

## CHAPTER-VII : MINING RECEIPTS

### 7.1 Results of Audit

Test check of records in the offices of the Deputy Director of Mines and Mining Officers during 2002-2003 revealed non/short levy of royalty, surface rent, dead rent, interest and other irregularities of Rs.4.64 crore in 95 cases which may broadly be categorised as under:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1	Irregularities of miscellaneous nature	75	3.33
2	Non/short recovery of interest and non-levy of interest	8	1.03
3	Non/short levy of royalty/surface rent/dead rent	12	0.28
<b>Total</b>		<b>95</b>	<b>4.64</b>

During the course of the year 2002-2003, the department accepted under-assessment etc. of Rs.3.51 crore in 226 cases, which had been pointed out by audit in earlier years. Of these, the department recovered only Rs.0.91 crore in 115 cases.

A few illustrative cases highlighting important audit observations involving Rs.2.15 crore are discussed in the following paragraphs.

## **7.2 Non/short realisation of royalty**

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 mineral removed or consumed from the leasehold area at the rates specified in the Act. As per mining concession rules, 1960 and the orders of the State Government, 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 in every month for the purpose of assessment of royalty. No reduction of royalty towards shortage/wastage of ores/minerals is admissible. As per Government of India, Ministry of Mines notification on 25 September 2000 royalty would be payable on processed minerals when the processing is carried out within leasehold area.

### **(a) Non-realisation of royalty**

Test check of records of Sambalpur Mining Circle revealed (December 2002) that the lessee M/s Industrial Development Corporation Ltd. (IDC Ltd.), in respect of Dungri Lime Stone Mines, exhibited opening balance of 77,812.630 MT of lime stone in Form 'A' return for February 2002 as against the closing balance of 1,22,400.677 MT in Form 'A' return for the month of January 2002 resulting in shortage of 44,588.047 MT of lime stone. The Mining Officer failed to detect the shortage. This resulted in non-recovery of royalty of Rs.17.84 lakh.

On this being pointed out, Deputy Director of Mines, Sambalpur accepted audit observation and stated in April 2003 that steps would be taken to recover the royalty for the shortage. Further development was awaited (August 2003).

The matter was brought to the notice of Director of Mines/Government in March 2003; their reply was awaited (November 2003).

### **(b) Short levy of royalty due to beneficiation of ore**

Test check of records of Joda Mining circle revealed that 8 lessees had fed 8,60,911.277 MT of high grade lump Iron ore to the beneficiation/processing plant for sizing and recovered therefrom 8,60,904.957 MT of lump and balance quantity of fine ores of similar grades from April 2000 to 24 September 2000. The lessees paid royalty at a lower rate on inferior quality/quantity recovered after beneficiation instead of at a higher rate applicable to the quality/quantity removed from the seam. This resulted in loss of royalty of Rs.14.31 lakh.

On this being pointed out in audit in February 2002, Department stated in October 2002 that demand had been raised in May 2002 against the lessees. Position of recovery was awaited (August 2003).

The matter was brought to the notice of Government in March 2003; their reply was awaited (November 2003).

### 7.3 Non levy of interest on belated payment of mining dues

Under the mineral concession Rules, 1960 as amended from time to time, in case of belated payment of dead rent, royalty or other mining dues, simple interest at the prescribed rate<sup>59</sup> for the amount in default is chargeable from the 60th day of the expiry of the due date, for the period of default.

Test check of records of 3 mining circles<sup>60</sup> revealed that interest amounting to Rs.94.20 lakh on belated payment of royalty and dead rent in 4 cases was not levied.

On this being pointed out, the department raised the demand of Rs.14.34 lakh in two cases and Deputy Director, Mines, Rourkela stated in December 2002 that the matter would be examined. Further action in this matter was awaited (August 2003).

The matter was brought to the notice of Government in March 2003; their reply was awaited (November 2003).

### 7.4 Blocking of revenue due to non-disposal of seized ores

The Government of Orissa in September 1977 framed Rules for auction sale of surplus and unserviceable mineral stores. Further, Government of Orissa, Steel and Mines Department in their order of March 1998 had stipulated that all kinds of ores and minerals seized in the field should be disposed off within 3 months.

Test check of records of three Mining circles<sup>61</sup> revealed that 4106.493 MT of Manganese Ore and 218 MT of Chromite Ore seized during the period 1996-97 to 2001-02 had not been disposed of by the Department although a period of 1 to 6 years had passed against the period of 3 months prescribed for disposal. Thus, inordinate delay in disposing of the seized materials led to blocking of Government revenue to the tune of Rs.89.00 lakh.

On this being pointed out in audit, the Deputy Directors of the circles stated that as per the instructions of Government/Director of Mines issued in January 2002, the seized materials were to be handed over to M/s Orissa Mining Corporation Ltd. But despite repeated pursuance, the seized materials were not taken over by them. Reply was not tenable as these Government instructions were effective only from January 2002 and seized material could have been disposed of within 3 months of seizure between 1996-97 and 2001-02.

The matter was brought to the notice of the Department/Government in March 2003; their reply was awaited (November 2003).

<sup>59</sup> 10% w.e.f. 22 July 1976, 15% w.e.f. 02 October 1982 and 24% w.e.f. 01 April 1991.

<sup>60</sup> Rourkela, Koira and Bhawanipatna.

<sup>61</sup> Joda, Koira and Talcher.