

## CHAPTER VII: NON-TAX RECEIPTS

### 7.1 Results of audit

Test check of the records in the office of the Director of Petroleum, Commissioner of Geology and Mining and the offices of the Geologists and Assistant Geologists in the State during the year 2008-09 disclosed non/short recovery of receipts amounting to Rs. 650.71 crore in 104 cases as mentioned below.

(Rupees in crore)

Sr. no.	Category	No. of cases	Amount
1.	<b>Levy and collection of royalty, dead rent and surface rent from mines and quarries (A review)</b>	1	596.06
2.	Non/short levy of royalty, dead rent <i>etc.</i>	103	54.65
<b>Total</b>		<b>104</b>	<b>650.71</b>

During the year 2008-09, the department of Industries and Mines accepted and recovered Rs. 8.39 lakh in one case pertaining to earlier year.

A review on the **Levy and collection of royalty, dead rent and surface rent from mines and quarries** involving Rs. 596.06 crore is mentioned in the succeeding paragraphs.

## **MINING RECEIPTS**

### **7.2 Levy and collection of royalty, dead rent and surface rent from mines and quarries**

#### **Highlights**

- The Industries and Mines and the Energy and Petrochemicals Department prepared the annual budget estimates without reference to the past trends and future potential.

**(Paragraph 7.2.6)**

- Due to the absence of a system for the execution of lease deeds, the Director of Petroleum could not get the lease deeds executed for 15 oil and natural gas sites after sanction of lease or after the expiry of lease period. Test check indicated non-realisation of stamp duty of Rs. 18.13 crore on that account.

**(Paragraph 7.2.7)**

- Absence of a system of cross verification of production tally statement with the royalty returns, resulted in non-detection of usage of condensate for value added product without the payment of royalty by the Oil and Natural Gas Corporation Limited. Consequently, there was non-realisation of royalty of Rs. 6.20 crore.

**(Paragraph 7.2.8.1)**

- There was short levy of the royalty of Rs. 5.72 crore on account of double deduction of base, sediment and water.

**(Paragraph 7.2.8.2)**

- The internal control mechanism was weak in both, the Director of Petroleum as well as the Energy and Petrochemicals Department. Non-inspection of 178 leases in operation has serious implications on the supervisory functions. The Director of Petroleum did not prescribe any system or procedure for inspection of the leases of oil and natural gas.

**(Paragraph 7.2.10.1)**

- There was no internal audit arrangement in Director of Petroleum and the Energy and Petrochemicals Department to audit the management of mining receipts from oil and natural gas.

**(Paragraph 7.2.11)**

- Due to the absence of a system to review the rates of surface rent at periodic intervals, there was no revision in the rate of surface rent for more than 40 years. Taking the rates of non-agricultural assessment as a comparator, the revenue foregone on that account alone would amount to Rs. 3.57 crore.

**(Paragraph 7.2.9)**

- Lack of co-ordination with the Public Works Departments of the State and Central Government regarding receipts of royalty on minerals used by the contractors resulted in unrealised royalty receipts of Rs. 28.38 crore.

**(Paragraph 7.2.15)**

- Internal controls were weak, especially relating to supervision of illegal mining activities. Even in cases where the department had detected illegal mining, the CGM could not recover the dues for long periods. As a result, 44 cases of illegal mining could not be detected timely and revenue of Rs. 490.43 crore could not be realised.

**(Paragraph 7.2.16)**

- Proposal for the issue of gazette notification of the availability of the area for regrant of leases was not sent to the Collector soon after the expiry, cancellation, surrender or revocation of leases resulting in potential loss of revenue of Rs. six crore.

**(Paragraph 7.2.23)**

### **7.2.1 Introduction**

For conservation, systematic development and regulation of mining activities in India, the Government of India (GoI) has enacted the Mines and Minerals (Development and Regulation) (MMD&R) Act, 1957, the Mineral Concession Rules (MCR), 1960, the Mineral Conservation and Development Rules, 1988, the Granite Conservation and Development Rules, 1999, the Marble Development Rules, 2002 and the Colliery Control Rules, 2004. The mining activities in Gujarat are governed under all the above Acts as well as under the Gujarat Minor Mineral Rules, 1966 framed by the State Government in exercise of the powers derived under the MMD&R Act. The levy and collection of royalty, dead rent, surface rent on minerals are regulated under the above cited Acts/Rules. The conservation, development and extraction of oil and natural gas are regulated under the Oilfield (Regulation and Development) (ORD) Act, 1948, and the Petroleum and Natural Gas (PNG) Rules, 1959.

In Gujarat, mining receipts including royalty on oil and natural gas is an important state revenue receipts (the second largest during 2006-07 and 2007-08), and is the largest non-tax receipts (NTR).

**Audit conducted a review of levy and collection of royalty, dead rent and surface rent from mines and quarries covering the period from 2003-04 to 2007-08 which revealed a number of system and compliance deficiencies as discussed in the succeeding paragraphs.**

### **7.2.2 Organisational set up**

Two departments of the Government of Gujarat (GoG), viz. the Industries and Mines Department (IMD) and the Energy and Petrochemicals Department (EPD) control the activities of mining in the State. A separate Directorate of Petroleum was formed in 1997. Thereafter, EPD deals with the oil and natural gas and the IMD with the rest of the mineral wealth of the State, consisting mainly of bauxite, laterite, china clay, lignite, fire clay, chalk, limestone

(superior quality), gypsum, pozzolanic clay, red clay, dolomite, manganese, sand stone, granite, building stone *etc.*

The IMD handles the regulation of general mines and minerals, grant of leases of mines/quarries and the levy and collection of royalty and dead rent. It is headed at the Government level by a Principal Secretary and at the department level, by the Commissioner of Geology and Mining (CGM). The CGM is assisted by the Additional Director (Development), Additional Director (Research), Assistant Director (Appeal and Flying Squad) and 24 District Geologists.

The EPD handles the regulation of oil and natural gas. At Government level, the EPD is headed by a Principle Secretary and at the Department level by the Director of Petroleum (DoP). The Director is assisted by three Geologists, one Accounts Officer and one Accountant.

### **7.2.3 Audit objectives**

The review was conducted to ascertain whether:

- a system was in place and observed for proper levy and collection of royalty, dead rent and surface rent including interest and penalty;
- the provisions of the Act/Rules and the departmental instructions were properly observed;
- adequate internal control measures including internal audit were in place to monitor assessment and collection and to check leakage of revenue.

### **7.2.4 Scope of audit and methodology**

Audit test checked the records of DoP, CGM and all the 24 district Geologist offices, relating to the period 2003-04 to 2007-08 during June 2008 to March 2009.

The records relating to levy and collection of royalty, dead rent and surface rent, demand and collection register (DCR), challans showing payment made into treasury and lease files sanctioned relating to the aforesaid period were scrutinised.

### **7.2.5 Acknowledgement**

The Indian Audit and Accounts Department acknowledges the co-operation of the CGM, DoP, IMD and EPD in providing the necessary information and records for audit. An entry conference was held in February 2009 which was attended by the CGM and the DoP in which the audit objectives and scope of audit were explained. The draft review report was forwarded to the CGM, DoP and Government in June 2009 for their response. The exit conference was held in September 2009 with the CGM, Deputy Secretary, Industries and Mines Department, and the DoP in which the results of audit and the recommendations were discussed. The views of the departments/Government have been appropriately incorporated in the review report.

### 7.2.6 Financial performance

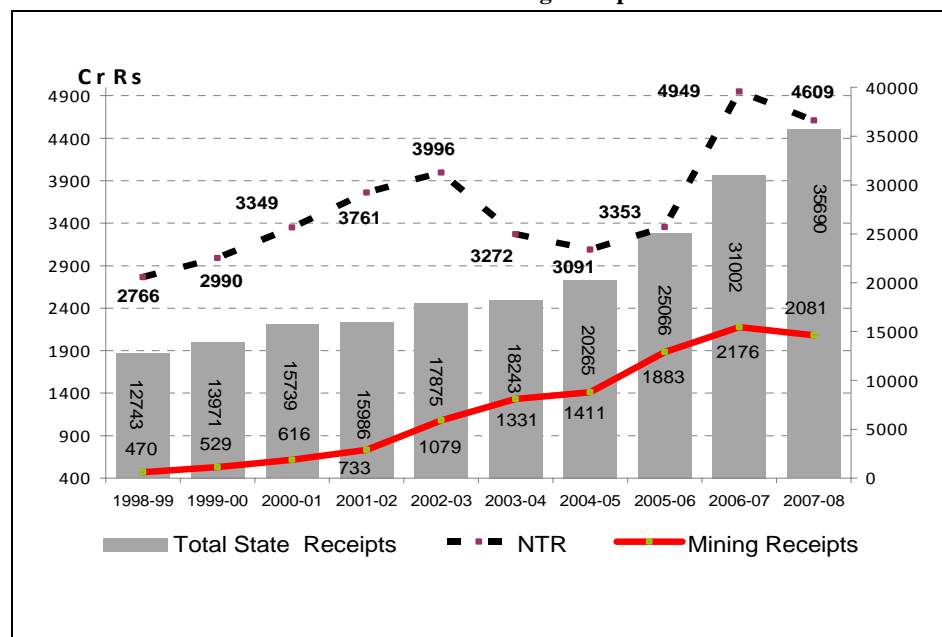
Table and Chart below show the Gujarat's mining receipts in a 10 year time series up to 2007-08 relative to total state receipts and non-tax receipts.

#### Mining Receipts in perspective

Year	Total State receipts (TSR)	Non-tax revenue (NTR)	Oil & NG Royalty <sup>89</sup>	Other mining receipts <sup>90</sup>	Total mining receipts (MR)	Total MR as percentage of TSR	Total MR as percentage of NTR
1998-99	12,742.74	2,766.49	384.89	85.10	469.99	3.69	16.99
1999-00	13,971.44	2,990.37	434.56	94.80	529.36	3.79	17.70
2000-01	15,738.59	3,349.14	508.16	107.86	616.02	3.91	18.39
2001-02	15,986.06	3,760.94	589.62	143.11	732.73	4.58	19.48
2002-03	17,875.34	3,995.58	906.20	172.88	1,079.08	6.04	27.01
2003-04	18,247.52	3,271.96	1,113.00	218.12	1,331.12	7.30	40.68
2004-05	20,264.95	3,090.50	1,171.76	238.99	1,410.75	6.96	45.65
2005-06	25,066.87	3,353.37	1,577.17	306.13	1,883.30	7.51	56.16
2006-07	31,002.22	4,948.78	1,882.14	294.28	2,176.42	7.02	43.98
2007-08	35,689.85	4,609.31	1,717.00	363.57	2,080.57	5.83	45.14

**Source:** TSR and NTR – Audit Report,  
Oil & Natural gas royalty – DoP,  
Other MR - CGM

#### Movement of Mining Receipts



The share of total mining receipts which was around seven *per cent* of the total State receipts between 2003-04 to 2006-07 fell to 5.83 *per cent* in 2007-08. The percentage share of total mining receipts in the non-tax receipts which had

<sup>89</sup> Administered by EPD.

<sup>90</sup> Administered by IMD.

been increasing steadily every year and had reached 56.16 *per cent* in 2005-06 had declined to the level of 44-45 *per cent* in the subsequent years.

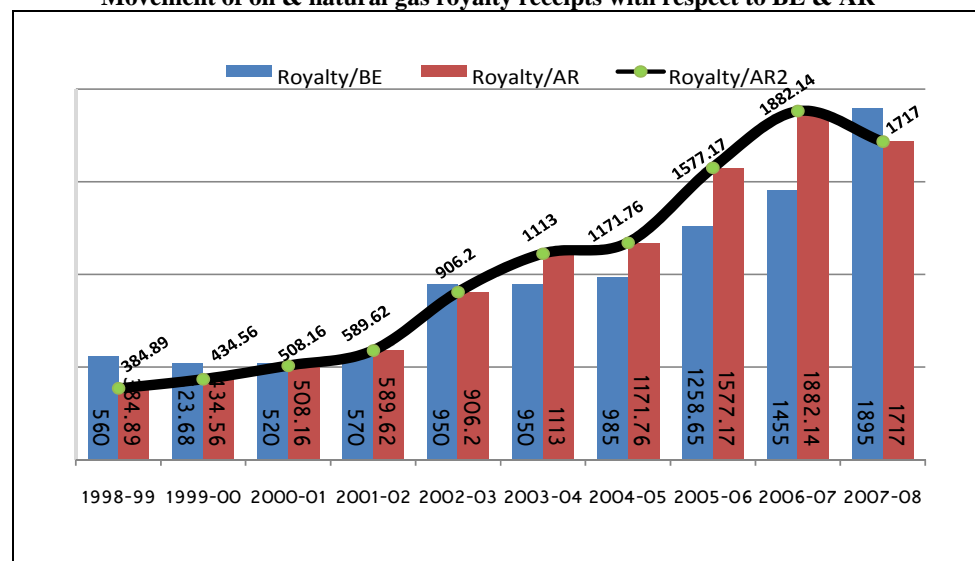
The table and chart below show the actual receipts in respect of oil and natural gas *vis-a-vis* budget estimates over 10 year time series up to 2007-08.

**Budget estimates vis-à-vis actual receipts in respect of oil and natural gas**

Period	Budget estimates	Actual receipts	Variation (+) excess (-) shortfall	Percentage variation	Royalty as percentage of TSR	Royalty as percentage of NTR
	(Rupees in crore)					
1998-99	560.00	384.89	(-) 175.11	(-) 31.27	3.02	13.91
1999-2000	523.68	434.56	(-) 89.12	(-) 17.02	3.11	14.53
2000-01	520.00	508.16	(-) 11.84	(-) 2.28	3.23	15.17
2001-02	570.00	589.62	(+) 19.62	(+) 3.44	3.69	15.68
2002-03	950.00	906.20	(-) 43.80	(-) 4.61	5.07	22.68
2003-04	950.00	1,113.00	(+) 163.00	(+) 17.16	6.10	34.02
2004-05	985.00	1,171.76	(+) 186.76	(+) 18.96	5.78	37.91
2005-06	1,258.65	1,577.17	(+) 318.52	(+) 25.31	6.29	47.03
2006-07	1,455.00	1,882.14	(+) 427.14	(+) 29.36	6.07	38.03
2007-08	1,895.00	1,717.00	(-) 178.00	(-) 9.39	4.81	37.25

Source: Budget estimates publications and DoP.

**Movement of oil & natural gas royalty receipts with respect to BE & AR**



The share of royalty receipts which was around six *per cent* of the total State receipts between 2003-04 to 2006-07 fell to 4.81 *per cent* in 2007-08. The percentage share of royalty receipts in the non-tax receipts which had been increasing steadily every year and had reached 47.03 *per cent* in 2005-06 had declined to the level of 37-38 *per cent* in the subsequent years.

The table and chart below show the financials of royalty receipts other than oil and natural gas over a period of 10 year time series up to 2007-08.

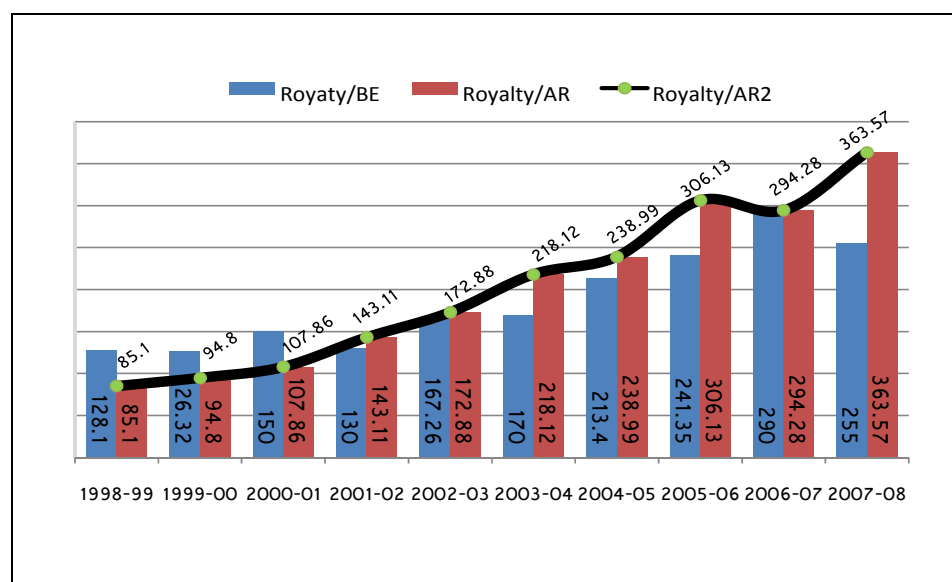
**Budget estimates *vis-a-vis* actual receipts in respect of royalty receipts other than oil and natural gas**

(Rupees in crore)

Period	Budget estimates	Actual receipts	Variation (+) excess (-) shortfall	Percentage variation	Royalty as percentage of TSR	Royalty as percentage of NTR
1998-99	128.10	85.10	(-) 43.00	(-) 33.57	0.67	3.08
1999-2000	126.32	94.80	(-) 31.52	(-) 24.95	0.68	3.17
2000-01	150.00	107.86	(-) 42.14	(-) 28.09	0.69	3.22
2001-02	130.00	143.11	(+) 13.11	(+) 10.08	0.90	3.80
2002-03	167.26	172.88	(+) 5.62	(+) 3.36	0.97	4.33
2003-04	170.00	218.12	(+) 48.12	(+) 28.31	1.20	6.67
2004-05	213.40	238.99	(+) 25.59	(+) 11.99	1.18	7.73
2005-06	241.35	306.13	(+) 64.78	(+) 26.84	1.22	9.13
2006-07	290.00	294.28	(+) 4.28	(+) 1.48	0.95	5.95
2007-08	255.00	363.57	(+) 108.57	(+) 42.58	1.02	7.89

Source: Budget estimates and CGM.

**Movement of royalty (other than oil and natural gas) receipts with respect to BE & AR**



The share of other mining receipts (administered by the IMD) remained around one *per cent* of the total State receipts between 2003-04 to 2007-08. The percentage share of other mining receipts in the non-tax receipts had been increasing steadily every year and had reached 9.13 *per cent* in 2005-06. After declining to the level of six *per cent* in 2006-07 it again went up to 7.89 *per cent* in the subsequent year.

**The wide variations between the budget estimates and actual receipts in most of the years indicate that the respective administrative departments did not determine the BEs with reference to the past trends and future potential. The Finance Department also did not ensure that the budget**

**estimates of mining receipts were prepared by the concerned departments in a scientific manner.**

#### **Audit findings**

The observations in respect of the EPD and IMD are discussed separately in the following paragraphs.

#### **Energy and Petrochemicals Department**

##### **System deficiencies**

##### **7.2.7 Non-execution of lease deed after sanction of lease**

The PNG Rules empower the State Government to grant a mining lease of petroleum and natural gas on land within the State, with the approval of the Central Government. The Registration Act, 1908 requires that the deeds conveying lease hold rights for the period beyond one year should be registered compulsorily. The Bombay Stamp Act, 1958 applicable to Gujarat provides for the levy of stamp duty in case of lease of mines in which royalty or share of produce is received as rent or part of rent at the prescribed rate on average annual royalty.

Mention was made in paragraph 5.3 of the Report of the Comptroller and Auditor General of India (Revenue Receipts), Government of Gujarat for the year ended 31 March 2008 regarding non-execution of lease deed after the sanction of leases of oil and natural gas. **Further scrutiny of the records of the DoP for the period 2003-04 to 2007-08 revealed that the system for the execution of lease deed was not yet set up.** In 13 cases, non-execution of lease deed had resulted in non-realisation of stamp duty<sup>91</sup> of Rs. 8.67 crore.

Further, in 11 cases, the lease holders had applied (between September 1993 and October 2007) for renewal of the leases and continued mining operation, awaiting approval of the Government of India (GoI) and a formal sanction of the GoG. Failure of the State Government to pursue the cases with GoI and lack of a system for execution of lease deed deprived the State Government revenue by way of stamp duty of Rs. 9.46 crore in respect of two cases only where the details of royalty payable were available.

After this was brought to the notice, the Government stated (September 2009) that draft lease deed had been sent to the Ministry of Petroleum and Natural Gas (MoPNG) for approval long back. The MoPNG has clarified only now that there was no need for such approval. The Government further stated that execution of lease deed would be completed shortly. Further progress has not been reported (November 2009).

**The Government may consider setting up a proper system for execution of lease deed.**

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<sup>91</sup> Rate of stamp duty 4.9 per cent *ad-valorem*.



### 7.2.8 Assessment of royalty without obtaining important data from leaseholders

The Oilfield (Regulation and Development) Act, and the Rules made thereunder provide for levy of royalty in respect of oil and natural gas extracted from the leased area at the prescribed rates. The Rules also provide that a lease holder of oil and natural gas shall furnish full and proper return showing the quantity of crude oil, condensate and natural gas obtained by him during the preceding month from the mining operations conducted in pursuance of the lease. The Petroleum and Natural Gas Rules provide that royalty is not payable on gas and crude oil which is unavoidably lost or is returned to the reservoir or is used for drilling or other operations relating to the production of petroleum or gas or both.

**During scrutiny of the records of the Director of Petroleum, Gandhinagar, it was observed that royalty was finalised on the basis of monthly returns of the lease holders and there was no system prescribed for calling, collecting and cross-linking the following important details/data essential for the correct assessment.**

- Annual quantity tally statement for oil and natural gas separately lease wise;
- Trading and manufacturing account;
- Profit and loss accounts and balance sheet wherever required;
- Monthly details of opening stock, gross production, details of dispatch; internal use (purpose wise); transit losses; wastages, losses due to human errors; losses due to theft; closing stock *etc.*

In the absence of the above details, the correctness of assessment finalised in all cases could not be verified. A few cases of short levy of royalty noticed in audit are discussed in the succeeding paragraphs.

#### 7.2.8.1 Non-levy of royalty on condensate used for value added product

During test check of the records of the Director of Petroleum, Gandhinagar, it was noticed that the GoG sanctioned 48 leases of crude oil and natural gas in favour of the Oil and Natural Gas Corporation Limited, falling within the area of Ankleshwar asset during the period 2003-04 to 2007-08. During the year 2003-04, the Oil and Natural Gas Corporation Limited paid royalty on 19,49,177 MT of crude oil and condensate extracted from the leases sanctioned in this area. A scrutiny of the annual production tally statement of the Oil and Natural Gas Corporation Limited, Ankleshwar asset for 2003-04 revealed that Oil and Natural Gas Corporation Limited had used 45,895 MT of condensate for value added products. As the condensate is not used for extraction of oil or natural gas, royalty was payable on it. However, Oil and Natural Gas Corporation Limited did not pay royalty on it. **The department failed to collect and cross verify the annual production tally statements with the royalty/production returns which resulted in non-levy of royalty of Rs. 6.20 crore.**

After this was brought to its notice, the Government stated (September 2009) that the matter has been taken up with the Oil and Natural Gas Corporation Limited. Further progress has not been reported (November 2009).

**7.2.8.2 Short levy of royalty on account of double deduction of base, sediment and water**

During test check of the records of the Director of Petroleum, Gandhinagar, it was noticed that the GoG had sanctioned 40 leases of crude oil and natural gas in favour of the Oil and Natural Gas Corporation Limited, Mehsana asset. A cross check of the annual production tally statement of the lease holder with their production returns revealed that during 2003-04 and 2004-05 (upto December 2004), royalty was paid on the net production after double deduction of B, S and W<sup>92</sup>. **The department failed to cross check the production returns with annual production tally statements which resulted in short levy of royalty of Rs. 5.72 crore.**

After this was brought to its notice, the Government agreed (September 2009) to verify the relevant records and disallow double deduction of B, S and W. Further progress in the matter has not been reported (November 2009).

**The Government may consider prescribing a system for collecting and cross verifying annual production statements of the lease holders with the royalty/production returns.**

**7.2.8.3 Short levy of royalty due to non-reconciliation of monthly royalty and production returns**

The royalty on natural gas was prescribed at 10 *per cent* of the value of the natural gas obtained at wellhead. The lessee is required to furnish every month a production return and a royalty return in respect of quantity of oil and natural gas obtained and royalty payable during the month.

Test check of the records of the Director of Petroleum, Gandhinagar revealed that during 2003-04 to 2007-08, the GoG had sanctioned 40 and 16 leases of oil and natural gas in favour of the Oil and Natural Gas Corporation Limited, Mehsana and Cambay assets. A scrutiny of the monthly returns of the lessee revealed that the production of gas as shown in the monthly royalty returns and production returns did not agree with each other. The quantity on which the royalty was paid was less than production of gas as per the production returns. **The failure of the department to reconcile the production returns with royalty returns resulted in non-detection of the difference and consequently there was short levy of the royalty of Rs. 16.98 lakh.**

After this was brought to its notice, the Government agreed (September 2009) to ascertain the correct position. Further progress has not been reported (November 2009).

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<sup>92</sup> Base, sediment and water content which are impurities contained in the crude oil commonly known as B, S & W.

**7.2.9 Revenue foregone due to non-revision of rates of surface rent**

Rule 13(2) of the Petroleum and Natural Gas Rules provides that the lessee shall pay surface rent not exceeding the land revenue for the surface area of the land actually used by him for the purpose of the operations conducted under the lease. The GoG had fixed the rate of surface rent at the rate of Rs. 10, 000 per sq km *per annum* (one *paisa* per one square meter) in August 1968 with the approval of the Ministry of Petroleum and Natural Gas (MoPNG) which was at par with the land revenue at that time. **It was, however, noticed that GoG did not have a system of periodically reviewing and revising the surface rent to keep aligned with the land revenue rates.**

Test check of the records of the Director of Petroleum, Gandhinagar revealed that 178 leases of oil and natural gas covering area of 5,287.9621 square km of land at various places were in operation in the state during 2003-04 to 2007-08. The lease holders paid surface rent at the rate fixed in 1968 on land actually used by them for mining purpose. The Government did not initiate any action to revise the rates even though it had revised the rates of land revenue from time to time. Revenue foregone due to non-revision of rates of surface rent for the period from 2003-04 to 2007-08 calculated at the prevailing rates of land revenue of non-agriculture land actually used for mining operation lease area worked out to Rs. 3.57 crore as shown in the table below.

**Revenue foregone due to non-revision of surface rent rates****(Rupees in crore)**

Period	Days	Rate of NAA <sup>93</sup> /sq Km	Area under mining operations (km)	Surface rent leviable @ NAA on total lease area	Surface rent levied (2003-04 to 2007-08)	Revenue foregone
1.8.2003 to 31.12.2003	153	0.15	57.27	0.36	0.02	0.34
1.1.2004 to 31.12.2004	365	0.15	59.53	0.89	0.06	0.83
1.1.2005 to 31.12.2005	365	0.15	58.89	0.88	0.05	0.83
1.1.2006 to 31.12.2006	365	0.15	55.24	0.83	0.06	0.77
1.1.2007 to 31.7.2007	212	0.15	56.14	0.49	0.06	0.67
1.8.2007 to 31.12.2007	153	0.10	56.14	0.24		
1.1.2008 to 31.3.2008	91	0.10	56.82	0.14	0.01	0.13
<b>Total</b>				<b>3.83</b>	<b>0.26</b>	<b>3.57</b>

After this was brought to its notice, the Government accepted (September 2009) that rates had not been revised since 1968 and needed a revision. Further progress has not been reported (November 2009).

<sup>93</sup> Non-agricultural assessment.

**The Government may consider undertaking periodical review of surface rent rates for the leases of oil and natural gas.**

#### **7.2.10 Internal controls in DoP and EPD**

Internal controls are processes by which an organisation directs its activities to effectively achieve its objectives. The internal control mechanism was weak in both DoP as well as EPD, as might be seen from the forgoing paragraphs and the following observations.

##### **7.2.10.1 Non-inspection of leases of oil and natural gas**

The Oilfield (Regulation and Development) Act and the Rules made thereunder empower the State Government to sanction lease of oil and natural gas on the land vested in the State with prior approval of the Central Government. It is the inherent responsibility of the State Government to ensure that the mineral surveillance is adequately exercised for systematic development and regulation of the minerals in the State as well as exploration of the minerals in lawful manner as per the terms and conditions of lease with adequate protection of environment and human life.

**Audit observed that the DoP did not prescribe any system or procedure for inspection of the leases of oil and natural gas.** None of the 178 leases in operation was inspected at any time during 2003-04 to 2007-08. Non-inspection of leases is fraught with the risk of non-detection of whether:

- exploration activities were carried out in lawful manner as per provisions of ORD Act and the Rules made thereunder as per the terms and conditions of lease agreement;
- adequate measures were adopted for preservation, conservation and development of oil and natural gas, other minerals, if available, from the lease areas and natural resources available therein and exploration activities were carried out without excessive wastage of minerals; and
- the quantity of oil, natural gas and other major/minor minerals excavated were correctly reflected in the monthly production returns submitted by the lease holder and royalty, dead rent and surface rent were correctly paid thereon.

After this was brought to its notice, the Government stated (September 2009) that the Directorate of Petroleum was created by State Government in 1997. However, due to staff shortage and in the absence of vehicles, Director of Petroleum could not undertake more effective monitoring or inspection of mining lease.

**The Government may consider developing a system for periodic inspection of each lease.**

##### **7.2.10.2 Non-maintenance of control register**

A Demand and Collection Register (DCR) is a key control document, required to be maintained at the geologist's office for the effective monitoring of and control over the assessment and collection of royalty, dead rent and related government dues and control over other important areas of lease management

such as sanctioning of the lease, its expiry/renewal/surrender/ cancellation *etc.* It contains particulars such as the name of the lease holder, survey number and area of lease, name of village, *taluka* and district, sanction number and date of lease, lease period, date of commencement of mining operation, month wise opening balance, production, dispatches and closing balance of mineral, royalty payable and paid with challan number and date.

**Audit scrutiny revealed that though a DCR had been prescribed by the Industries and Mines Department and maintained by each District Geologist working under IMD, the EPD had not prescribed it yet. Thus, the Geologists working under DoP did not maintain the DCR or any other control register. The DoP did not also install any alternative system to monitor the assessment, levy and collection of royalty, dead rent, surface rent and interest in respect of any lease.**

After this was brought to its notice, the Government stated (September 2009) that the department intended to move towards a paperless office by computerisation of all the documents. However, the fact remains that DCR in any form, even after a lapse of 11 years since formation of Directorate has not been prescribed.

**The Government may consider taking immediate steps to prescribe a control register in electronic form having required fields like the DCR for effective monitoring of the leases and realisation of revenues therefrom.**

#### **7.2.11 Internal audit**

An independent and effective internal audit under the direct control of the Head of the Department is essential for ensuring compliance of the provisions of the Acts/Rules and the Government instructions regarding assessment of revenue, prompt raising of demands, collection and accounting thereof and for overall functioning of the administration effectively, efficiently and economically.

**Audit noticed that there was no internal audit arrangement in the DoP and EPD for scrutinising the management of mining receipts from oil and natural gas.** The records of the DoP were not internally audited and remedial action in respect of irregularities discussed in the succeeding paragraphs 7.2.12 to 7.2.14 could not be taken.

**The Government may consider setting up an internal audit wing in DoP and EDP.**

#### **Compliance deficiencies**

##### **7.2.12 Non-levy of interest on delay in payment of royalty**

The Oil field (Regulation and Development) Act and the Rules made thereunder provide that the lessee shall pay royalty in respect of any mineral oil mined, quarried, excavated or collected by him from the leased area at the rates specified in the schedule of the Act. The royalty is to be paid on monthly basis on the last day of the month succeeding the period in respect of which it is payable. The PNG Rules further provides that all licence fees, lease fees, royalties and other payment 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 India (SBI) for the delayed period.

Test check of the records of Director of Petroleum, Gandhinagar revealed that the Oil and Natural Gas Corporation Limited had paid the royalty for the period January 2008 to March 2008 after deducting discount given to the Oil India Limited for non-recovery/under recoveries<sup>94</sup>. The royalty on discounts so deducted were adjusted and the differential royalty paid subsequently in the month of July 2008. However, the department did not levy and demand interest at penal rate on the amount of royalty paid subsequently for the period of delay. This resulted in non-levy of interest of Rs. 16.65 crore as detailed in the table below.

**Non-levy of interest for delay in payment of royalty**

(Rupees in crore)

Month	Royalty belatedly paid	Due date	Date of actual payment	Delay in payment of royalty (days)	Interest leviable @ 14.75 per cent
January 2008	185.91	29.2.2008	3.7.2008	125	9.39
February 2008	180.81	31.3.2008	3.7.2008	94	6.86
March 2008	15.54	30.4.2008	3.7.2008	64	0.40
<b>Total</b>					<b>16.65</b>

After this was brought to its notice, the Government stated (September 2009) that in July 2008, the Oil and Natural Gas Corporation Limited had released the royalty deducted during January 2008 to May 2008. However, the Oil and Natural Gas Corporation Limited had not released royalty for the subsequent months from June 2008 onwards. So, after recovery of royalty for that period, the matter for recovery of interest would be taken up. However, it was observed that the interest recoverable under the provisions of the Petroleum and Natural Gas Rules on delayed payment of royalty has not even been demanded from the Oil and Natural Gas Corporation Limited. Further progress has not been reported (November 2009).

**7.2.13 Short levy of royalty due to non-adoption of amended provisions**

The Government of India introduced a 'new scheme' for levy of royalty on crude oil with effect from 1 April 1998 which, *inter alia*, provides that royalty on crude oil in respect of all such leases shall be payable on *ad valorem* basis at the rate of 20 per cent of wellhead price after deduction of 7.5 per cent as production cost. The royalty was to be worked out on cum-royalty basis<sup>95</sup>. The scheme was partially amended in August 2007. As per the amended provisions, the royalty in respect of the blocks other than the nominated blocks was to be computed on ex-royalty<sup>96</sup> basis instead of cum-royalty basis. The deduction on account of production cost was to be allowed on the basis of actual post wellhead expenditure reported in the audited accounts of the previous year.

<sup>94</sup> Discount is on account of fragment of subsidy on the product distributed.

<sup>95</sup> Cum-royalty =  $\frac{\text{well head price} \times \text{rate of royalty}}{100 + \text{rate of royalty}}$

<sup>96</sup> Ex-royalty = well head price x rate of royalty.

Test check of the records of the Director of Petroleum, Gandhinagar revealed that in two leases operated by private parties (CB-ON-3 (Unava) and CB-ON-7 (Palej), in joint venture with the Oil and Natural Gas Corporation Limited, the royalty was worked out on cum-royalty basis instead of ex-royalty basis for the months of August to November 2007 and January to March 2008. This resulted in the short levy of royalty of Rs. 61.75 lakh. Further, in respect of lease CB-ON-7(Palej), the actual post wellhead expenditure was not calculated and deduction at the rate of 7.5 per cent on that account was continued to be allowed. Short levy of the royalty due to irregular allowance of post wellhead expenditure could not be quantified in the absence of details.

After this was brought to its notice, the Government accepted (September 2009) the observation and stated that Oil and Natural Gas Corporation Limited had made payments of Rs. 17.34 lakh in respect of CB-ON-3 and Rs. 79.81 lakh of CB-ON-7 in March 2009 for the year 2007-08.

#### **7.2.14 Flaring of gas – non-levy of royalty**

The PNG Rules provides that the lessee shall pay royalty to the Government on crude oil and natural gas obtained from the leased area. The Rules further provide that royalty is not payable on gas which is unavoidably lost or is returned to the reservoir or is used for drilling or other operations relating to the production of petroleum or gas or both.

During test check of the records of Director of Petroleum, Gandhinagar, it was noticed that the GoG had sanctioned 154 leases in favour of Oil and Natural Gas Corporation Limited during the period 2003-04 to 2007-08. Scrutiny of the annual production statement of the Oil and Natural Gas Corporation Limited, (Cambay and Mehsana assets) revealed that during the above period, natural gas of 208.42 lakh MT was flared up during oil exploration carried out in these two assets of Oil and Natural Gas Corporation Limited either due to isolated flaring or non-utilisation due to lack of facility or non-availability of customers. This was allowed as wastage from gross production for the purpose of levy of the royalty. As the gas flared up could not be treated as unavoidably lost, royalty was chargeable thereon. However, the department did not levy royalty of Rs. 41.59 lakh.

After this was brought to its notice, the Government stated (September 2009) that majority of the mining lease were combined fields where both the crude oil and associated natural gas were produced. Depending upon the location and quality of associated natural gas produced and on availability of the consumer, it was sold or flared. However, the fact remained that 1,97,51,401 MT of gas flared up, due to lack of customers or isolated flaring, did not fall within the scope of 'unavoidably lost'. Further, the lessee itself had described the flaring of 10,91,034 MT of gas due to avoidable reasons. Further reply has not been received (November 2009).

**Industries and Mines Department**

**System deficiencies**

**7.2.15 Loss of revenue due to lack of coordination with the works departments**

The GoG instructed (May 1994) that Executive Engineers/Deputy Executive Engineers (EEs/DEEs) of the Departments/*Nigams/Panchayats* dealing with public (civil) works and the District Geologists shall work in co-ordination to ensure that in respect of all works carried out by the respective Department/*Nigam/Panchayat*, royalty is received from the contractors on the minerals used in the civil works. Instructions further stipulated that a copy of the final bill of the contractor would be sent to the District Geologist by the EEs and DEEs along with the material consumption statement.

**Scrutiny of the records of the CGM and various Geologists revealed that the IMD did not set up effective mechanism for furnishing periodic reports/returns by the works divisions to the district geologists for the monitoring and recovery of royalty. The District Geologists were not aware of the total number of civil works carried out by the departments/*Nigam/Panchayats* in the district. Further, in 9,999 cases, the works departments of the State Government did not furnish the complete details such as material consumption statement to the concerned District Geologists. Also, the instructions issued by the Government did not apply to the works contractors of the Central Government departments. Thus, verification of payment of royalty in respect of minerals used by the works contractors could not be ascertained by the Geologists.** A test check of the records at the office of CGM and District Geologists revealed that in 7,257 cases during the year 2003-04 to 2007-08, royalty was yet to be recovered from the works contractors as shown in the table below.

**Non-recovery of royalty from works contractors**

(Rupees in crore)

From whom recoverable	District where the work was executed	No. of cases	Amount of royalty		
			Due	Recover- ed	Recover- able
Works contractors of State Government departments/ <i>Nigams/Panchayats etc.</i>	All over the State	7,212	10.67	5.53	5.14
Works contractors of Ahmedabad Urban Development Authority (AUDA)	Ahmedabad	22	25.48	3.59	21.89
Works contractors of Central Public Works Department (CPWD)	Bhuj	23	1.35	0	1.35
<b>Total</b>		<b>7,257</b>	<b>37.50</b>	<b>9.12</b>	<b>28.38</b>

After this was brought to its notice, the Government stated (September 2009) that in respect of 7,212 cases, the royalty was paid on dispatch/consumption/sale of the minerals from the leased area and



instructions of May 1994 was issued for cross verification of the royalty on the minerals used in the public works. The details of 9,999 cases would be obtained and royalty would be worked out only in those cases. However, the reply did not highlight the position of outstanding demands of royalty of Rs. 5.14 crore. In 22 cases of AUDA, the work contractors have preferred appeal to the CGM, Gandhinagar which had not been decided. In 22 out of 23 cases of CPWD, Rs. 17.44 lakh has been recovered. Further progress has not been reported (November 2009).

**The Government may consider prescribing a mechanism for periodic reconciliation between District Geologist and Works Departments of the Central and the State Government/Nigams/Panchayats and introducing the system of deduction of royalty on material utilised in advance from contractor's bills.**

#### **7.2.16 Lack of control over the illegal mining**

The MMD&R Act empowers the State Government to make rules for prevention of illegal excavation, storage and transportation of minerals by issue of a notification. The CGM issued instructions in January 2005 that in case of illegal mining, the concerned person had to pay the value of mineral excavated illegally.

**Audit scrutiny of the records of the CGM and various Geologists revealed that the department has not established any check post or weigh-bridge in the State.** Non-inspection of lease areas has also been pointed out in paragraphs 7.2.10.1 and 7.2.18.1. Thus, due to inadequate surveillance of the illegal mining activities, 44 cases of illegal mining of 155.04 lakh MT minerals (36 cases of limestone and eight cases bauxite) in Jamnagar and Porbandar districts could not be detected timely and consequently revenue of Rs. 490.43 crore could not be realised.

After this was brought to its notice, the Government agreed to initiate action under the provisions of MMDR Act and the Rules made thereunder. Further progress has not been reported (November 2009).

**The Government may consider identifying areas which are prone to illegal mining and setting up of check posts and weigh-bridges there. A mechanism for periodical inspection of leased areas also need to be installed.**

#### **7.2.17 Delay in processing of lease applications**

The Government of Gujarat introduced the Gujarat Mineral Policy (The policy), 2003. The policy provides that a lease application for a mining and quarry lease shall be disposed off within a period of one year and three months respectively.

**Scrutiny of the records of the office of the CGM revealed that though the Government has provided the maximum time limit for disposal of a lease application, they have not prescribed any mechanism for monitoring the disposal of leases starting from receipt upto disposal. Due to this, inordinate delays at various stages of disposal process remained**

**unnoticed by the department/Government.** The pendency in processing of lease applications is shown in the table below.

**Position of pending lease applications**

Year	Opening balance of application	Application received during the year	Applications processed during the year	Applications pending at the end of the year	Percentage of pendency
2003-04	9,004	9,431	10,731	7,704	41.80
2004-05	7,684	10,860	10,102	8,442	45.52
2005-06	8,576	13,343	14,369	7,550	34.45
2006-07	7,605	16,384	15,657	8,330	34.72
2007-08	8,308	13,101	10,824	10,595	38.81

Source: CGM

The position of pendency at the end of every year, however, did not tally with that of opening balance of the next year as per the details furnished by the department.

The CGM attributed (September 2009) the reasons for pendency to the shortage of staff. Audit did not, however, find evidence of any exercise being carried out by CGM to determine the appropriate resource-mix (including application of information technology) to tackle the serious problem of pendency of undecided lease applications. The CGM had also no system to determine the loss of annual receipts due to the lease applications remaining undecided.

After this was pointed out, Government stated that a coordination cum empowered committee had been constituted in September 2009 to monitor and minimise delay in grant of lease. Further progress has not been reported (November 2009).

**The Government may consider devising a mechanism including monitoring of its functions for speedy and time bound disposal of the lease applications.**

### **7.2.18 Internal controls in CGM and IMD**

The internal control mechanism was weak, as is clear from the various instances cited in the foregoing paragraphs. Though the field offices have been provided with the computers, connectivity with the head office was not established and hence the facility was not used as a cost effective and efficient tool of internal control. Also, the details furnished by the field offices were not reconciled/checked at the CGM office. The other instances indicative of weak internal control are as follows.

#### **7.2.18.1 Inadequate inspection of leases**

As per the instructions issued (July 1986) by the CGM, the District Geologists are required to inspect every mine and quarry at least once in a year. Inadequate inspection of mines and quarries has revenue implications as the concerned officers will be unable to ascertain whether:

- the boundaries of lease area were marked as provided in the lease agreement and excavation was restricted within the lease area only;
- the mining activities were carried out without excessive wastage of the minerals;
- the mining activities in respect of leases were carried out as per the approved mining plans; and
- quantity excavated and dispatched with the returns filed was susceptible of verification with the required infrastructure like weigh-bridges and check posts being in place and whether the quantities were being linked with the assessment of royalty.

The number of inspections to be carried out, actually conducted and percentage of shortfall during the five years ended 2007-08 is shown in the table below.

**Shortfall in inspection of leases**

Year	No. of lease inspections required to be carried out during the year	No. of lease inspections carried out during the year	No of lease inspections pending	Percentage of shortfall
2003-04	6,521	3,520	3,001	46
2004-05	6,355	3,610	2,745	43
2005-06	6,376	3,587	2,789	44
2006-07	6,437	2,754	3,683	57
2007-08	6,644	2,452	4,192	63

After this was brought to its notice, the Government stated that it has been decided to outsource the inspection activities of lease by a system audit through Chartered Accountants. The reply does not clarify how the field work vested with the departmental officers will be done by the Chartered Accountants. Further progress has not been reported (November 2009).

**The Government needs to develop an effective system for inspecting the leases.**

#### **7.2.18.2 Non-preparation of departmental manual**

A departmental manual would be a good beginning point to take up business process reengineering as a precursor to computerisation. **Audit observed that the CGM does not have any departmental manual setting out the functions and the responsibilities of staff of all categories in accordance with the instructions issued by Government/department, which could act as a key document for perspective planning, reference, and internal control.**

After this was brought to its notice, Government stated that the department needed departmental and field (technical) manuals for the functioning of staff of all categories. It has prepared the details of the functions and responsibilities of staff of all categories and a field manual. However, the

reply does not mention whether the details have been prepared in the form of a manual. Further progress has not been reported (November 2009).

**The Government may consider compiling all such orders detailing functions and responsibilities of departmental staff and make a departmental manual.**

#### **7.2.18.3 Internal audit**

An independent and effective internal audit under the direct control of the head of the department is essential for ensuring compliance with the rules and procedure; prompt raising of the demands, collection of the receipts and proper accounting thereof and overall functioning of the mineral administration in the state. The report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2003 (vide paragraph 7.3.29) had brought these facts to the notice of the department/Government. **Audit noticed that the department had not yet acted upon the recommendation of audit for setting-up an internal audit wing.** Control is exercised by CGM through monthly meetings with the District Geologists.

After the matter was brought to its notice, the Government stated that the internal audit could not be strengthened due to shortage of man power. However, system audit through Chartered Accountants and services of GMRDS society would be utilised for evasion of royalty. Further progress has not been reported (November 2009).

**In addition to the recommendations under paragraph 7.2.11, the Government may also consider setting up an internal audit wing.**

#### **Compliance deficiencies**

#### **7.2.19 Non-realisation of royalty and interest due to inadequate follow up of court order**

Section 4 of the MMD&R Act stipulates that no person shall undertake any mining operation in any area, except in accordance with the terms and conditions of the mining lease granted under the Act.

Mention was made in paragraph 7.3.24 of the Audit Report for the year ended 31 March 2003, Government of Gujarat regarding detection of illegal mining of dolomite by the Geologist, Vadodara between February 1999 and March 2000 and issue of notices to the lease holders for such illegal mining. On the petitions filed by the lease holders, the Gujarat High Court directed (April 2002) the Geologist to issue fresh show cause notice to each lease holder separately indicating the period for which royalty was sought to be recovered within a period of two months from 15 April 2002. Inordinate delay on the part of the Geologist to issue show cause notices was commented upon in the paragraph.

Scrutiny of the records of the Geologist, Vadodara during the course of this review revealed that the department could not issue fresh notices and prayed for extension of two months from the court which was granted in November 2002. Further, the department received the certified copy of the judgment in

March 2003. Meanwhile records were destroyed in January 2003 in a fire and the department could not serve fresh notices. Lack of timely action in issuing notices, thus resulted in non-realisation of royalty of Rs. 8.92 crore. Interest of Rs. 12.50 crore was also leviable.

After the matter was brought to its notice, the Government stated that action has been initiated to obtain further extension of time from the Gujarat High Court for issuing notices to the defaulters. The reply does not explain the inordinate delay in issuing demand notices to the departments after the Court's orders and why it took more than seven years for the Government to initiate action in the matter. Further progress has not been reported (November 2009).

#### **7.2.20 Short levy of stamp duty on lease deed**

Section 3 of the Bombay Stamp Act provides that any document of lease shall be chargeable to stamp duty at the prescribed rate depending on the period of the lease and average annual rent reserved. Further, Section 27 of the Act provides that in case of lease of mining in which royalty or a share of the produce is received as the rent or part of the rent, it shall be sufficient to estimate the royalty or the value of share. The Superintendent of Stamps has issued (September 1979) instruction to levy stamp duty on aggregate of annual dead rent, annual royalty (estimated), surface rent and deposit, payable during the first year.

During test check of the records of the Geologists, Palanpur and Vadodara, it was noticed that in 71 cases of mining leases, the concerned Geologist either did not levy stamp duty or levied it short. This resulted in short levy of stamp duty of Rs. 1.46 crore.

After the matter was brought to its notice, the Government agreed to recover stamp duty at the time of execution of renewal lease deeds. Further report on recovery has not been received (November 2009).

#### **7.2.21 Short recovery of royalty on Marl**

The CGM, Gandhinagar revised (October 2006) the rate of royalty of marl<sup>97</sup> from Rs. 4 per MT to Rs. 20 per MT retrospectively, effective from 1 April 2003. Against the above order, the lessees approached the Gujarat High Court. The court ordered (February 2008) the lessees to pay royalty at the provisional rate of Rs. 12 per MT and 50 *per cent* of arrears till further order. The lessees filed a 'Letters Patent Appeal' in September 2008 which was admitted by the High Court and an ad-interim stay was granted on recovery to the extent of payment of the above arrears only. Thus, royalty was required to be collected at the provisional rate of Rs. 12 per MT from February 2008 till further order of the court.

During test check of the records of the Geologist, Junagadh, it was noticed that in spite of the order of the court to recover royalty at the rate of Rs. 12 per MT on marl, the Geologist recovered royalty at the rate of Rs. 4 per MT even after February 2008. The fact that the Geologist did not comply with the orders of the court and the department had no means to discover this mistake, is

<sup>97</sup> A crumbly mixture of clays, calcium and magnesium carbonates, which is a prominent mineral found and used in cement industry in the state.

indicative of weak internal control procedures of the department. This resulted in short recovery of royalty of Rs. 46.60 lakh.

After the matter was brought to its notice, the Government stated (October 2009) that the department had initiated action to recover royalty by issue of notices through the District Geologist, Junagadh. Further progress has not been reported (November 2009).

#### **7.2.22 Irregular sanction of lease on *gauchar* land**

The CGM issued instructions in November 1991 that a mining lease/quarry can be sanctioned in respect of *Gauchar*<sup>98</sup> land after obtaining 'No Objection Certificate' (NOC) from the concerned *Gram Panchayat* authority and ascertaining that such land is surplus considering the number of animals in the village.

Test check of the records of the Geologist, Surat revealed that a lease for the mining of lignite in 964.44.01 hectares (96,44,401 square meters) of land at various survey numbers at village-Tadkeshwar, *Taluka*-Mandvi, was granted (November 2005) by the GoG to the Gujarat Mineral Development Corporation (GMDC) for a period of 30 years. The area consisted of *gauchar* land of 73.01.11 hectares (7,30,111 square meters). The concerned Geologist did not obtain and place on record the NOC of Tadkeshwar *Gram Panchayat* and evidence of the land being surplus land. In absence of the prescribed approvals, sanction of lease on *gauchar* land was irregular.

After this was brought to its notice, the Government stated (October 2009) that the Rules provided for obtaining of consent of the owner for starting mining operation in lease area after execution of the lease deed but before entry into the lease area. The lease holder had to seek necessary permission/NOC from concerned *Gram Panchayat*. The Government stand is in contradiction of the instructions of the Commissioner.

#### **7.2.23 Loss of revenue due to non-issue/delay in issue of gazette notification**

The MMD&R Act and the rules made thereunder by the Central and State Governments provide for regrant of leases for major and minor minerals after the issue of notification of availability of the area. The GoG issued instructions (May 2006 and October 2008) to all the district Geologists/CGM to send the proposals for regrant of the lease at the earliest in all cases of cancellation, expiry and surrender on priority basis so as to prevent loss of revenue due to delay and to see that leases for such areas are regranted within 60 days. Sand is the mineral which is deposited along the river/dam side every year during monsoon causing reduction in the flowing capacity of rivers and storage capacity of dams and leases of sand need to be granted regularly.

Scrutiny of the records of offices of 11 district Geologists<sup>99</sup> revealed that in 580 cases, leases of sand and other minor minerals had either expired, or had been cancelled or terminated by the department or were surrendered by the

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<sup>98</sup> Grassland.

<sup>99</sup> Amreli, Bharuch, Jamnagar, Junagadh, Kutchh, Mehsana, Navsari, Porbander, Surat, Vadodara and Valsad.

leaseholders during the period 2003-04 to 2007-08. However, proposals for issue of gazette notification to the Collector in respect of regrant of leases was either not sent at all or sent with delay in spite of specific orders of the State Government. This resulted in loss of revenue of Rs. 6 crore, worked out on the basis of minimum dead rent payable for the leases on regrant. Moreover, immediate action, in coordination with the Narmada, Water Resources, Water supply and Kalpsar Department for survey of river/damside areas and offering them for leases of sand, was not taken by the department.

After the matter was brought to its notice, the Government stated (October 2009) that the delay in notifying the area was on account of obtaining the opinion of revenue/forest department and surveying the availability of minerals in that particular area.

**The Government may consider setting up a system for prompt sending of the proposal for issue of gazette notification for availability of area in the cases of expiry, cancellation, termination or surrender of lease. In respect of sand, the Government may consider a survey of river/damside areas after every monsoon and prompt issue of leases for sand.**

#### **7.2.24 Conclusion**

The review revealed a number of system and compliance deficiencies. The budget estimates prepared by both the departments were without taking into consideration the past trends and future potential. The overall management of leases was very poor. There were many cases of non-execution of lease deeds after sanction of the leases and large number of lease applications were pending due to delay in disposal. There was leakage of revenue due to the absence of a mechanism to collect details of civil works carried out by various government departments and local self government bodies. The GOG did not have a system of periodically reviewing and revising the surface rent to keep it aligned with the land revenue rates which deprived the Government of additional resources. The internal controls in both the EPD and IMD were weak as evidenced by absence of a system or procedure for inspection of the leases of oil and natural gas, non-maintenance of control registers, non-availability of departmental manuals. Besides, there was no internal audit wing in any of the two departments leading to non-detection of the deficiencies in the departments some of which have been pointed out in this review.

#### **7.2.25 Summary of recommendations**

Government may consider the following recommendations to rectify the system and compliance deficiencies.

- devise and implement effective internal control procedures and internal audit systems with the assistance of appropriate information technology applications to plug leakage and loss of revenue and for better surveillance over mining operations;
- review the rate of surface rent periodically;
- devise a proper mechanism for execution and registration of lease deeds in respect of leases of oil and natural gas in co-ordination with revenue department;

- devise a system for receipt and scrutiny of the production and related records of the lease holders and finalise royalty assessments after linking and cross verifying them with monthly returns of the lessees;
- set up a system for prompt sending proposals for issue of gazette notification for availability of area in the case of expiry, cancellations, terminations or surrender of lease. A system for conducting survey of river/damside areas after every monsoon for prompt issue of leases for extraction of sand may also be installed;
- develop coordination between District Geologists and public works departments, *Nigam* and *Panchayats* for ensuring payment of royalty on the mineral used by the contractors; and
- install an effective system of inspection to identify areas which are prone to theft, illegal mining; and establish check posts and weigh-bridges for checking of illegal mining.

Ahmedabad,  
The



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