

## CHAPTER-VI - OTHER DEPARTMENTAL RECEIPTS

### 6.1 Results of audit

Test check of records of concerned departmental offices conducted in audit during the year 2003-04 disclosed short realization/loss of revenue of Rs. 58.15 crore in 29 cases which fall under the following broad categories:

(Rupees in crore)

Sl.No.	Categories	No. of cases	Amount
	MINES AND MINERALS DEPARTMENT		
1.	Review on Receipt from Mines and Minerals	1	57.03
	<b>Total</b>	<b>1</b>	<b>57.03</b>
	PUBLIC WORKS DEPARTMENT		
1.	Short levy of stamp duty	6	0.05
2.	Other irregularities	22	1.07
	<b>Total</b>	<b>28</b>	<b>1.12</b>
	<b>Grand Total</b>	<b>29</b>	<b>58.15</b>

An illustrative case and one review on "**Receipt from Mines and Minerals**", involving Rs. 57.35 crore are given in the succeeding paragraph:

### 6.2 Review on Receipt from Mines and Minerals

#### Highlights

- Acceptance of bid lower than minimum reserve price in Hamirpur and Fatehpur Tehsil resulted in loss of Rs.12.09 crore. **(Paragraph 6.2.8)**
- Non-levy of stamp duty on royalty and misclassification resulted in loss of Rs. 1.44 crore on account of stamp duty. **(Paragraph 6.2.11)**
- The DDOs of divisions of PWD/RES/DRDA had neither verified payment of royalty on collection of stone boulders nor realised royalty from contractors which resulted in loss of revenue of Rs.7.23 crore. **(Paragraph 6.2.16)**

#### Introduction

**6.2.1** Under the provisions of Uttar Pradesh Mines and Minerals (Concession) Rules (UPMMC Rules), 1963 made under the provisions of The Mines and Minerals (Regulation and Development) Act (MMRD), 1957, royalty, dead rent, stamp duty and trade tax are levied at specified rates fixed by the government from time to time. At present four minor minerals are extracted viz. Sandstone, Quartzite, Granite and Dolomite stone in the state. Besides stone sand, morum and brick earth are also available. In case of major mineral only coal is produced.

#### Organizational Set up

**6.2.2** The Director, Geology and Mining, Uttar Pradesh, Lucknow is head of the Geology and Mining Department entrusted with the responsibility of supervision and overall control. He is assisted by four Regional Directors, four District Mines Officers besides Geologists and Inspectors. At district level, District Magistrate (DM) is the controlling officer. The mining offices are generally headed by Additional District Magistrate (ADM) who exercises the process of auction of mines, execution of agreements/lease deed and control

over levy and collection of royalty etc under the administrative control of the District Magistrate. The mining offices are base units located in each district.

### **Audit Objectives**

**6.2.3** A review was conducted with a view to ascertain whether:

- Mining leases are granted as per prescribed procedure/system
- The royalty and other taxes (stamp duty and trade tax) are being collected as Act and Rules and
- Penal provisions have been invoked.

### **Scope of Audit**

**6.2.4** A detailed scrutiny of records of the Director, Geology and Mining, 23\* out of 70 District Mines Offices (DMOs) and test check of divisional offices of Public Works Department (PWD), Rural Engineering Services (RES) and District Rural Development Agency (DRDA) for the period 1998-1999 to 2002-2003 was conducted from July 2003 to April, 2004. The findings are given in succeeding paragraphs.

### **Trend of Revenue Receipts**

**6.2.5** The position of Budget Estimates (BEs) and actual under the head receipt from Non-ferrous Mining and Metralurgical Industries for the years 1998-99 to 2002-03 is given as under:

(Rupees in crore)

Years	Total revenue of the state	Budget estimates	Actual revenue realised	Percentage of total revenue	Variation (-) Shortfall (+) Excess	Percentage (-) Shortfall (+) Excess (in %)
1998-99	9,387.37	300.00	145.81	1.55	(-) 154.19	(-) 51.40
1999-00	11,412.65	200.00	180.17	1.58	(-) 19.83	(-) 9.92
2000-01	12,924.65	200.00	196.44	1.52	(-) 3.56	(-) 1.78
2001-02	12,175.89	240.00	190.19	1.56	(-) 49.81	(-) 20.75
2002-03	14,697.30	250.00	262.54	1.79	12.54	5.02

It is evident from the above that shortfall in actuals in relation to BEs during 1998-99 to 2001-02 ranged between (-) 51.40 per cent and (-) 1.78 per cent whereas there was excess (5.02 per cent) realisation over BEs during the year 2002-03. The excess realisation was due to the fact that rate of royalty was revised from April 2001. It is however, seen that inspite of the rates being revised from April 2001, the actual revenue realized was less than the budget estimates. It shows that either estimates were unrealistic or the government had not made efforts to achieve the targets. Reasons for substantial variations during the years 1998-99 and 2001-02 though called for have not been furnished.

### **Position of Arrears**

**6.2.6** Under the provisions of MMRD Act, government dues may be recovered as arrears of land revenue. The procedure for recovery is laid down in Revenue Recovery Act, 1890.

\* Sonebhadra, Mirzapur, Banda, Mahoba, Jhansi, Lalitpur, Allahabad, Chitrakoot, Faizabad, Gorakhpur, Bareilly, Muzaffar Nagar, Moradabad, Saharanpur, Lucknow, Kanpur, Etawah, Bulandshahr, Ghaziabad, Fatehpur, Hamirpur, Pilibhit and Azamgarh.

During test check of the records of the Director, Geology and Mining, UP, Lucknow it was noticed that the Directorate did not prescribe any mechanism through which the position of arrears in the state could be ascertained at regular intervals. As per the information furnished by the Directorate, only the position of arrears of 31 DMOs could be collected by the end of March 2003 and as per that information arrears of Rs.23.17 crore were pending collection at the end of March 2003.

#### **Non-execution of lease of river sand**

**6.2.7** Under the provisions of UPMMC Rules read with Government order dated 2 November 2002, the DMOs were required to conduct survey of the area, prepare lots as per local conditions and wide publicity before auction for convenient extraction of sand.

During test check of records of six DMOs,<sup>⊗</sup> it was noticed that out of 47238.56 acre of available area the Government could auction only 6196.69 acre during 1998-99 to 2002-03 due to non-publicity, non-preparation of small lots and non-finalisation of cases in time.

After this was pointed out in audit, the Department stated (September 2004) that the vacant area could not be leased/auctioned due to restriction by the Court. The reply is not tenable because vacant areas taken into consideration by audit where those which were neither leased prior to restriction by the Court nor auctioned after the vacation of the Court order. Further reply is awaited (November 2004).

#### **Loss due to acceptance of lower bid**

**6.2.8** In respect of area declared for grant of lease by auction/tender, the DM or the Committee constituted by the DM for the purpose at district level shall at least thirty days before the last date of submission of tenders, invite tender by publishing a tender notice in a daily Hindi news paper having circulation in the district, in which the areas are situated. The tender would be awarded to the person offering the highest sum and he will have to deposit 25 per cent of the amount offered in the tender immediately as security money. Rule 68 of UPMMC says that state government can relax rules by recording the reasons in the interest of the mineral development.

The Government vide order of November 2002, fixed minimum reserve price for Tehsil Hamirpur of Rs.4.02 crore and Rs.1.31 crore for Tehsil Fatehpur for auction of river sand in district Hamirpur and Fatehpur for the year 2003-04 to 2005-06. Tenders for auction of river sand were called and the maximum bid came to Rs.1.91 crore and Rs.0.61 crore against the minimum reserve price of Rs.4.02 crore and 1.31 crore respectively. In case of district Hamirpur, the DM requested the Government not to accept such a lower bid and in case of Fatehpur no recommendations were made. However, the Government accepted the lower bids in March 2003 in both the cases without recording any reason for acceptance of lower bids resulting in a loss of Rs.12.09 crore on account of royalty, trade tax and stamp duty.

After this was pointed out in audit, the Department accepted the observations and stated (September 2004) that concerned District Magistrate has been requested for his comments. Further progress is awaited (November 2004).

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<sup>⊗</sup> Gorakhpur, Mirzapur, Lucknow Banda, Allahabad & Muzaffarnagar

**Loss due to delay in execution of agreement**

**6.2.9** UPMMC Rules provide that lease deed in form MM-6 in respect of auction shall be executed within one month of the acceptance by the bidder or the tenderer as the case may be.

During test check of the records of the DM, Bulandshahar, it was noticed that river sand were settled through auction December 2002 for Anupshahar, Debai and Syana Tehsils. However, the agreements in the case of Anupshahr and Debai were executed in December 2003 and January 2004 respectively whereas it has not been executed in the case of Syana so far. Due to delay/non-execution of agreement in all these cases, mining work was either could not be carried out or carried out after a delay ranging from 12 to 13 months and further which has resulted in loss of revenue of Rs.1.89 crore which include royalty of Rs.129.49 lakh, trade tax of Rs.28.49 lakh and interest of Rs.31.08 lakh.

After this was pointed out in audit, the Department accepted the observation and stated (September 2004) that due to delay in execution of agreement there may be some loss of revenue. Further progress of recovery is awaited (November 2004).

**Loss due to non-payment of royalty by brick kiln owners**

**6.2.10** Revenue loss due to non-payment of royalty by brick kiln owners was reported in the C&AG's Audit Report for the year ended March 1998. While discussing this report, the PAC expressed its displeasure on the failure of the Government due to non-payment of royalty by brick kiln owners. Consequent to the observations made by PAC over the revenue loss, the Chief, Secretary, Uttar Pradesh issued instructions in December 2000 to obtain a list of brick kiln owners from District Trade office and compare it with the records of the Accountants of crop survey so as to detect the number of brick kilns being run without valid mining permits avoiding payment of royalty.

Test check of records of 9 Districts<sup>↓</sup> revealed that 2454 brick kilns had been running without obtaining proper permit from the department during the period 1999-2000 to 2002-03 as per cross check of the records of Mines Department (3537) and the list prepared by trade tax department (5991) resulting in a loss of revenue to Rs.5.35 crore as detailed in Appendix-XIV.

After this was pointed out in audit, the Department accepted the observation and stated (September 2004) that concerned District Magistrates have been requested to recover the amount. Further progress is awaited (November 2004).

**6.2.11 Short-levy of Stamp Duty**

- Under the provisions of Indian Stamp Act read with UPMMC Rules stamp duty is payable on dead rent or royalty whichever is higher. The Indian Stamp Act authorises the Collector to estimate the probable

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<sup>↓</sup> Gorakhpur, Bareilly, Mirzapur, Lucknow, Kanpur, Muzuffarnagar, Bulandshahar, Saharanpur and Allahabad.

amount of royalty in cases where royalty becomes the consideration for the lease.

During test check of records of four DMOs<sup>↓</sup> it was noticed that in 141 cases, the Department had executed and registered the lease deeds during the period 1998-99 to 2002-03 for extraction of stone ballast/boulder based on dead rent and stamp duty of Rs.18.78 lakh was levied on dead rent instead of levy of stamp duty of Rs.46.86 lakh on royalty paid as per the provisions of the Act. This has resulting in short-levy of stamp duty of Rs.28.08 lakh as detailed in Appendix-XV.

- Indian Stamp Act, 1899 provides that where the lease is granted for a fine or premium or for money advanced and where no rent is reserved, stamp duty on such lease is chargeable under article 35 (b) of schedule 1 (B) to the Act. As per the provisions of the Act, the stamp duty would be levied for a consideration equal to the amount or value of such fine or premium or advance as set fourth in the lease.

During test check of the records of DM, Jhansi and Ghaziabad it was noticed that 108 instruments of mining lease deeds of stone ballast and three leases of river sand were executed during April 1998 to March 2003 in case of Jhansi and in October 2003 in case of Ghaziabad on which stamp duty of Rs.39.25 lakh was leviable as per provisions of the Act against which stamp duty of Rs.15.20 lakh was only levied due to misclassification. This resulted in short levy of stamp duty of Rs.24.05 lakh. On this being pointed out the DMs stated that recovery would invariably be made in all cases.

- Under Article 35 of Schedule 1 - 'B' of Indian Stamp Act, 1899 the stamp duty on a lease or on an agreement to lease is chargeable on the same rates. While computing the period of lease, the expressed period of lease and period of agreement to lease is to be clubbed for the levy of stamp duty. Section 47-A (3) of the Act levies one and a half per cent of interest on short levy of stamp duty.

During test check of records of three DMOs<sup>\*</sup>, it was noticed that six lease deeds were registered in favour of certain individuals/institutions but the registering authorities did not compute the period of lease as per provisions of Act as the total period of lease was not taken into consideration while computing the stamp duty. This resulted in short levy of stamp duty of Rs.91.93 lakh including interest as detailed below.

(Rupees in lakh)							
Name of the Districts	Amount of royalty on which stamp duty to be levied	Stamp Duty leviable	Royalty on which stamp duty levied	Stamp Duty levied	Short levy of stamp duty	Interest leviable	Total loss of revenue
Saharanpur	1,062.58	85.00	321.05	25.79	59.21	10.66	69.87
Muzaffarnagar	49.65	3.97	15.00	1.20	2.77	0.50	3.27
Bulandshahar	288.70	23.10	87.22	7.18	15.92	2.87	18.79
<b>TOTAL</b>		<b>112.07</b>	<b>423.27</b>	<b>34.17</b>	<b>77.90</b>	<b>14.03</b>	<b>91.93</b>

After this was pointed out in audit, the Department accepted the observations and stated (September 2004) that action was being taken. Further progress is awaited (November 2004).

#### Loss due to short deposit of Trade Tax

<sup>↓</sup> Mirzapur, Banda, Allahabad, Jhansi

<sup>\*</sup> Saharanpur, Muzaffarnagar and Bulandshahar

**6.2.12** To safeguard the revenue interest of the state, the Government vide their order of December 2000 requested all the DMs to instruct their subordinate officers not to issue passes for removal of entire minerals to the leaseholders at one time. The passes were required to be issued in installments for removal of 25 per cent of minerals at a time and further issuance at the same rate only after obtaining certificate of clearance of trade tax dues from trade tax department. Trade tax at the rate of 22 per cent was leviable on royalty.

During test check of the records of the DMOs, Saharanpur and Ghaziabad, it was noticed that passes for removal of minerals were issued to contractors involving royalty of Rs.486.98 lakh without obtaining trade tax clearance certificates from trade tax department. Trade tax payable on the minerals removed by these contractors worked out to Rs.107.13 lakh against which an amount of Rs.9.20 lakh only was found to have been deposited thereby resulting in short deposit of trade tax of Rs.97.93 lakh.

After this was pointed out in audit, the Department accepted the observation and stated (September 2004) that action was being taken to recover the amount. Further progress is awaited (November 2004).

#### **Non-levy of penalty due to non-observance of Environmental Act**

**6.2.13** Under the provisions of UPMMC Rules and other administrative orders of the Director, Geology & Mining, UP, each lease holder of a mine is required to prepare a Mine Plan duly approved by the Director, Geology and Mining Lucknow. This Mine Plan is necessary not only for planned and scientific mining but also to protect environment. Further, the Environment Protection Act, 1986 provides that whoever fails to comply with or contravenes any of the provisions of this Act, or the rules made or orders or directions issued there under, shall in respect of such failure or contraventions be punishable with imprisonment for a term which may extend to five years or with fine, which may extend to one lakh rupees or with both and in case of failure or contravention continues with an additional fine which may extend to five thousand rupees for every day during which such failure or contravention continues after the conviction for the fresh such failure or contravention. As per Mine plan the mining authorities were required to stop the mining if plantation was not done.

During test check of the records of eight District Mines Offices\*, it was noticed that about 1720 leaseholders were currently operating mining in these districts but no plantation was done by any of the leaseholders. The DMOs had not maintained any record regarding plantation being done by the lessees. Out of above 200 leases of stone ballast were executed in Sonebhadra and Mirzapur during 1998-99 to 2002-03, 31 cases were examined in detail. The Department claimed that it had issued necessary instructions in this regard but failed to show any record of plantation being carried out by the lessees during the period. Neither the DMOs have stopped mining activities nor the cases were referred to environment department for imposing penalty. Minimum penalty at the rate of Rs. one lakh per lessee amounting to Rs.17.20 crore remained unlevied.

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\* Sonebhadra, Mirzapur, Banda, Allahabad, Chitrakoot, Jhansi, Mahoba and Lalitpur

After this was pointed out in audit, the Department accepted the observation and stated (September 2004) that action was being taken against lease holders. Further progress is awaited (November 2004).

#### **Loss of interest on belated payment of royalty**

**6.2.14** UPMMC Rules provides that State Government after issue of notices to any leaseholder to pay within thirty days the payment of royalty or dead rent. In case of non-payment the State Government reserves the right to realize such dues from lessee as arrears of land revenue. As per the provisions made under these rules, simple interest at the rate of 24 per cent per annum may be charged.

During test check of records of 7 DMOs<sup>1</sup>, it was noticed that royalty of Rs.26.17 lakh was paid between April 1998 and November 2002 after a delay ranging from 2 to 54 months in 148 cases resulting in loss of interest Rs.11.58 lakh.

After this was pointed out in audit, the Department accepted the observation and stated (September 2004) that concerned District Magistrates have been requested to recover the amount. Further progress is awaited (November 2004).

#### **6.2.15 Non-realisation of penalty for unauthorised mining**

- Under the provisions of UPMMC Rules whoever contravenes the provisions of mining operations, shall on conviction be punishable with imprisonment of either for a term that may extend up to six months or with fine, which may extend to one thousand rupees, or both. Section 21 (5) of MMRD provides that whenever any person raises, without any lawful authority, any mineral from any land, the state government may recover from such person the mineral so raised, or where such mineral has already been disposed of, the price thereof, and may also recover from such person, rent, royalty or tax, as the case may be for the period during which the land was occupied by such person without any lawful authority.

During test check of records of DMOs, Sonbhadra and Mirzapur, it was observed that 64 cases of unauthorised mining were found on which an amount of Rs.1.03 crore was imposed on account of royalty and Rs.0.64 lakh on account of penalty during the period 1998-1999 to 2002-2003. The department had failed not only to realise the amount of penalty but also failed to recover the cost of material resulting in loss of Rs.1.67 crore (July, 2003).

- UPMMC Rules provides that the DMOs or the officer of the Directorate of Geology & Mining, Uttar Pradesh may inspect or see records or measure stock of mineral lying at any mine or conduct surprise raids.

Test check of records of Director, Geology and Mining revealed that the Department conducted raids during the year 2002-2003 and detected 4623 cases of unauthorised mining involving Rs.10.76 crore and issued notices to the defaulters for payment of royalty. As against the demand of Rs.10.76 crore, an amount of Rs.1.70 crore was realised up to March 2002. However

<sup>1</sup> Mirzapur, Bareilly, Lucknow, Allahabad, Chitrakoot, Mahoba & Jhansi

the department failed to initiate action to recover the dues of Rs.9.06 crore as arrears of land revenue.

After this was pointed out in audit, the Department accepted the observation and stated (September 2004) that matter is under consideration and concerned District Magistrates have been requested to recover the amount. Further progress is awaited (November 2004).

#### **6.2.16 Non-realisation of Royalty on collection of stone boulders/earth**

- Under the provisions of UPMMC Rules read with Government order of September 1988, royalty on stone ballast/boulder is required to be paid by department/contractor/consumer. The Governments vide their circulars (February 2001 and 5 August 2002) clarified that each Drawing and Disbursing Officer (DDO) is responsible for realising of royalty, if the contractor does not produce royalty receipt in form MM-11 or form 2 'C'. The rate of sand stone and granite was Rs.15 and 30 per cubic metre respectively up to 31 March 2001 and Rs.23 and 30 respectively since April 2001.

Cross verification of records of 13 DMOs with records of 22 divisions/offices<sup>2</sup> relating to mining procurement of boulders/stone ballast etc revealed that construction divisions of PWD<sup>†</sup>/RES<sup>‡</sup>/DRDA<sup>§</sup> collected 4.35 lakh cubic meter boulders through contractors but no verification of payment either verification of payment of royalty at quarry through MM-11 or Form 2 'C' was made by the DDOs resulting in loss of revenue of Rs.4.98 crore during the period 1998-99 to 2002-2003 as detailed in Appendix-XVI.

- Government of Uttar Pradesh vide order of May 1995 included earth as minor mineral in the schedule 1 under rule 21 of UPMMC Rules. The Government of India had also declared ordinary earth as minor mineral vide their notification of February 2000. The rate of royalty on earth has been fixed at Rs. four per cubic meter.

Cross verification of records of 17 DMOs with records of 33 divisions/offices<sup>3</sup> relating to collection and utilisation of earth revealed that construction divisions of PWD/RES/DRDA collected and utilised 56.16 lakh cubic meter of earth but deduction of amount of royalty from contractors bills was not made by the DDOs which resulted in loss of revenue to Rs.2.25 crore during the period 1998-99 to 2002-2003 as detailed in Appendix-XVII.

After this was pointed out in audit, the Department accepted the observation and stated (September 2004) that concerned District Magistrates have been

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<sup>2</sup> NH & PD PWD, Faizabad, PD, CD-I and NH PWD Gorakhpur, PD & NH Bareilly, CD-II PWD Lucknow, DRDA, Banda & Chitrakoot, CD-I Muzaffarnagar, RES, Saharanpur, RES, Etawah, RES, Fatehpur, DRDA, Etawah, PD, Etawah, CD, Fatehpur, CD, Ghaziabad, PD, Bulandshahr, PD, Moradabad, CD-II, Moradabad, CD-I, Moradabad

<sup>†</sup> Public Works Department

<sup>‡</sup> Rural Engineering Services

<sup>§</sup> District Rural Development Agency

<sup>3</sup> PD, PWD Faizabad, PD, CD-I & NH Gorakhpur, PD, CD-II & NH Bareilly, PD & RES Sonebhadra, CD-II & ID sharda-II Lucknow, DRDA, Hamirpur, Banda, Chitrakoot, Mahoba, Jhansi and Lalitpur, Etawah, RES, Hamirpur, Jhansi, Lalitpur, Saharanpur, Fatehpur, Etawah, PD & CD, Chitrakoot, CD, Saharanpur, CD-I, Muzaffarnagar, PD, Etawah, CD, Fatehpur, CD, Ghaziabad, CD, Bulandshahr, PD, CD-II, Moradabad.



requested to recover the amount. Further progress is awaited (November 2004).

#### **Non creation of Mineral Development Fund**

**6.2.17** The Government of Uttar Pradesh has made provisions for creation of Mineral Development Fund in its Mineral Policy 1998. This fund was to be created from five per cent of the total revenue earned during the year which was to be utilised for the purpose of purchase of equipments for research and development, preparation of reports and analysis of data through computer for the utilisation of the consumers/entrepreneurs, creation and development of infra structure and creation of mineral estates and implementation of welfare schemes for Mallah community.

During test check of the records of Director, Geology & Mining, Lucknow, it was noticed that Mineral Development Fund was not created by the Department so far (April 2004). The total revenue of the department of the last five years from 1998-99 to 2002-03 comes out to Rs.975.15 crore out of which five per cent of the revenue amounting to Rs.48.76 crore was to be transferred to this fund. However, this amount was not transferred to this Fund.

After this was pointed out in audit, the Department accepted the observation and stated (September 2004) that efforts are being made to open the account. Further progress is awaited (November 2004).

#### **Improper monitoring in handling of Coal**

**6.2.18** Under the provisions of MMC Act, 1960, a Corporation of Government of India is extracting coal from four coalfields in Uttar Pradesh (Bina, Khadia, Dudhichua and Kakri). The company is producing 'C', 'D' and 'E' grade of coal and accordingly paying royalty due on the quantity dispatched.

During test check of records of DMO, Sonebhadra, it was noticed that DMO is not aware of the date of starting of mining, date of expiry of lease, area of each mine, estimated quantity to be extracted and quality of the coal and procedure of dispatch etc. No officer of Department has ever inspected the site to verify its actual production, quality certification and dispatch. Only records of the royalty deposited by coal fields itself are maintained. It shows the poor monitoring of the Department which has left the Company to render its statement at their liberty without any control.

#### **Internal Control System**

**6.2.19** The entire process of collection of royalty, taxes and fees are administered and monitored by the Government through district administration. The Director, Geology and Mining, Uttar Pradesh, Lucknow maintains a record of royalty as communicated by the concerned authorities. The DMOs/Geologists/Asstt.Geologists/Inspectors posted in districts are empowered to make surprise inspection and assessment of royalty of the mining areas from time to time to check the unlawful extraction of minerals and to ensure that actual royalty is paid and mining activities are carried out as per the provisions of the Act/Rules.

It was noticed in audit that internal control mechanism was not functioning well, with the results following irregularities were noticed.

- Some MM-11 passes were neither being taken back nor reconciled in most of the test checked districts.
- Production of minerals was not being carried out as per Mine Plan in all the districts.
- No efforts were made to protect environment either by leaseholder or by authorities concerned.
- The figures of arrears of revenue (royalty, penalty, fees etc. state are not known at directorate level.
- The payment of trade tax by the lessee is not verified before issue of MM-11 passes.
- The department had failed to check unauthorise mining.

Based on the above findings due to non-observance of provisions of Act/Rules, loss of revenue of Rs. 65.80 crore in shape of non/short levy of royalty, stamp duty, trade tax, penalty and interest etc. was noticed in audit.

#### **6.2.20 Recommendations**

It is recommended that:

- Strict compliance of provisios of Act/Rules be enforced.
- Strengthen Internal Audit Wing for better financial control/management.
- Enforce provisions of the Act for the improvement of the environment.
- Unauthorised mining should be strictly dealt with.

### **PUBLIC WORKS DEPARTMENT**

#### **6.3 Non-realization of royalty on collection of stone boulders**

Uttar Pradesh Mines and Minerals (concession) Rules, 1963 provides that stone ballast/grits shall be obtained by the contractor of Public Works Department from quarry only on payment of royalty to the Mining Department at prescribed rates. The Government had clarified in September 1988 and 5 August '2002, that the Public Works Department, before making payment to the contractor should ensure that the contractor had made payment of royalty to the Mining Department. Further, contractor was to furnish a royalty receipt (MM-11) from Mining Department, failing which amount of royalty was to be recovered from his bill. The minimum rate of royalty on stone ballast was Rs. 15 per cubic metre till March 2001 and Rs. 23 per cubic metre from 1st April '2001.

Test check of records of four offices<sup>∇</sup> of the Public Works Department, revealed in December '2002 that during the period from April '1999 to March '2002, 1.92 lakh cubic metre of stone ballast was supplied by the contractor for construction work on a lump sum rate which included cartage, royalty and other taxes but before making payment neither verification of payment of royalty at quarry through - MM-11 nor deduction of the amount of royalty was

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<sup>∇</sup> CD-I, Lucknow, P.D., Lucknow, P.D., Kanpur Dehat and P.D., Kanpur city.

made from their bills. Non compliance of above instructions resulted in loss of revenue amounting to Rs. 31.95 lakh.

After this was pointed out in audit, the Government stated (October 2004) that imposition of responsibility of recovery of royalty is not provided to Public Works Department under any Act/Rules. The reply is not tenable because Government order (August 2002) issued by Chief Secretary, U.P. was mandatory to be observed by the Public Works Department and ensure that the contractor had made payment of royalty to the Mining Department.

**Lucknow,  
The**

**(BIRENDRA KUMAR)  
Accountant General (C& RA)  
Uttar Pradesh**

**Countersigned**

**New Delhi  
The**

**(VIJAYENDRA NATH KAUL)  
Comptroller and Auditor General of India**