themselves that the data are reliable and relevant.

2.) Auditor should adequately document the audit evidence in working papers, including the basis and extent of the planning, work performed and the findings of the audit. Working papers should contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditor's significant findings and conclusions.

3.) Adequate documentation is important for several reasons, It will:

- a. Confirm and support the auditor's opinions and reports
- b. Increase the efficiency and effectiveness of the audit.
- c. Serve as a source of information for preparing reports or answering any enquiries from the audited entity or from any other party.
- d. Serve as evidence of the auditor's compliance with Auditing Standards
- e. Facilitate planning and supervision.
- f. Help the auditor's professional development.
- g. Help to ensure that delegated work has been satisfactorily performed, and
- h. Provide evidence of work done for future reference.

4.) The auditor should bear in mind that the content and arrangement of the working papers reflect the degree of the auditor's proficiency, experience and knowledge.

**vi). Analysis of Financial Statements:** In all types of audit when applicable auditor should analyse the financial statements to establish whether applicable accounting

standards for financial reporting and disclosure are complied with and should perform to such degree that a rational basis is obtained to express an opinion on financial statements.

The auditor should thoroughly analyse the financial statements and ascertain whether:

- a). financial statements are prepared in accordance with acceptable accounting standards;
- b). Financial statements are presented with due consideration to the circumstances of the audited entity;
- c). Sufficient disclosures are presented about various elements of financial statements;
- and
- d). The various elements of financial statements are properly evaluated, measured and presented.

The methods and techniques of financial analysis depend to a large degree on the nature, scope and objective of the audit, and on the knowledge and judgement of the auditor.

2). Where the SAI is required to report on the execution of budgetary laws, the audit should include:

- a). For revenue accounts, ascertaining whether forecasts are those of the initial budget, and whether the audits of taxes, rates and duties recorded, and imputed receipts, can be carried out by comparison with the annual financial statements of the audited activity;
- b). For expenditure accounts, verifying credits to assist budgets, adjustment laws and, for carryovers, the previous year's financial statements.

3.) Where the SAI is required to report on systems of tax administration or systems for realising non-tax receipts, along with a systems study and analysis of realisation of revenues/receipts, detection of individual errors in both assessments and collection is essential to highlight audit assertions regarding the system defects and comment on their efficiency to ensure compliance.

**D) Reporting Standards:** 1). On the completion of each audit assignment, the Auditor should prepare a written report setting out the audit observations and conclusions in an appropriate form; its content should be easy to understand, free from ambiguity and supported by sufficient, competent and relevant audit evidence and be independent, objective, fair, complete, accurate, constructive and concise.

2). With regard to fraudulent practice or serious financial irregularities detected during audit or examined by audit, a written report should be prepared. This report should indicate the scope of audit, main findings, total amount involved, modus operandi of the fraud or the irregularity, accountability for the same and recommendations for improvement of internal control system, fraud prevention and detection measures to safeguard against recurrence of fraud/serious financial irregularity.

3). The audit report should be complete. This requires that the report contains all pertinent information needed to satisfy the audit objectives, and to promote an adequate and correct understanding of the matter reported. It also means including appropriate background information.

4). In most cases, a single example of a deficiency is not sufficient to support a broad conclusion or a related recommendation. All that it supports is that a deviation, an error

or a weakness existed. However, except as necessary, detailed supporting data need not be included in the report.

5). Accuracy requires that the evidence presented is true and the conclusions be correctly portrayed. The conclusions should flow from the evidence. The need for accuracy is based on the need to assure the users that what is reported is credible and reliable.

6). The report should include only information, findings and conclusions that are supported by competent and relevant evidence in the auditor's working papers. Reported evidence should demonstrate the correctness and reasonableness of the matters reported.

7). Correct portrayal means describing accurately the audit scope and methodology and presenting findings and conclusions in a manner consistent with the scope of audit work.

8). Objectivity requires that the presentation through out the report be balanced in content and tone. The audit report should be fair and not be misleading and should place the audit results in proper perspective. This means presenting the audit results impartially and guarding against the tendency to exaggerate or over emphasise deficient performance. In describing shortcomings in performance, the Auditor should present the explanation of the audited entity and stray instances of deviation should not be used to reach broad conclusions.

9). The tone of reports should encourage decision-makers to act on the auditor's findings and recommendations. Although findings should be presented clearly and forthrightly, the auditor should keep in mind that one of the objectives is to persuade and this can best be done by avoiding language that generate defensiveness and opposition.

10). Being convincing requires that the audit results be presented persuasively and the conclusions and recommendation followed logically from the facts presented. The information presented should be sufficient to convince the readers to recognise the validity of the findings and reasonableness of audit conclusions. A convincing report can help focus the attention of management on matters that need attention and help stimulate correction.

11). Clarity requires that the report be easy to read and understand. Use of non-technical language is essential. Wherever technical terms and unfamiliar abbreviations are used, they should be clearly defined. Both logical Organisation of the material and precision in stating the facts and in drawing conclusions significantly contribute to clarity and understanding. Appropriate visual aids (such as photographs, charts, graphs and maps etc.,) should be used to clarify and summarise complex material.

12). Being concise requires that the report is not longer than necessary to convey the audit opinion and conclusions. Too much of details detracts from the report and conceals the audit opinion and conclusions and confuses the readers. Complete and concise reports are likely to receive greater attention.

13). Being constructive requires that the report also includes well thought out suggestions, in broad terms, for improvements, rather than how to achieve them. In presenting the suggestions due regard should be paid to the requirements of rules and orders, operational constraints and the prevailing milieu. The suggestions should be discussed with sufficiently high level functionaries of the entities and as far as possible, their acceptances obtained before these are incorporated in the report.

14). Timeliness requires that the audit report should be made available promptly to be of utmost use to all users, particularly to the auditee organisations and/ or Government who have to take requisite action.

## CHAPTER II

### HISTORICAL AND LEGISLATIVE BACKGROUND

**2.1.** The levy and collection of Mineral Revenues in respect of major minerals in Andhra Pradesh were vested in the collectors of Districts and the Board of Revenue under the Madras Mining Rules, which were in force till 25<sup>th</sup> October 1949, when the Central Government enacted the Mines and Mineral (Regulation and Development) Act, 1948 (Act no. 53 of 1948) and promulgated the Mineral Concession Rules, 1949 on 18<sup>th</sup> October, 1949 under Section 5—of that Act. The Central Legislature has passed an Act, called “The Mines and Minerals (Regulation and Development) Act, 1957” (Act No.67 of 1957). By this enactment the Mines and Minerals (Regulation and Development) Act, 1948 (Act No.53 of 1948) was repealed.

**2.2.** After the enactment and adoption of the Constitution of India, the control of exploitation of minerals is mainly a central subject and is covered by entry 54 of List I of the Seventh Schedule to the Constitution of India. The State Government also can exercise certain rights in respect of minerals in accordance with entry 50 of List II of the Seventh Schedule to the Constitution.

**2.3.** The Central Government has further amended the Act of 1957, on the recommendation of the Mineral Advisory Body through an amending legislation in 1972 called “The Mines and Minerals ((Regulation and Development) (Amendment) Act, 1972,” which was assented to on 12<sup>th</sup> September, 1972. This legislation was undertaken to amend some of the existing provisions of Act No.67 of 1957 and to introduce new provisions covering certain areas not so far dealt with under Act NO.67 of 1957.

**2.4.** By virtue of powers vested in the Government of India under Section 13 of the Act of 1957, the Central Government framed certain rules for regulation and exploitation of minerals called “The Mineral Concession Rules, 1960” and brought them into force on 26<sup>th</sup> November, 1960 by notification No. G. S. R. 1398, dated 11<sup>th</sup> November , 1960. Till then, the Mineral Concession Rules, 1949, continued to be in force under Section 29 of Act No.67 of 1957 and these rules ceased to be in force with effect from 26<sup>th</sup> November, 1960 except as regards things done or omitted to be done before that date by virtue of rule 68 of the Mineral Concession Rules, 1960.

**2.5.** The provisions contained in Sections 5 to13 (inclusive) of 1957 Act shall not apply to quarry leases, mining leases or other mineral concessions in respect of minor minerals. This exclusion is for the sole purpose of conferring all such powers as covered by those sections on the State Government in respect of minor minerals.  
(vide section 14 of 1957 Act.)

**2.6.** The levy and collection of mineral revenue in respect of minor minerals in Andhra area were regulated by the rules in the Madras Mining Manual and by the rules regulating the working of minor minerals made by the erstwhile Government of Hyderabad in 1954 in Hyderabad State. These rules were repealed by the Andhra Pradesh

Minor Mineral Concession Rules, 1966 with effect from 7<sup>th</sup> February 1967 framed under Section 15 (1) of the Mines and Minerals (Regulation and Development) Act, 1957, except as regards things done or omitted to be done before that date.

**2.7.** To provide and improve infrastructure facilities for rapid exploitation of vast mineral resources of the State, the Andhra Pradesh Legislature enacted the Andhra Pradesh Mineral Bearing Lands (Infrastructure) Cess Act, 2005. The Act shall be deemed to have come into force with effect from 12<sup>th</sup> September 2005. The Act provides for levy and collection of cess on mineral produce from mineral bearing lands in respect of all minerals specified in second schedule under Mines and Minerals (Regulation and Development) Act, 1957, all minerals specified under schedule-I of Rule 10 of Andhra Pradesh Minor Mineral Concession Rules, 1966 and Mineral Oils including Natural Gas and Petroleum. For carrying all or any purposes of the Act, The A.P. Mineral Bearing Lands (Infrastructure) Cess Rules, 2005 were made vide GO MS No. 250 Industries and Commerce ( MI) dated 12<sup>th</sup> September 2005.

**2.8.** To ensure advance collection of Royalty and Cesses on minerals and to prevent evasion of payment of Royalty by illegal transportation of mineral, the Government of Andhra Pradesh in G. O. Ms. No.674, Industries and Commerce (M.I.) Department, dated 27-6-1975 brought into effect a system called “Permit System” which made it obligatory on the part of the lessee of a mining lease, (i) to obtain a permit from the authorized officer in Form-B after payment of Royalty and (ii) to produce the permit so obtained to the Inspecting Officer during the course of transport of ore on mineral, whenever required to do so. (See para 4.10 also).

**2.9.** The mineral regulatory work in respect of Major and Minor minerals was entrusted to the Revenue Department and the remaining items of work of technical nature (as indicated below), were entrusted to the Director of Mines and Geology.

1. Inspection of areas held under prospective license and Mining lease periodically to see the compliance of the rules regarding methods of mining and observance of labour Regulations and the covenants of the lease deed with Government.

Promotional side:

2. Survey and systematic mapping of mineral fields.
3. Sampling and analysis of minerals.
4. Studies on beneficiation of areas on Laboratory scale and their commercial application.
5. Detailed prospecting of mineral deposits.

6. Working of mines.
7. Preparation and publication of Geological and Mineral, maps, and
8. Research and publication of technical reports.

(Authority: G. O. Ms. No. 590, Industries (B.1.) Department, dated 1-6-1966.)

**2.10.** The entire mineral regulatory work in respect of both Major and Minor minerals which was under the control of Revenue Department hitherto was transferred the Department of Mines and Geology with effect from September 1976.

(G. O. Ms. No. 850, Industries and Commerce Department, dated 20-9-1976.)

## **CHAPTER III**

### **FUNCTIONS AND ORGANISATIONAL SET UP OF THE DEPARTMENT OF MINES AND GEOLOGY**

#### **A. Functions**

**3.1.** The Department of Mines and Geology is mainly a technical department. The principal technical activity of the department is the investigation of mineral deposits. Every year a programme is worked out in consultation with the State Geological Programme Board. Mineral investigation requires large scale geological mapping, pitting, trenching and sampling. In certain cases, drilling and exploratory mining are resorted to. The data collected from field works is presented in the form of reports.

**3.2.** The application for grant of mineral concession involves certain technical aspects. The Regional Officer concerned makes on the spot inspection of areas applied for and reports on the geological aspects.

**3.3.** The department, in addition to technical work, is responsible for entering into lease agreements making assessments, raising demands, collection of revenue and maintenance of proper accounts.

**3.4. Administrative set up.**—The administrative set up of the Department of Mines and Geology is shown in Annexure II. The various functions carried out by the respective officers are also given below in a nut shell in the following paragraphs.

**3.5.** At Government level, matters relating to Department of Mines and Geology are dealt with in the Industries and Commerce Department of the Secretariat.

**3.6.** The Director of Mines and Geology is the Head of the Department. The state is divided into four zones and each zone is in charge of Joint Director of Mines and Geology who have Jurisdiction over 4 or more districts. Each joint Director is assisted by 1 to 3 Deputy Directors and Each Deputy Directors have the Jurisdictions of 2 to 4 districts is assisted by 4 to 8 Assistant Directors of Mines and Geology The powers exercised by the officer in respect of Central Act and Rules, viz., The Mines and Minerals (Regulation and Development) Act, 1957 and the Mineral Concession Rules, 1960 are as follows:

Reference Act / Rules	Powers
(1)	(2)
1. Director of Mines and Geology.	
1. Section 26. Mines and Minerals (Regulation and Development) Act, 1957.	Power to grant or review certificate of approval in case of an applicant who is an Indian National.
2. Rule 16 of the Mineral Concession Rules, 1960.	Power to call for a report on the prospecting done confidentially by the holder of a prospecting operations licence subject to the condition that a full report should be submitted within three months of the expiry of the licence or the abandonment of mining operation or determination of the licence, whichever is earlier.
3. Rule 9 (2) of the Mineral Concession Rules, 1960.	To issue valid clearance certificate of payment of mining dues.

(1)

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## 2. Deputy Director of Mines and Geology

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| 1. Section 25 Mines and Minerals<br><br>(Regulation and Development Act, 1957.) | To issue a Certificate for the purpose of this Section to collect dues as arrears of land revenue.   |
| 2. Rule 29, the Mineral Concession Rules, 1966.                                 | The Power to issue a notice for the determination of the lease.  |
| 3. Rule 27(5), Mineral Concession Rules, 1960.                                  | Power to issue notice for default in payment of royalty, or breach of any of the conditions other than those referred to in Clause (f) of Sub-Rule(1) of 27 of Mineral Concession Rules, 1960. |

## 3. Assistant Director of Mines and Geology

- |   |  |
|---|--|
| Section 22 the Mines and Minerals<br>(Regulation and Development)Act, 1957. | To make complaint in writing upon which the court shall take cognizance of any offence punishable under the said Act or any rules made thereunder. |
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The powers exercised by the Officers of the Department of Mines and Geology, in respect of the matters dealt in—

The A.P. Minor Mineral Concession Rules, 1966, The A.P.Mineral Bearing (Infrastructure) Cess Act and Rules, 2005, and The Petroleum and Natural Gas Rules, 1959 are set forth in the Act and the Rules themselves.

**3.7.** The two Superintendents forming the internal audit wing of the Mines and Geology Department work directly under the immediate control of Mineral Revenue Officer who, in turn, is under the control of one of the Deputy Directors in the Headquarters Office of the Director of Mines and Geology. These two Superintendents form two independent parties for the Andhra and Telangana regions of the State. All the offices of the department situated in the respective regions are subject to audit by the internal audit wing. The check exercised by the internal audit wing is cent percent and such checks include the check of all the items of work done in the respective offices, including assessments. The inspection conducted by the internal audit wing of the departmental officers is an annual one.

## CHAPTER IV

### ASSESSMENT, LEVY AND COLLECTION

#### A. Minerals

**4.1.** Minerals are broadly divided into (1) Major Minerals and (2) Minor Minerals. Major minerals are industrial minerals specified in Second Schedule of Mines and Mineral (Development and Regulation) Act, 1957

**4.1.1.** Important definitions in the Mines and Minerals (Regulation and Development) Act, 1957 are given below:

(i) *Minerals* : “Minerals” include all minerals except oils (Section 3 (a)).

(ii) *Mining lease* : “Mining lease” means a lease granted for the purpose of undertaking mining operations, and includes a sub-lease granted for such purpose (Section 3 (c)).

(iii) *Mining operations*: “Mining operations” mean any operations undertaken for the purpose of winning any mineral (Section 3 (d)).

(iv) *Minor minerals*: “Minor minerals” mean building stones, gravel, ordinary clay, ordinary sand other than sand used for prescribed purposes, and any other mineral which the Central Government may, by notification in the Official Gazette, declare to be a minor mineral (Section 3 (e)).

(v) *Prospecting license*: “Prospecting licence” means a licence granted for the purpose of undertaking prospecting operations (Section 3 (g)).

(vi) *Prospecting operations*: “Prospecting operations” mean any operations undertaken for the purpose of exploring, locating or proving mineral deposits (Section 3 (h)).

(vii) *Reconnaissance operations*: Reconnaissance operations means any operations undertaken for preliminary prospecting of a mineral through regional, aerial, geophysical, or geo chemical surveys and geological mapping but does not include pitting, trenching, drilling (except drilling of bore holes on a grid specified from time to time by the central Government) or sub-surface excavation (Section 3 (ha)).

(viii) *Reconnaissance permit*: Reconnaissance permit means a permit granted for the purpose of undertaking reconnaissance operations (Section 3 (hb)).

**4.1.2. License for prospecting and mining operations:** - Reconnaissance or Prospecting or Mining Operations cannot be undertaken except in accordance with the terms and conditions of Reconnaissance Permit or a Prospecting License or a Mining Lease granted under the Mines and Minerals (Regulation and Development) Act, 1957. The grant of Reconnaissance Permit or Prospecting License or Mining Lease is subject to restrictions under section 5 and area under section 6 of the Act.

*Periods for which prospecting licenses is valid*

As per section 7 of the Act, a reconnaissance permit or prospecting licence shall not exceed 3 years. These licenses are subject to renewal provided total period does not exceed five years.

*Periods for which a mineral lease is valid.*

As per section 8(1) of the Act, the maximum period for which a mining lease may be granted shall not exceed 30 years, the minimum period shall not be less than 20 years. As per section 8(2) a mining lease may be renewed for a period not exceeding 20 years.

**4.1.3. Authority for levy of royalty:** - The holder of a mining lease shall, notwithstanding anything contained in the instrument of lease, pay royalty in respect of the mineral removed or consumed from the leased area at the rate specified in the Second schedule to the Act in respect of that mineral or dead rent at such rate specified in the third Schedule to the said Act, whichever is greater. Royalty shall not be payable in respect of any coal consumed by a work man engaged in a colliery provided such consumption by the workman does not exceed on third of a tonne per month. The Central Government is empowered to amend the Second Schedule so as to enhance or reduce the rate of royalty in respect of any mineral not more than once during any period of 3 years.

**4.1.4.** In respect of minerals specified in the Second Schedule to the Act, royalty is leviable at the rates indicated therein while in respect of all other minerals not specified in the Second Schedule to the Act, royalty is leviable at ten percent of sale price on *advalorem* basis as per item 51 of the second schedule to the Act.

*Computation of Royalty on advalorem basis*

The Government of India have issued certain guidelines under Rule 64-D of Mineral Concession. Rules, 1960 for computing of royalty on *advalorem* basis.

*Revision application pending with the Government of India:*

Section 30 of the Mines Minerals (Regulation and Development) Act, 1957 empowers the Central Government to revise any decision of the State Government either *Suo Motto* or on an application made by the aggrieved party. An application for revision shall not be rejected on the ground of delay. The nature of the order that can be revised includes the grant, renewal or transfer or refusal to grant to renew or transfer the whole or any part of an area applied for, deemed refusal to grant as well as any order reducing the period of a licence or lease, applied for. Any such revision order is binding on the State Government.

**4.1.5. Procedure for fixing the Pit's Head Value for levy of royalty on Pit's head value:-**

The Pit's head value of a mineral should represent the sale value of the ore, i.e., the price it will fetch in the open market less the cost of transport and other incidental charges such as cost of transporting and handling the mineral from the Pit's mouth, cost of processing the minerals if any, undertaken before sale, etc. To ascertain the sale price, the mine owner, should be required to maintain proper accounts. In order to see that the actual figures of sale proceeds realized, are entered in the accounts, they should be f\got checked occasionally by reference to reliable firms who are dealing in that particular markets, where the mine owner usually disposes of the mineral.

(Authority : G.O.Ms.No.1207, Development Department dated 17-3-1953.)

**4.1.6.** The Pit's head value varies from mineral to mineral depending upon its market value. The Pit's head value has to be arrived at by deducting from the sale value of the minerals at the rail head or the port head, the "Incidental charges" and "Transport charges".

The incidental charges should be the expenses on account of the following items:-

- (i) Sorting by high selection both at the rail head and again at the time of shipment.
- (ii) Preliminary screening to reduce the fines from stacks (and also gritty substances like quartz and gangue stuff).
- (iii) Stacking expenses for arrangement of cleaned ore into stacks before sampling (arranged for in the presence of the exporter or purchaser).
- (iv) Loading charges and
- (v) Such other miscellaneous items as the miners may claim.

These items are only approximate and incidental charges may include other items depending upon the mineral.

(Authority : Government Memo.No. 10490/F-1-Mines/56-15 dated 22-8-1956).

**4.1.7.** It may be seen in Audit that information regarding production value of stock, dispatches of important minerals of the State are obtained by the Directorate of Mines and Geology from the Indian Bureau of Mines and necessary reconciliation is affected between the figures furnished by the Indian Bureau of Mines and the figures available with the Directorate of Mines and Geology. Such reconciliation is necessary in order to ensure that the figures reported by the mine owners are correct and that no mineral has been removed from the mining area without Payment of royalty thereon. If such comparison has not been done by the Directorate, the omission should be commented upon in Audit. Where however, both the sets of figures are available and the escapement of royalty has not been pointed out by the Department, the escaped royalty should be mentioned in the Audit Report relating to the offices inspected.

## 4.2. Levy and Collection: --

**4.2.1.** According to Part-V of Form 'K' (Form of Mining Lease) (Model Form) of Mineral Concession Rules, 1960, the lessee shall pay for every year yearly dead rent as provided in the Third Schedule to the Act (except for the first year) or the royalty together with the cesses thereon as assessed based on the quality and quantity extracted and dispatched in respect of each mineral, whichever is higher in amount but not both. In addition, he shall pay surface rent or land revenue and water rate together with cesses as specified in the lease deed. He shall also pay and discharge all taxes, rates, assessments and impositions whatsoever, being in the nature of public demands which shall from time to time, be charged, assessed or imposed by the authority of Central and State Governments.

**4.2.2.** The lessees are required to keep the correct accounts of the minerals mined and they shall allow any officer authorised by the Central Government or the State Government in this behalf to examine at any time any accounts, plans and records maintained by them (Rule 27(1) of the Mineral Concession Rules, 1960). This in effect gives the Departmental Officials an opportunity to make surprise visits to the leased area and verify the correctness of accounts maintained by them and check the accuracy of returns furnished by them.

**4.2.3. Procedure for Assessment.**—The Assistant Director (Mines and Geology) obtains the detailed accounts in respect of the mining lease from the lessee or his authorised agent in the prescribed proforma. He calls for the following accounts and Registers in respect of all the leases held by the lessee under his jurisdiction for checking the accounts and submitting proposals of assessment for approval to be the Deputy Director concerned who will approve 90% of assessments and remaining 10 % of the assessments in order of priority from the highest revenue lessee and irrespective of the cut off 10% which are above Rs.25 lakhs will also be submitted to the concerned Zonal Joint Director who approve the same

1. D.C.B. Statement.
2. Production and dispatch Registers.
3. Pit's mouth value statement.
4. Sale Bills.
5. Purchase bills.
6. Lorry Trip Sheets.
7. Royalty and Rents payment register.
8. Lease Deeds with Government orders.
9. Plans and Sketches showing the upto date workings.

10. Monthly returns.
11. Monthly returns furnished to commercial tax department.
12. Day book and Ledgers.

**4.2.4.** He obtains the information regarding the despatches from the returns filed by the lessee in the Commercial Tax Department. After scrutiny and verification of despatches of the quantities with the accounts of the Mine owner and the particulars obtained from Railway Station or Port, as the case may be, and by reference to the firms dealing with the commodity, wherever necessary, he will decide the quality and quantity of the mineral extracted and finalise the assessment of the royalty applying the relevant rates of royalty. Then he will submit these assessments to the Deputy Director, Mines and Geology for approval, as the case may be.

The approved assessment of the royalty or the dead rent will be sent to the Assistant Director for further action.

**4.2.5. *Due dates for payment.***—The assessments are finalized annually. The lessee shall at the end of each year (31<sup>st</sup> March) pay all sums due to the State Government, during the subsistence of the lease after adjustment of the advance royalty paid. The Mine owner may be permitted to pay such sums due within 15 days of the expiry of each year, viz., 15<sup>th</sup> April.

**4.2.6. *Interest on Arrears.***—The State Government may charge simple interest at the rate of 24% per annum on any rent, royalty or fee (Other than the fee payable under sub-rule (1) of Rule 54) or other sums due to Government under the Act or these 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 State Government for payment of such amount and until payment is made.

(Authority : Vide rule 64-A of MC Rules, 1960)

**4.2.7. *Recovery of arrears of Mineral revenue as arrears of Land Revenue.*** —Section 25 of the Mines and Minerals (Regulation and Development) Act, 1957 authorises the recovery of any rent, royalty, tax, fee or other sums due to Government under the Act to be effected under the Revenue Recovery Act as an arrear of land revenue.

The Government delegated powers under section 52(B) of Andhra Pradesh Revenue Recovery Act 1864 (Act II of 1864) to all the Assistant Directors of Mines and Geology to recover arrears of revenue dues under the provisions of MC Rules 1960 and APMMC Rules 1966.

(Authority: G.O.Ms. No.66 Revenue department LR Section dt.2-6-2005)

### 4.3 (B) Mineral Oils:-

4.3.1 The oil fields (Regulation and Development) Act, 1948 provide for regulation of oil fields and for the development of mineral oil resources. Under sections 5 and 6 of the said Act, the Central Government made the Petroleum and Natural Gas Rules, 1959 as amended from time to time.

4.3.2 Important definitions in the oilfields (Regulation and Development) Act, 1948 and the Petroleum and Natural gas Rules, 1959.

- (i) Oil field: Oil field means any area where any operation for the purpose of obtaining natural gas and petroleum, crude oil, refined oil, partially refined oil and any of the products of petroleum in a liquid or solid state, is to be or is being carried on.
- (ii) Mineral Oils : Mineral oils include natural gas and petroleum.
- (iii) Crude Oil : Crude oil means petroleum in its natural state in liquid, viscous or solid form before it has been refined or otherwise treated from which water and foreign substances have been extracted.
- (iv) Natural gas: Natural gas means gas obtained from bore holes and consisting primarily hydrocarbons but does not include helium occurring in association with such hydrocarbons.
- (v) Petroleum: Petroleum means occurring hydrocarbons in a free state whether in the form of natural gas or in a liquid viscous or solid form, but does not include helium occurring in association with petroleum or coal or shale or any substance which may be extracted from coal , shale or other rock by the application of heat or by a chemical process.

### 4.3.3 Petroleum Exploration Licence and Petroleum Mining lease

- (i) **Area and term of Licence:** The area covered by a licence shall be specified therein and the license shall be valid for a period of four years which may be extended for further periods of one year each. (Rule 10 of PNG Rules,1959).
- (ii) **Security Deposit, Annual License fee and shedding areas.**  
The applicant for a license shall deposit a sum of Rs.1, 00,000 as security for due observance of the terms, covenants and conditions of licence.

The licensee shall pay yearly in advance by way of license fee a sum calculated for each square kilometer or part thereof at the following rates.

- (i) Rs.50 for the first year license
- (ii) Rs.100 for the second year license
- (iii) Rs.500 for the third year license
- (iv) Rs.700 for the fourth year license
- (v) Rs.1000 for each subsequent year of renewal  
(Rule 11 of PNG Rules 1959)

- (iii) **Area and term of a lease:** The area covered by a lease shall ordinarily be 250 Sq Km's and the term of a lease shall ordinarily be 20 years. The central Government may relax the condition regarding area or any application of lease.  
(Rule 12 of PNG Rules 1959)
- (iv) **Mining lease fees rent :** (1) The applicant of lease shall deposit a sum of Rs.2,00,000 as security for due observance of the terms and conditions of the lease and also deposit a sum of Rs.30,000 for meeting preliminary expenses.  
(2) On grant of a lease, the lessee (a) shall pay a fixed yearly dead rent for every year at the following rates.  
Rs.25 per hectare or part thereof for area the first 100 Sq.Kms. and Rs.50 per hectare or part thereof for area exceeding 100 Sq.Kms provided that the lessee shall be liable to pay only the dead or royalty whichever is higher but not both.  
(b) shall also pay to the state Government for the surface area of the land under the lease, surface rent at such rate not exceeding the land revenue and cess assessed or assessable on the land.  
(Rule 13 of PNG Rules)

#### 4.3.4 **Royalty on Petroleum:**

The lessee shall

- (i) Where the lease has been granted by the Central Government pay to that Government
- (ii) Where the lease has been granted by the State Government pay to that Government.

a royalty in respect of any mineral oil mined, quarried, excavated or collected by him from the leased area at the rate specified in schedule of the Act from time to time. The Royalty shall be payable on monthly basis, as may be provided for in the lease and shall be paid by the last day of the month. Succeeding the period in respect of which it is payable.

(Rule 14 of PNG Rules 1959)

- 4.3.5 The lessee shall pay survey or re-survey fee of Rs.10,000 of the land covered by such lease to the state Government  
(Rule 15 of PNG Rules, 1959)

#### 4.3.6 **Fees etc payable by due date**

- (1) All license fee, lease fees, royalties and other payments under rules shall, if not paid within the time specified for such payment be increased by a penal rate of 200 basis points over the prime lending rate of State Bank of India for the delayed period.
- (2) If fees etc, payable by due date is in arrears for more than three months may cancel such license or lease and shall be published. Official Gazette which take effect from date of publication.  
(Rule 23 of PNG Rules, 1959)

- 4.3.7 **Penalties** If the holder of a petroleum Exploration License or mining lease fails to furnish returns or acts, in contravention of sub-rule(2) of Rule 14, Rule19,Rule21 and Rule24 he shall be punishable with imprisonment for six months or with fine Rs.1000/- or with both. If he continues to commit such offence he shall be punishable for each day after the date of first conviction with fine of Rs.100  
(Rule 32-A of PNG Rules 1959)

#### **4.4. Cess on Mineral Bearing Lands: -**

**4.4.1** The Government of Andhra Pradesh enacted The Andhra Pradesh Mineral Bearing Lands (Infrastructure) Cess Act, 2005(Act.No.38 of 2005) to provide for the levy of cess on Mineral Bearing Lands for the promotion of infrastructure facilities for rapid exploitation of mineral resources of the state and Rules under the Act were framed in G.O.M's No.250Ind& Comm.(M1) dt.12-9-2005.

**4.4.2** According to section 3(1) of the above Act, there shall be levied and collected by the Government, a cess on the mineral produce from mineral bearing lands in respect of 1) All minerals specified in the second schedule under the MMRD Act, 1957 (Major Minerals), 2) Mineral oils including Natural Gas and Petroleum and 3) All Minerals specified under schedule 1 of Rule 10 of APMMC Rules 1966 (Minor Minerals) on every holder of mining lease on mineral specified at such rate and on such terms as the State Government may by notification specify in this behalf from time to time. In case of dispatch of mineral without payment of cess, the holder of the lease shall pay cess along with penalty of 5% on such amount.

The rate of tax prescribed from time to time on Minerals specified is leviable as stated below: -		
Name of the Mineral	Cess leviable	Authority
1. Coal	Rs.20/- per Tonne.	GO Ms. No.251 IND & COM MI(2) Dt.12.09.05
2. Natural Gas	Rs.60/- per 1000 Cubic Metres or Rs.0.06 per Cubic Metres.	GO Ms. No.252 IND & COM MI(2) Dt.12.09.05
3. Crude Oil	Rs.640/- Per Tonne or 0.64 paise per KG of Crude Oil	GO Ms. No.253 IND & COM MI(2) Dt.12.09.05 read with GO Ms. No.82 IND & COM MI(2) Dt.02.03.06
4. Barytes	Rs.20/- per Tonne or 0.02 paise per KG of Byrates	GO Ms. No.254 IND & COM MI(2) Dt.12.09.05
5. Lime Stone (LD Grade and others) Lime Kankar Lime Shell	Rs.3/- per Tonne	GO Ms. No.255 IND & COM MI(2) Dt.12.09.05
6. Granite	Rs.25/- per Cubic Metre or 0.000025 Paise per CC of Granite	GO Ms. No.256 IND & COM MI(2) Dt.12.09.05
7. Iron Ore i. Above 55 % Fe & below 60% Fe ii. Above 60% Fe	Rs.50/- Per Tonne  Rs.100/- Per Tonne	GO Ms. No.312 IND & COM MI(2) Dt.22.11.06

The Cess leviable under the above Act, is in addition to Royalty payable (vide Section 3(2) of the said Act.)

#### **4.5. (C) Minor Minerals**

**4.5.1.** The procedure regulating the grant of minor minerals is governed by the Andhra Pradesh Minor Mineral Concession Rules, 1966.

**4.5.2.** The application for quarry lease in respect of land shall be made in Form B to the Assistant Director of Mines and Geology concerned and shall be disposed of by him.

**4.5.3.** A quarry lease may be granted on application in Form B accompanied by a Treasury or Bank Challan for Rs.1000 towards fess. The conditions governing permit or lease for quarrying minor minerals are set forth in Rule 31 of the A.P. Mineral Concession Rules, 1966. The more important conditions pertaining to the lease are detailed below:

(a) The lessee should pay land assessment, if any, of the area under lease or permit:

(b) The lessee should pay the advance dead rent at the time of execution of the lease deed and the annual dead rent for subsequent years one month in advance every year and all sums payable to Government

(c) The lessee should commence quarrying operations within two months from the date of grant and thereafter carry on such operations in a business-like and workman-like manner:

(d) The lessee should not assign, sub-let or transfer or dispose of the area under lease or permit without obtaining the previous sanction in writing of the Assistant Director of Mines and Geology:

(e) The lessee is required to report to the Assistant Director of Mines and Geology, the occurrence of any mineral other than that specified in lease, if such mineral is found during the course of quarrying operations:

(f) If the lessee stops to work the quarry without obtaining the prior sanction of Assistant Director of Mines and Geology for a continuous period of six months the permit or lease granted shall be liable to be cancelled:

(g) The Deputy Director may grant renewal for not more than two times to the period of the quarry lease subject to prescribed criteria

(h) If the seignorage fee, quarrying fee or rent payable by the lessee is not paid within three months next after the date fixed in the grant, the Deputy Director of Mines and Geology or any other officer of the department can distrain the minerals or movable property belonging to the lessee for recovering the Government dues.

**4.5.4.** When quarrying is carried on under these rules, the seigniorage fee or dead rent, whichever is higher, shall be charged on all the minor minerals dispatched or consumed from the land at the rate specified in the Schedule I and Schedule II to Rule 10.

**4.5.5. *Period of lease.***—Deputy Director, Mines and Geology may grant quarry lease for a period of five years in respect of minerals which can be extracted without much equipment or investment like sand, murrum, gravel, lime shell, lime kankar, etc., and for a period of ten years in respect of minerals which require investment and equipment to develop the quarry, like lime stone, shale, granite, slate, marble shahabad slab, napa slabs, slabs, bentonite, fullers earth etc, and the respect minor minerals useful for road metal, ballast serving is a captive source for a crusher unit for a period of 15 years.

Prior approval of Government is required when the period of lease exceeds the above limits. (Authority : Rule 15 of A.P.M.M.C. Rules 1966).

**4.5.6.** Lease deed forms for working minor minerals need not be registered.

(Authority : G.O.Ms. No. 1009, dated 18-9-1972).

**4.5.7.** In case of small deposits of minor minerals which are worked to meet the immediate or timely, petty requirements of local inhabitants, permission may be accorded to carry on quarrying operation for a period not exceeding 6 months, on payment of seigniorage fee advance by the Assistant Director, Mines and Geology.

**4.5.8** In case of default in payment of any money or negligence to furnish the security deposit or execution of the lease deed when required, the Deputy Director, Mines and Geology may pass an order terminating the lease and may forfeit the security deposit if any. (Rule 18 of Andhra Pradesh Minor Mineral Concession Rules, 1966).

**4.5.9** Any amount due to the Govt. under minor mineral concession rules may be recovered as an arrear of land revenue.

(Rule 29 of Andhra Pradesh Minor Mineral Concession Rules, 1966).

**4.5.10** The lessee shall pay the land assessment if any of the area under the lease or permit.

**4.5.11** As per GO MS No.24 Industries and Commerce (MI) department dated 12-02.2007, the Government transfers Auctioning of sand from Panchayat Raj and Rural Development department to Industries and Commerce department for which District Level Committee should be constituted to regulate the matter with regard to auctioning of sand. The Assistant Director of Mines and Geology concerned who is the member convener of the committee will recommend the upset price of each reach in a mandal to the district level committee and take its approval before auction. The competent authorities in respective jurisdictions should confirm the bidding amount. The Asst. Director of Mines and Geology concerned shall ensure 5% of bid amount is to be credited to the State Head of Account. The minimum penalty for each truck carrying sand without

valid permit issued by competent authority Rs.10000 for each truck of ten tones capacity and Rs.5000 in respect of tractor.

The auction proceeds after deducting 5% of bid amount shall be distributed among Zilla Parishad/ Mandal Parishal/ Gram Panchayat or Municipality or Corporation @ 25% : 50% : 25% respectively on quarterly basis as envisaged in GO MS No.255 Panchayat Raj and Rural Development (PTS-III) department dated 02.08.2001. Further, seigniorage fee collected and credited in the consolidated fund of the State shall be apportioned among Panchyat Raj Bodies i.e. Gram Panchyats/ Mandal Panchyats and Zilla Parishad in the ratio of 25%, 50%, and 25% respectively as stated in G.O.*ibid*.

#### **4.6.1 Responsibilities of lessee :**

(i) The lessee shall always keep the Govt. indemnified against any claim by any person for any loss or injury caused to him or to his property. In such cases, the Deputy Director shall be the competent authority to assess and fix any compensation payable by the lessee.

(ii) The lessee shall, effect and maintain at his own expense boundary pillar on the line of Boundary of the area under lease or permit.

**4.7.1. Particulars of Quarry Leases :-** The Assistant Director, Mines and Geology, shall furnish by 5<sup>th</sup> of every month in form 'D' the full particulars of all the quarry leases granted in the preceding month indicating the situation, survey number and extent, the mineral and the period to which it was granted, with names and addresses of the lessees to the Director of Mines and Geology and also particulars of quarry leases terminated, relinquished or expired. He shall also furnish to the Director the particulars of mineral receipts in respect of all quarries granted every half year in form "E" (Rule 36).

**4.7.2.** When a quarry lease is granted over an area, arrangements shall be made at the expense of the lessee for the preparation of a plan and the demarcation of the area granted under the lease, after collecting a fee calculated according to the rates specified below vide Rule-7 of Andhra Pradesh M.M.C. Rules, 1966.

#### Rates of survey charges

for Granite and Marble – Rs.2500 per application

for other minor minerals – Rs.500 per application

**4.8. Despatch permit.**—According to the Rule 34, no minor mineral should be despatched from any of the leased areas, without a valid permit issued by an officer authorised in this behalf by the Assistant Director concerned. Violation of this rule entails forfeiture of security deposit and levy of normal seigniorage fee along with five times penalty by the Asst. Director or the authorised officer by him.

**4.9. Other important instructions.**—The minor minerals when used for purposes other than building material are to be treated as major minerals.

(Govt. Memo. No.2844/E. II/Mines/63-2: Dt. 20-6-63 Rule-iv).

**4.10. Permit system:-**

**4.10.1.** To prevent the illicit transport of minerals, the Government of Andhra Pradesh had introduced permit system in G.O.Ms.No. 674 Ind. and Com., dated 27-6-1975. The system was given effect to from 1<sup>st</sup> October, 1975.

**4.10.2 Procedure:**

(i) The lessee intending to despatch ore/mineral from the leased area should submit his application for issue of a permit for removal of mineral from the leased area in Form (A), appended to the above Government order at least 15 days in advance of the proposed date of commencement of despatch of the ore/mineral.

(ii) After Verification of the stock, on the basis of the Returns and, if necessary, by making on-the-spot visit to the mine, the permit issuing authority will direct the lessee to make advance payment of royalty, the mineral rights tax and cesses in respect of the quantity proposed to be removed.

(iii) The lessee, after making payment of the assessed amounts under proper heads of Account should submit the chalans before the permit issuing authority for issue of royalty permit.

(iv) The permit issuing authority, after satisfying himself of the correctness of the facts mentioned in the application and after verifying the amounts paid, will issue the royalty permit in Form (B) appended to the Government Order.

(v) The permit issuing authority will maintain a detailed account of the permits issued in respect of each mine, showing date and number of permit, quality and quantity permitted, name and address of the party (whether the lessee or any purchaser) and stations from and to which to be despatched.

(vi) The permit will be valid for the specified period. If despatches of permitted quantities are not completed within the period (i.e., 3 months) the lessee should get the permit revalidated for a further period of 3 months from the permit issuing authority.

If the party is unable to transport the ore within the period specified in the permit and/ or also after revalidation, he may be asked to surrender the permit. He may be issued a fresh permit subsequently, as and when he makes arrangements for lifting the ore.

(vii) The lessee should surrender the permit to the permit issuing Authority after transporting the permitted quantity.

**4.10.3.** In respect of captive mines i.e., the mine, the mineral of which is consumed by the lessee himself (like cement factories) and where there is no despatch or sale of mineral to other parties, royalty permits may be issued for specified quantities for a period of 3 months by collecting royalty in advance on the basis of average of their despatches / consumption during the past 4 quarters.

**4.10.4.** Fresh permits may be taken by owners of captive mines before expiry of the old permit for another 3 months period after payment of royalty as laid down above. Owners of captive mines should follow the same procedure prescribed for other lessees for removal of ore.

#### **4.10.5 Departmental Instructions regarding Permit system**

The Assistant Director should not take permitted quantity for the purpose of Mineral Revenue Assessments (MRA's) being higher than the actual despatches as it leads to wrong information about the mineral despatches. They should indicate the actual despatches only in the MRA's and the excess amounts towards the un-despatched quantity which have been covered by permits and not transported within the stipulated time separately in the MRA's as lapsed. There is no need to issue separate order to forfeit the amounts of the un-despatched quantity of the permits issued and there is equally no need to bring it forward to the next assessment year by showing it as at credit of the lessee. As the amounts available towards the un-despatched quantities for which the permits have been taken are already remitted to the Government by way of challans, it shall become part of the revenue to Government which requires no further action by the Assistant Directors.

(Authority: - Memo No.25897/51/89 dt.27.05.1996 of Mines and Geology Department)

**4.11. (D) Determination of leases and regrant of determined leases.**—The leases which are determined for default or breach of any condition of lease in accordance with Rule 27(5) of the Mineral Concession Rules, 1966 or areas which are surrendered / determined in accordance with Rule 29 of the Mineral Concession Rules, 1960 have to be notified as available for regrant in the official gazette in accordance with Rule 59 of the Mineral Concession Rules, 1960.

**4.12. (E) Appeal to Govt. of India.**—The lessees have got right to appeal to Government of India against any order made by a State Government or other authority under the Act, for a revision of the order under Sec. 30 of the Mines and Minerals(Regulation and Development) Act, 1957.

**4.13. (F) Levy of Stamp duty.**—The lease deeds have to be stamped at the rates prescribed in the Indian Stamp Act, 1899 on the average annual rent reserved. The average annual rent has to be got estimated by the collector for the purpose of levy of Stamp Duty. Wherever non-levy / short-levy of stamp duty on lease deeds is noticed, this may be commented upon in the local audit report.

## CHAPTER V

### REGISTERS AND RETURNS MAINTAINED IN THE DEPARTMENT AND THE AUDIT CHECKS TO BE EXERCISED THEREON

#### 5.1 (i) Office of the Director, Mines and Geology:

- (a) Register of application for prospecting licenses – Form ‘G’.
- (b) Register of Prospecting Licences – Form ‘H’.
- (c) Register of application for mining leases – Form ‘L’.
- (d) Register of Mining leases – Form ‘M’.
- (e) Register of Demand, collection and Balance Half yealy.
- (f) Production Register (Register showing the District-wise, Mineral-wise production)-Prepared with reference to yearly statement received for State Administrative Report.
- (g) Monthly statistical data book pertaining to mineral production and despatches of Andhra Pradesh (Posted with reference to monthly returns of lessees).
- (h) *Register of Securities* : Details of Securities collected from the lessees in accordance with the provisions of the M.C.Rules, 1960 are noted and the refund or adjustment watched.
- (i) *Register of penalties*: In this register all cases of penalties levied under Section 21-A of the Mines and Minerals (Regulation and Development) Act, 1957, are noted and final disposal watched.
- (j) *Register of offences*: This register shows all cases of offences committed under Section-23A of the Mines and Minerals (Regulation and Development) Act, 1957 and indicates the stages upto the final disposal of the offences.
- (k) *Register of Refunds*: This register shows the amounts of royalty or other sums refunded to the lessee either by cash or adjustment of the amount towards the royalty or other sums payable by the lessee for subsequent. periods consequent on reduction of assessment in appeal or final assessment etc.
- (l) *Register of appeals*: This Register is maintained to watch the disposal of appeals.
- (m) *Register of seized documents* : The Register contains all entries regarding the documents seized at the time of inspection of the leased premises or the minerals illegally transported.

- (n) *Statement of D.C.B.:* The progress of collection work watched by the Director of Mines and Geology through the statements of D.C.B. submitted to him every month. The statement helps (i) to know the assessment and revenue position and the progress in collection work, (ii) to know whether proper steps have been taken for the collection of balance, and (iii) to see whether there is any slackness on the part of any of the subordinate officers in the matter of collection works.

The statement is prepared for the month. The Director of Mines and Geology consolidates the D.C.B. for the entire State and submits his review to Government.

**5.2. (ii) Office of the Assistant Director, Mines and Geology:**

- (a) Register of prospecting licences – Form ‘H’.
- (b) Register of Mining leases – Form ‘M’.
- (c) Monthly production and despatch Register (not prescribed by any rule or Government order) prepared with reference to monthly returns furnished by lessees. This is maintained year-wise and district-wise.
- (d) Register of particulars of dispatches of minerals for each year in the following proforma.
- (i) Name of the consignor.
  - (ii) Invoice Number.
  - (iii) Wagon Number.
  - (iv) Date of despatch.
  - (v) Name of the Mineral.
  - (vi) Quantity dispatched.
  - (vii) Name of consignee
  - (viii) R. R. Number.
- (e) Register of Permits issued for movement of minerals (Prescribed in Memo. No. 17588 / F2-75. dt. 8-12-75 from Director of Mines and Geology, Hyderabad).

An extract of the register is required to be sent monthly to Director by 5<sup>th</sup> of the following month.

**5.3. Demand, Collection and Balance.**—This is a ledger which shows whether every lessee, against whom a demand is raised has cleared the demand. It furnishes complete particulars of all demands raised, collections made, and the balances outstanding against each lessee.

**5.4. Challan Posting Register.**—This is an important basic record. This Register is maintained to note the challans received, in payment of Royalty, Taxes, Cesses or other fees and advance payments under permit system and other payments made to clear the Demands outstanding. They are posted monthly Treasury-wise.

The entries in this register form the basis for purposes of reconciliation of the departmental figures monthly.

**5.5. Register of Advance Collections and Adjustment.**—Amounts paid by the lessees at the time of obtaining permits are to be posted against each lessee month-wise and the total payments of each half year are taken to D.C.B. to arrive at the balance if any to be collected.

**5.6. Register of Demands Eliminated.**—In this Register reasons for eliminating any demand from the D.C.B. Register like writer off orders received, due to finalisation of assessment etc., are noted.

Register of Securities	The maintenance of these are
Register of penalties levied	prescribed by Director of
Register of offences	Mines and Geology.
Register of Refunds	
Register of appeals	
Register of seized documents	

**5.7. Minor Minerals (A.D. Offices).**—(a) Register of quarry leases and periodical returns Form 'D' (An extract should be furnished to the Director, Mines and Geology by 5<sup>th</sup> of each month).

(b) Demand, Collection and Balance Statement of Quarry Leases (Minor Minerals) Director of Mines and Geology (Half yearly).

**5.8. Checks to be exercised in Audit.**—

5.8.1. Register of Application for Prospecting licences (Register in Form 'G'):

It should be seen in audit:

- (i) Whether the Register is maintained in prescribed form
- (ii) Whether application fees have been paid, if so, whether they have been paid as per the rates laid down in Rules (Rule 9(2) of M.C. Rules 1960) and noted in Column No.8
- (iii) Whether the final disposal of the application has been noted in Column 10 of the Register
- (iv) Whether the signature of the officer obtained in Column I
- (v) Whether any monthly abstract has been struck at the end of each month.

#### 5.8.2. Register of Prospecting licences (Register in Form 'H') :

It should be seen in audit:

- (i) Whether the Register is maintained in prescribed form.
- (ii) Whether number and date of the certificate of approval has been noted in Column 6.
- (iii) Whether application fee has been paid in accordance with rules and noted in Column 13.
- (iv) Whether prospecting fee and Royalty, if payable, is paid according to rules and noted in Col. 14? (Rule 14 of M.C.Rules 1960).
- (v) Whether the amount of security deposit collected is in accordance with the rules and noted in Column 15? (Rule 20 of M.C. Rules, 1960)
- (vi) Whether particulars of refunds of Security deposit is noted in Column 16?
- (vii) Whether the signature of the officer is obtained in column 22.

#### 5.8.3 *Register of Applications for mining leases in Form 'L'.*

It should be seen in audit :

- (i) Whether the Register is maintained in the prescribed proforma
- (ii) Whether application fee and preliminary expenses are paid in accordance with the Rules and noted in Column 9 (Rule 22 of M.C. Rules, 1960).

- (iii) Whether the final disposal of the application has been noted in Column 10.
- (iv) Whether the signature of the Officer is obtained in Column 12.

5.8.4. *Register of Mining leases in Form 'M'.*

It should be seen in audit :

- (i) Whether the register is maintained in prescribed Profoma
- (ii) Whether all the particulars are noted in Col. 1 to 19.
- (iii) The date of execution of mining lease should be carefully checked up as the lessee has to operate the mine within 3 months of the execution of the lease deed and has to give intimation of opening the mine within one month from the date of opening.

5.8.5 *Assessment File :*

It should be seen in audit that:

- (i) The computation of quantity of extraction and despatch is correct. This may be checked with the notes of inspection by various officers and the figures furnished by the lessee.
- (ii) The quality or grade of the mineral is decided with reference to the tests, if any conducted.
- (iii) The rates of royalty is correctly applied as applicable from time to time.
- (iv) The arithmetical accuracy is checked.
- (v) The royalty so assessed or dead rent, whichever is higher is levied or not.
- (vi) The Tax on Royalty, rents and water rate, if any, payable are correctly assessed as specified in the lease deed.
- (vii) The local cess has been correctly worked out and levied.
- (viii) The total assessment, so worked out, has been correctly noted in the D.C.B.
- (ix) The amounts shown as paid by the lessee are correctly worked out with reference to the challans and challans are available in the File.

- (x) In case of minerals, the royalty of which is fixed at percentage of pit's mouth value, the deduction of Transport and other incidental charges is made as per rules and the price after deduction is correctly worked out.
- (xi) The royalty and other sums due are credited to the correct head of account, and
- (xii) There is no inordinate delay in finalising the assessment and also in the recovery of royalty etc.

#### 5.8.6 *Demand, Collection and Balance :*

It should be seen in audit:

- (i) That all demand issued as per assessment files are noted in the D.C.B. Register.
- (ii) That the postings in the collection Column should be verified with the entries in the challan posting Register.
- (iii) That the reasons for the heavy balances are analysed and any lapse on the part of the Department is commented upon.
- (iv) In respect of the amounts becoming irrecoverable, it may be seen that there is no failure on the part of the department to follow the rules to realise the dues.
- (v) Review on D.C.B. sent to higher officers or Government may be scrutinised.
- (vi) Heavy balances or delay in realisation may be commented upon in the I.R.
- (vii) Abnormal delay in taking the demand to D.C.B. Register should be brought to the notice of the Department.

**5.9. Monthly production and despatch Register.**—It may be seen in audit that the quantities furnished by the lessee monthly are correctly posted in this Register. The entries in this register are checked with the returns filled by the concern at the time of assessment as a counter check to verify the correctness of the figure shown in the return by the assessee.

**5.10. Register of particulars of despatches of minerals.**—It may be seen in audit that the figures of despatches are collected from the Railway Station Check post and posted in this Register. A few entries may be test checked with the assessment files.

**5.11. Register of permits issued for movement of minerals:**

(i) It may be seen in audit that the Register is maintained in prescribed form and up-to-date.

(ii) A few entries from this register may be traced in the Assessment file.

(iii) The permits issued in a month selected for check may be traced in this Register.

(iv) It may be ensured that the challans are available in support of the amounts shown as paid for (against) these permits. A few entries (i.e.) entries for selected month may be checked with the challans.

**5.12. Register of Securities.**—This register may generally be examined to verify that the department instructions and instructions in A.P.F.C. Volume I relating to its maintenance have been followed.

**5.13. Challan Posting Register.**—It should be seen whether necessary reconciliation with treasury figures has been effected and differences, if any, reconciled immediately. Entries of a selected month have to be traced into Assessment files and D.C.B.

**5.14. Register of penalties levied.**—It should be verified whether the penalty is correctly levied as per rules. The collection particulars should be should be verified with the entries in challan posting Register to the extent prescribed.

**5.15. Register of Offences.**—A percentage of offences files should be verified with the entries in the Register and Collection of compound fees checked with challan posting Register. It should be seen that there are no undue delays in disposal of offence cases.

**5.16. Register of Refunds.**—It should be verified whether the refund in cash or adjustment, as the case may be, has properly been noted in the Register of advance collection of Royalty or other dues and the credit taken into the D.C.B. in respect of adjustments. A percentage of counterfoils of refund orders should also be verified.

**5.17. Register of Appeals.**—This Register may generally be examined to verify that the departmental instructions relating to its maintenance have been followed. The entries in the Register of Seized documents are utilized while finalising the assessment or assessments revised based on those documents.

**5.18. Register of Demands eliminated.**—It should be seen that the demands eliminated are all covered by proper orders of the competent authority.

**5.19. Reconciliation of Departmental figures.**—According to Andhra Pradesh Finance Code, Volume I Departmental officers are primarily responsible

for reconciliation of departmental figures of receipts with those appearing in the treasury accounts. One of the important checks, therefore, in audit is to review with a view to seeing whether this reconciliation is actually done by the departmental Officers regularly.

(Authority : No. 576-Rev. A (iv)/136-73 dated 8-8-1974 of C.A.G. filed in No. 2-1-/73-75 and circular No. 8 dated 19-8-1973 filed in File No. 2-1/73-74).

**5.20. Particulars to Minor Minerals.**—It may be seen in audit :

(1) That the period of lease has been fixed in accordance with rule 15 of A.P. Minor mineral concessions rules, 1966.

(2) That the fees required to be remitted for the preparation of plans and demarcation of the site are collected in accordance with the rates provided in Rule 7 of the A.P. Minor Mineral concession Rules, 1966.

(3) That the required security deposit has been remitted by the lessee before executing the lease deed.

(4) That in the case of default in payment of any money, necessary action to terminate the lease and to forfeit all the sums paid by the lessee is taken and the quarry is reauctioned at the risk of the defaulter.

(5) That the demand is entered in the Register immediately after the lease is granted and the collection is watched.

(6) Whether there are any cases of unauthorised quarry operations? If so, it may be seen that the penalty as per rules 26 of A.P.M.M.C. Rules 1966 together with assessment is imposed and demanded.

Deputy Director is the authority competent to impose penalties under Rule 26 of A.P.M.M.C Rules, 1966.

**5.21. Expenditure Audit.**—As per orders of the Comptroller and Auditor General, the local audit of expenditure is to be taken up along with the audit of Receipts of the office. The provisions of Manual of Inspections (Civil) have to be followed in respect of audit of Expenditure.

The Service Books have also to be checked following the provisions of the O.A.D./Civil/Manual and orders issued by I.C.H. from time to time.

## CHAPTER VI

### AUDIT CHECKS AND AUDIT PROCEDURE IN GENERAL

**6.1.** The main object of audit of receipts from Mineral Revenue of the State Government is to see that all mineral revenues are correctly assessed, noted in the relevant registers and that amounts due from the holders are collected and remitted into the treasuries promptly. For this purpose, it is necessary to audit the records maintained in the following Offices of the Mines and Geology Department.

- (1) Director of Mines and Geology.
- (2) Joint Directors of Mines and Geology
- (3) Deputy Directors of Mines and Geology.
- (4) Assistant Directors of Mines and Geology.

**6.2. Checks to be conducted** —The nature of checks would depend on the procedure of levy, mode of collection, etc. Audit checks would be confined to a review of the registers, records and Accounts maintained by the department. Test check of individual cases and of the arrangements for reconciliation of departmental figures of receipts with those of the Treasury is also to be conducted. The checks to be conducted consist in seeing that Mineral Revenues etc., have been collected at the appropriate rates and in accordance with the procedures/formalities prescribed in the Acts/Rules/Government Orders. Non-fulfillment of statutory requirements, non-assessments, short assessments detected by the departments and cases of evasions of payment of Mineral Revenue should be pursued to finality. A test check of the challans of Mineral revenue remitted into the treasury is also to be carried out. Audit is to see that all orders in respect of waivers, refunds and exemptions of mineral revenue are covered by proper authority. The checks to the extent prescribed in this regard should be carried out.

**6.3. Audit to be conducted by trained personnel.**—To discharge these functions effectively, the members of the staff who are posted to the state Receipt Audit work must be thoroughly conversant with the processes and procedures relating to levy and collection of taxes and the loss and the rules governing such processes and procedures.

(C&AG. Lr. No. 40003-Rev. A/145-72. dt. 27-11-1972).

**6.4. Programme of Local Audit.**—The programme of local audit of Mines and Geology offices should be drawn up at least one month in advance before the commencement of the local audit.

**6.5. Composition of Local Audit Party.**—The State Receipt Audit party normally consists of two Section Officers / Assistant Audit Officers and one Auditor who are all trained personnel well acquainted with the Mineral Revenue Laws of the State and various accounts maintained by the departments. The supervision by a Gazetted Officer

should be so arranged that he may join the audit party towards the closing days of audit and discuss the local audit report with the head of the office inspected.

**6.6.1. Conduct of Audit:**--One the first day of Audit, the Senior Section Officer/ Assistant Audit Officers of the audit party should make out a statement showing the allocation of work among the party members and get this approved by the Inspecting Officer on his taking up the supervision of the party. Important items of work should be undertaken by the Section Officers / Assistant Audit Officers who should also review the previous local audit reports. The result of such review should be brought out by giving a gist of objections from previous inspection reports, indicating the reasons for the pendency of each para and the action taken thereon. The points for verification, if any, communicated by the Headquarters section should be looked into and the result reported to the Main Office. The supervision exercised by the Receipt Audit Officer should be particularly directed to seeing that the objections raised are fully supported by facts and rules, etc., and that no incorrect objection is allowed to creep in.

**6.6.2.** Audit memoranda of the Local Audit Report should be courteously worded in temperate language without issuing any directive to the departmental Officers which may be construed as encroaching on their administrative functions. The Audit Memorandum should bring out the omissions that appear to have occurred at the time of levy of taxes and a request should be made to verify the correctness of the audit observations and to take such action as deemed necessary under intimation to Audit. The tax involved, whether excess or short levy should be specifically mentioned, wherever possible.

**6.6.3.** The departmental officers should be requested to offer their remarks with reference to the Audit Memoranda issued and return the same in original within 3 days. It should be ensured by the field parties that the departmental officers do not give vague and evasive replies to the Audit Memoranda.

**6.6.4.** Diaries indicating details of work done on each day should be maintained by the Section Officers / Assistant Audit Officers and auditors of the inspecting parties in form SY-324 (Specimen is given below). Weekly extracts therefrom should be sent by the inspection parties to Headquarters Section through the Inspecting Officers where the duration of the audit exceeds seven working days. Diary SY-324 of Sri..... Section Officer/ Assistant Audit Officers Auditor for the week ending Saturday the.....

Date	Day of the week and hour of attendance	Name of the Dept. Office inspected	Details of work done
The.....		<u>Section Officer/ Assistant Audit Officers.</u>	
		Auditor.	
		Countersigned	
		Inspection Officer.	

( R.A.S.T.---VI/8-3-4/75-76, dated 30-7-1976)

**6.6.5.** The audit of contingent expenditure of Mineral Revenue Office etc., has been entrusted to State Receipt Audit branch with effect from 1-10-1973, along with the receipt audit of Mines and Geology Office. (C & A.G. Lr. No. 101/Rec. A/111/145-72-111, dated 18-4-1973).

The contingent audit of Mines and Geology Office should be conducted since last audit till the month previous to the month in which audit takes place and should not be confined to the years of receipt audit only which will be for specified years as per the intimation sent to the departmental Officers.

(S.R.A. (HQ)/Circular No. Lr-I/A. Misc. 75-76/10, dated 1-6-1975).

**6.7 Documents involved in suspected cases of frauds.**—The field parties need not bring the documents relating to the cases of suspected frauds to Headquarters for taking photostat copies. It is enough that a note of the document in question is taken and the matter is brought to the notice of the department wherever necessary.

(C.&A.G. Decision Communicated in S.R.A. (Headquarters) Circular No. 2-8/76-77, dated 3-9-1976).

**6.8. Omissions and mistakes in Framing Laws.**—The Comptroller and Auditor-General has opined that, as a matter of principle, comments focusing Parliament's/Legislature's omissions or mistakes in framing the laws need not be incorporated in the Audit Report. If, however, the provisions of law have led to consequences not intended at all by the policy underlying the law or a lacuna is being exploited by unscrupulous Tax Payers by way of legal avoidance, a draft para may be featured under "Other topics of interest" subject to the condition that no remedial action is under contemplation.

(No. 375/REC. A/IV/50-73, dt. 25-4-74 circulated in C.&A.G. Circular No.8 of 1974 circulated in S.R.A. Circular No. 10 dated 3-7-1974).

**6.9. Preparation and submission of Local Audit Report.**—

The following instructions have been issued for guidance in respect of preparation and submission of Local Audit Report.

- (i) The instructions contained in para 774 of Manual of Standing Orders (Technical) Volume I should be followed.
- (ii) The objections should be classified as follows:
  - (a) objections valued at Rs.30,000 and more should be registered in Part II-A.
  - (b) objections valued at Rs.5,000 and more but less than Rs.30,000 should be registered in Part II-B.

- (c) all other objections valued at less than Rs.5,000/- should be included in the Test Audit Note.
- (iii) The Local Audit Report should be written up by the Receipt Audit Officer himself in all cases where he supervises the party on the closing days of the local audit. In all other cases, the Section Officer/ Assistant Audit Officers may draft the report.
- (iv) There should be a proper marshalling of facts contained in the Half-margin and the facts should be arranged in logical sequence. Cogent arguments should be advanced in making a point and the conclusion arrived at should be convincing.
- (v) Field parties should be far as possible enclose copies of Government Orders or Judgements, extracts of rules etc., in the departmental manual etc., which may not be expected to be available in Headquarters Section (Vide Circular No. 7-A, dated 8/73 of S.R.A.Hqrs.).
- (vi) Annexures to the Local Audit Report should be serially numbered as I, II, III etc., giving reference to the relevant paragraph. The page number of the Annexure should be indicated against the concerned para.
- (vii) The rough notes including the Audit Memoranda and the report proper should be tagged separately and page numbered from bottom to top and not vice versa These should be arranged in the following manner:--
- (a) Forwarding note.
  - (b) Special note to the Headquarters Section, if any.
  - (c) Local Audit Report.
  - (d) Annexure referred to in Local Audit Report.
  - (e) Test Audit Note (Copy).
  - (f) Allocation of work, Half Margins and replies.
  - (g) List of Files etc., seen.
  - (h) Duplicate Half Margins and other rough sheets.
- (viii) Short recoveries of revenue due to Government made good on the spot at the instance of audit should nevertheless be included in a separate paragraph of Local Audit Report in cases where the individual amount is in excess of Rs. 100 so that they may be included in the Register of Audit Activity.

- (ix) Only real and sustainable objections supported by Cogent arguments and proper authority should be raised by the parties who should exhibit fair-play and impartiality in examining and appreciating the replies of the department.
  - (x) The parties should not draw conclusions without considering the reply given by the department. Differences, if any, should be settled before the paras are drafted which should contain accepted facts only.
  - (xi) The field parties should as far as possible go through their Local Audit Reports as edited by State Receipts Audit Head Quarters whenever time permits, when they go over to Head Quarters. (S.R.A.HQrs/Circular No.5, dt. 6-4-74).
  - (xii) The Local Audit Report should be despatched in covers addressed by name to the Section Officer / Assistant Audit Officer or Audit Officer, State Receipt Audit Head Quarters Section and not to the Senior Deputy Accountant General (State Receipt Audit). The report should be despatched so as to reach the Head Quarters Section within a week of the completion of the audit in order to ensure their safe receipt at the Head Quarters Section (S.R.A. HQrs./Reg/Hq/73-74/Circular No.27, dated January, 1974).
  - (xiii) (i) The Local Audit Report should be for the years in respect of which the receipts accounts were generally examined and text audit was conducted.  
(ii) The Local Audit Report should be in three parts as indicated below:  
Part I (a) Introductory para and (b) a gist of outstanding objections.  
Part II Major irregularities and important paras.  
Part III Minor objections and points.
- Note: - A gist of outstanding objections from previous Inspection reports is to be given in brief in para I (b) vide S.R.A. Circular 38, dt. 1-1-79.
- (xiv) A para relating to the records requisitioned but not made available to audit, if any, should invariably be incorporated in the Local Audit Report. (C. & A.G. Circular No. 306/Rec-A/IV/30-73, dt. 15-10-73. S.R.A. Hqrs. Circular No. 17, dated 8-11-1973).
  - (xv) The provisions of Manual of Inspections (Civil) for local audit of contingent expenditure of the Office should be followed and a separate Local Audit Report relating to expenditure audit should be sent along with the Local Audit Report for revenue receipts.

(S.R.A. (Hqrs.) O.O. No. 16, dt. 23-11-73 based on C. & A.G. Lr. No. 101/Rec-A/III/145/72/111, dt. 18-4-1973).

- (xvi) The certificate of verification of credits for selected months should be specifically recorded in the memorandum forwarding the Local Audit Report.

(S.R.A. (Hqrs.) Circular No. 28-A/74-75/23, dated 16-10-1974).

- (xvii) The departmental authorities are not required to give a list of remittances for which verification of credits with the Treasury Accounts is to be done. It is the duty of the field party to collect the required particulars for verification with the Treasury records with reference to Chitta and Challans available with department.

(S.R.A. (Hqrs.) Lr. I/IA/607, dt. 24-6-75).

- (xviii) The draft report should be discussed with the departmental officer and certificate as indicated below recorded on Part-I of the report before it is sent to the Head Quarters Section. No reply to Part-III is required as its disposal is watched during the next audit.

“Certified that the report has been discussed and that facts mentioned therein have been verified and found correct.”

**6.10.** Powers for settlement and dropping of objections: Accountant General delegated powers for settlement of objections as noted below. Units in SRA(Head Quarters) should follow the prescribed procedure in settling the objections. Once an objection is accepted by the Department and necessary demand is raised objection can be treated as settled without waiting for realisation of the demand or finalisation of appeals etc.,. The actual demand raised and the amount collected against the demand are to be verified in the next audit. This has to be ensured by noting such items in the Register of points for verification in next local audit by field parties.

The powers for settlement of objections

<u>Officer Designated</u>	<u>Powers for settlement</u>
SO/AAO	Rs.10000/-
AO / SR.AO	Above Rs.10,000/- but not more than Rs.50,000/-
Group Officer	Above Rs.50,000/- but not more than Rs.5,00,000

(Authority circular No:4 SRA(Has)/Genl/2001-02 dt:8.8.2001.

The power for dropping of objections

Audit officer ...upto Rs.1,000/-

Group officer ....upto Rs.25,000/-

Accountant General ....Full and unlimited powers.

Authority: circular No:928-Rec-A-IV/52-80 of CAG dt.9-8-84

**6.11. Duties of Head Quarters Section:** The Head Quarters Section should arrange to obtain Governments Orders, notifications, departmental circular instructions, clarification and Judgements of courts etc., affecting Mineral Revenue receipts and examine them. References to Government or Director of Mines and Geology should be made promptly whenever found necessary. Copies of important orders or circulars should be communicated to the Audit parties for their guidance. A review of the Audit Reports of the other States should also be undertaken and cases of important irregularities commented upon in those reports should also be communicated to the audit parties for their guidance.

The Head Quarters wing of State Receipt Audit (S.R.A.) should ensure the smooth discharge of the following functions:

- (i) Programming of audits including preparation of skeleton audit guidance notes:
- (ii) Training:
- (iii) Preparation and updating of manuals for such receipt audits as may be necessary:
- (iv) Receipt and processing of Local Audit Reports till approval and issue of the same:
- (v) Further pursuance of the reports by issuing reminders at suitable intervals and taking up the matter at the appropriate level at the proper time.
- (vi) Coordinating the activities of departmental audits so as to serve as a link, wherever necessary, with 'Central' or 'State' Audit or vice versa, as for example, if a certain receipt item has the effect of affecting receipt in another head it may be necessary to inform the other audit party and ensure proper checking.
- (vii) To deal with references from the Comptroller and Auditor General and collect all information required by the Comptroller and Auditor General on all aspects connected with receipt audits.
- (viii) To compile and make available to audit parties all circulars, instructions and other documents/reports necessary for local audit.

(Circular No.3 of 1973 from the C.& A.G.).

**6.12.** The Comptroller and Auditor General has prescribed the maintenance of the following registers:-

- (i) A list of Offices of Mines and Geology Department to be audited annually.

- (ii) A programme register showing the selected office etc., for the purpose of audit in a month, quarter or half year, as the case may be.
- (iii) A register to watch receipt of the Local Audit Reports from the audit parties and issue of the same to the department.
- (iv) An objection book with a register of adjustment in the prescribed form.
- (v) A register to show the progress of objection.

**6.13.** The Local Audit Report should be edited by the Head Quarters Section and issued after approval by Senior Deputy Accountant General. The report should be sent to the concerned officer with a request to send the replies through the controlling officers indicated below:

<u>Name of the Office</u>	<u>Controlling Officer</u>
(i) Director of Mines and Geology	Secretary to the Government of Andhra Pradesh (Industries and Commerce Department)
(ii) Joint Director, Deputy Directors, and Assistant Director of Mines and Geology	Director of Mines and Geology

**6.14.** “A statement of inspection reports pending for over six months in the prescribed form should be sent to the C. & A.G’s. Office every quarter”.

A quarterly report showing the offices from which even the first replies to the Local Audit Reports have not been received should also be communicated to the Head of the Department/ Government.

The Headquarter section will be responsible for processing the draft paras on Mineral Revenue receipts to be included in Receipt Audit Report. For this purpose, a separate register to watch the progress of the paragraphs to be proposed for inclusion in the Audit Report should be maintained. Paragraph with money value of more than Rs. 30,000/- only are to be proposed for audit report vide Comptroller and Auditor General’s letter No. 928 /REC-A-IV/ 52-80

Annexure – I  
Referred to in para 1.5  
THE FEES AND DEPOSITS COLLECTABLE WHILE GRANTING  
CERTIFICATE OF APPROVAL/LEASE ARE GIVEN BELOW

Description	Amount of fees Rs.	Authority
1.Application of prospecting license and its renewal	A non-refundable fee calculated in accordance with the processing of schedule –II	Rule 9(2)(a) of Mineral concession Rules,1960
2.Mining lease application or renewal	Non-refundable fee of Rs.2500/-	Rule 22(3) of MC Rules, 1960
3.Surrender of a part of lease hold for meeting the expenditure for purposes of survey and demarcation	Rs.200/-further sum of Rs.200/- to be paid when required to pay where the whole or any part of the amount deposited has not been expanded, it shall be refunded to the lessee	Rule 29(2) of MC Rules, 1960
4.Application for grant of quarry lease under APMMC Rules, 1966	Rs.1000/-	Rule 12 of APMMC Rules, 1966
5.Fees for preparation of plans and demarcation of the leased area	Fees as laid down in Rule 7 of APMMC Rules, 1966	Rule 7 of APMMC Rules,1966

**Deposits**

1. Before executing of prospecting license deed, an applicant for prospecting licence has to deposit security of Rs.2500 for every square kilometer or part there of and it is refundable if not forfeited.  
(Authority: Rule 20 of MC Rules 1960)
2. Application for Mining lease to be accompanied by a deposit of Rs.1000/-for meeting preliminary expenses.  
(Authority: Rule 22(3) (i-a)(ii) of M.C Rules, 1960)
3. An applicant for mining lease has to deposit Rs.10,000/- as security Deposit before lease deed is executed  
(Authority: Rule 32 of MC Rules,1960)
4. An applicant for grant of prospecting Licence (P.L) shall deposit a sum of Rs.10,000/- for every hectare or part there of before that licence deed is executed.
5. An applicant for grant of Quarry lease (Q.L) under Rule 5 of APMMC Rules, 1966 shall deposit as security a sum, equivalent to one year dead rent before the lease deed is executed.  
(Authority: Rule 14 of APMMC Rules, 1966)

## ANNEXURE -II

(Referred to in Para 3.4)

## ORGANISATIONAL SET UP OF THE DEPARTMENT OF MINES AND GEOLOGY.

## 1. Joint Director of Mines and Geology, Visakapatnam zone

Head Quarters : Visakapatnam  
 Jurisdiction : Srikakulam, Vijayanagaram  
 Visakapatnam, East Godavari  
 and West Godavari Districts

(a) Deputy Director of Mines and Geology, Visakhapatnam  
 Head Quarters : Visakapatnam  
 Jurisdiction : Srikakulam, Vizianagaram  
 and visakapatnam Districts

(b) Deputy Director of Mines and Geology, Kakinada  
 Head Quarters : Kakinada  
 Jurisdiction : East Godavari, West Godavari  
 and Krishna Districts.

Note: DD(M&G), Kakinada functioning under the control of both J.D(M&G) Visakapatnam and J.D.(M&G) Ongole with Jurisdiction control of East Godavari, West Godavari districts and Krishna districts respectively.

(c) Assistant Directors of Mines and Geology.  
 Located at 1.Srikakulam, 2.Tekkali,  
 3.Vizianagaram, 4.Visakapatnam  
 5. Anakapalli, 6. Rajamundry, and  
 7. Eluru .

## 2. Joint Director of Mines and Geology, Prakasam zone

Head Quarters : ONGOLE  
 Jurisdiction : Krishna, Guntur  
 Prakasam and Nellore Districts

(a) Deputy Director of Mines and Geology, Guntur  
 Head Quarters : Guntur  
 Jurisdiction : Guntur, Prakasam  
 and Nellore Districts

(b) Assistant Director of Mines  
 Located at 1. Vijayawada, 2. Nandigama, 3. Guntur,  
 4. Dachepalli, 5. Ongole, 6. Markapuram, 7. Nellore.

## 3. Joint Director of Mines and Geology, Kadapa zone

Head Quarters : Kadapa

Jurisdiction : Kadapa, Kurnool, Chittoor  
and Ananthapur Districts(a) Deputy Director of Mines and  
Geology, Kadapa

Head Quarters :Kadapa

Jurisdiction : Kadapa and Chittoor districts

(b) Deputy Director of Mines and  
Geology, Kurnool

Head Quarters :Kurnool

Jurisdiction : Kurnool and Ananthapur districts

(c) Assistant Directors of Mines  
and Geology.

Located at 1.Kadapa,2.Yerraguntla

3.Chittoor, 4.Palamaneru

5. Kurnool, 6. Banganapalli,

7. Ananthapur.and 8.Tadipatri

## 4. Joint Director of Mines and Geology, Hyderabad zone

Head Quarters : Hyderabad

Jurisdiction : Telangana Districts

(a) Deputy Director of Mines and  
Geology, Hyderabad

Head Quarters :Hyderabad

Jurisdiction : Hyderabad, Ranga Reddy,  
Nalgonda and Mahaboobnagar  
Districts(b) Deputy Director of Mines and  
Geology, Warangal

Head Quarters :Warangal

Jurisdiction : Warangal, Karimnagar and  
Khammam districts(c) Deputy Director of Mines and  
Geology, Nizamabad

Head Quarters :Nizamabad

Jurisdiction : Medak, Nizamabad, Adilabad  
districts(d) Assistant Directors of Mines  
and Geology.

Located at 1.Hyderabad,2.Tandur

3.Nalgonda, 4.Miryalaguda

5. Khammam, 6. Kothagudem,

7. Warangal,.8 Karimnagar, 9.Mancherial,

10 Medak 11.Mahaboobnagar 12. Nizamabad