

CHAPTER-7 : MINING RECEIPTS

7.1 Results of Audit

Test check of records in the offices of the Deputy Director of Mines and Mining Officers during 2001-2002 revealed non/short levy of royalty, surface rent, dead rent, interest and other irregularities of Rs.13.40 crore in 400 cases which may broadly be categorised as under:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1	Irregularities of miscellaneous nature	319	11.25
2	Non/short levy of royalty/surface rent/dead rent	59	1.94
3	Non/short recovery of interest and non-levy of interest	22	0.21
Total		400	13.40

During the course of the year 2001-2002, the department accepted under-assessment etc. of Rs.9.22 crore in 157 cases, which had been pointed out by audit in earlier years. Of these, the department recovered only Rs.2.16 lakh in 2 cases.

A few illustrative cases highlighting important audit observations involving Rs.2.74 crore are mentioned in the following paragraphs.

7.2 Suppression of stock of coal resulting in escapement of royalty

As per Mining Concession Rule, 1960 and the orders of the State Government in respect of assessment and realisation of royalty on ores/minerals, the details of opening balance, production, consumption and closing stock of ores/minerals are required to be exhibited in Form-'A' return to be submitted by the lessee every month to the mining circle along with other documents for the purpose of assessment of royalty on the ores/minerals. It had been judicially⁴⁸ held that removal of any mineral from the seam in the mine and extracting the same through the pit's mouth to the surface satisfy the requirement of section-9 of the Act and give rise to a liability for royalty.

Test check of records of 2 mining circles⁴⁹ (between December 2001 and February 2002) revealed that the lessee (M/s Mahanadi Coalfields Ltd.) in their audited accounts for the year 1999-2000 disclosed measured stock of 11.54 lakh MT of coal at mining sites as on 31 March 2000 as against the closing stock of 9.48 lakh MT of coal shown in their Form-'A' return resulting in suppression of 2.06 lakh MT of stock of coal. This led to avoidance of royalty amounting to Rs.1.04 crore.

On this being pointed out in audit (between December 2001 and February 2002), the Director of Mines, Orissa stated (May 2002) that demand notices have since been issued by the Deputy Director of Mines, Talcher while concerned project officers of M/s MCL under Deputy Director of Mines, Sambalpur have been asked to clarify the discrepancies.

The above matter was referred to Government (April 2002). No reply was received from Government (November 2002).

7.3 Non-realisation of dead rent/surface rent and interest thereon

As per Section 11(2) of the Coal Bearing Areas (Acquisition and Development) Act, 1957, right of mining lease acquired under the Act vests in the Government company and from the date of vesting, the company becomes a lessee of the State Government as for a mining lessee under the Mineral Concession Rules, 1960, and is liable to pay either dead rent or royalty, whichever is higher, at the rates fixed by the Central Government from time to time. In addition, surface rent is also payable under the Act. Interest at the rate of 24 *per cent* per annum is leviable for belated payment of dead rent and surface rent from the sixtieth day of the expiry of the due date till the default continues.

48 Civil appeal 3693-94 of 1998 dated 10.8.1998

49 Sambalpur and Talcher.

Test check of records of Mining circle, Sambalpur revealed (December 2001) that dead rent and surface rent of Rs.37.06 lakh has not been recovered from M/s. Mahanadi Coalfield Ltd. for the total area of 7516.263 hectare given on lease from April 1977 to March 2001. Besides, interest of Rs.63.15 lakh is also leviable.

On this being pointed out in audit (December 2001), it was stated by the Deputy Director of Mines, Sambalpur (April 2002) that delay in issuing demand was, due to non-identification of exact area occupied by the lessee. The Director of Mines stated (May 2002) that demand notices have since been issued on the basis of audit observation.

The above matter was referred to Government (February 2002 and April 2002). No reply was received from Government (November 2002).

7.4 Illegal operation of mines without approved mining plan

The Mines and Minerals (Regulation and Development) Act, 1957, provides that no person shall undertake any mining operation in any area except under and in accordance with the terms and conditions of a mining lease granted by Government under this act and rules made thereunder. Whenever any person violates the aforesaid conditions, working of the mine is to be considered unlawful and recovery of the minerals raised may be made or when such mineral has already been disposed of, the price thereof and the royalty may be realised.

Test check of records of Koraput Mining circle (November 2000) revealed that a lessee (M/s. Utkal Minerals) extracted illegally 7602.692 MT of graphite ore valued at Rs.45.62 lakh from 11th May 1999 to 4th June 2000 without approval of mining plan. The Department had directed not to undertake mining operation till approval of the mining plan. Thus for breach of condition, the lessee was liable to pay cost of the ore and royalty of Rs.46.12 lakh which was not demanded.

On this being pointed out in audit (November 2000), the Deputy Director of Mines, Koraput stated that factual information would be submitted after verification of records.

The above matter was referred to Government (April 2002). Government in their reply (August 2002) stated that the lessee submitted mining plan for approval in August 1998, therefore there was no violation of the provision of the Act for extraction of the mineral. The reply is not acceptable as the plan was approved on 5th July 2000 as such earlier mining operations were illegal.

7.5 Short levy of royalty on minerals due to beneficiation

Under Section-9 of the Mines and Minerals (Regulation and Development) Act, 1957, the holder of a mining lease is liable to pay royalty in respect of any minerals removed or consumed from the leasehold area at the rates specified in the Act. No loss or wastage is admissible under the Act, *ibid.* As per Government of India, Ministry of Mines notification (25 September 2000), when the processing is carried out within the leasehold area, royalty would be payable on processed minerals with effect from the date of notification.

Test check of records of Joda Mining circle, revealed (February 2002) that the lessee M/s Steel Authority of India Ltd. in respect of their Bolani Iron Mines had fed 12.24 lakh MT of unprocessed iron ore in their beneficiation plant and recovered therefrom 10.04 lakh MT of processed ore during the period from April 2000 to September 2000. The royalty was levied on 10.04 lakh MT of processed ore instead of royalty on 12.24 lakh MT of unprocessed ore resulting in short levy of royalty of Rs.18.72 lakh on 2.20 MT of ore.

On this being pointed out in audit (February 2002), Director of Mines, stated (September 2002), that demand for Rs. 18.72 lakh had been raised (August 2002).

The above matter was referred to Government (April 2002). No reply was received from Government (November 2002).

7.6 Non-levy of interest on belated payment of mining dues

Under the Mineral Concession Rules, 1960, as amended with effect from April 1991, in case of belated payment of dead rent, royalty or other mining dues, simple interest at the rate of 24 *per cent* per annum on the amount in default is chargeable from the 60th day of the expiry of the due date till the default continues.

Test check of records of Mining Officer, Baripada revealed (July 2001) that interest of Rs.4.61 lakh on belated payment of royalty in 3 cases was not levied during the period 1998-99 to 1999-2000.

On this being pointed out in audit (July 2001), the Mining Officer, Baripada stated that action would be taken to realise the demand after verification of the records.

The above matter was referred to Government (April 2002). No reply was received from Government (November 2002).