

CHAPTER-I

Introduction

1.1 Minerals are valuable natural resources being finite and non-renewable; therefore, their exploitation is guided by long term national goals and perspectives, which in turn are influenced by global scenario. Mineral exploration and development is closely linked with development of economy and upliftment of inhabitants residing nearby but simultaneously as it intervenes with the environment and social structure, a harmony and balance is to be maintained between conservation and development. Minerals mean all minerals except natural gas and petroleum which are dealt with separately. Further, minerals have been divided in two categories, firstly, minor minerals which include building stone, gravel, ordinary clay, ordinary sand and any other mineral notified by the Central Government. Remaining all minerals are termed as major minerals which are further classified as hydrocarbons or fuel minerals (such as coal, lignite *etc.*), atomic minerals, metallic and non-metallic minerals.

1.2 Management of mineral resources

1.2.1 Management of mineral resources is the responsibility of both the Central Government and the State Governments in terms of entry 54 of the Union list (List I) and entry 23 and entry 50 of the State list (List II) of the seventh schedule of the Constitution of India. According to it, so long as Parliament does not make any law in exercise of its powers in entry 54, the powers of the State legislature in entry 23 and in entry 50 would be exercisable by the State legislature. The Central Government had also enacted the Mines and Minerals (Development and Regulation) (MMDR) Act, 1957 which lays down the legal framework for regulation of mines and development of all minerals other than petroleum and natural gas. In addition, Mineral Concession (MC) Rules, 1960 for regulating grant of permits, licences and leases in respect of all minerals other than Atomic minerals and minor minerals besides the Mineral Conservation and Development (MCD) Rules, 1988 for conservation and systemic development of minerals have been framed. The Central Government has framed 'National Mineral Policy 2008' to develop a sustainable framework for optimum utilisation of mineral wealth for industrial growth simultaneously improving life of people. Prior to this 'National Mineral Policy 1993' was in vogue.

1.2.2 The State Government had promulgated a 'Mineral Policy, 1994' for minor minerals. It has further formulated the Rajasthan Mineral Policy, 2011 subsequent to introduction of a model State Mineral Policy 2010 by the Central Government. It has also framed the Rajasthan Minor Minerals Concession (RMMC) Rules, 1986 which governs prospecting and mining of minor minerals.

1.2.3 The Central Government, after consultation with the State Government may undertake, refuse or reserve, prospecting or mining operations in specified areas. The State Government, with the approval of the Central

Government can reserve any area for undertaking prospecting and mining operations through Government company or corporation owned by Government.

A prospecting licence holder can be given a preferential right for obtaining a mining lease in respect of that land, which was held by him under prospecting licence. The State Government has decided to grant mining lease of gypsum to the private entrepreneurs as captive mines. The Central Government has exclusively reserved mining operations of mineral lignite through Government companies or undertakings.

1.3 Why we chose the topic

Rajasthan is one of the top nine minerals producing states. It has more than 90 *per cent* of country's resources of wollastonite, lead, zinc and rock phosphate and is almost the sole producer of calcite and natural gypsum. It has about 64 different kind of major and minor minerals and contributes more than four *per cent* in national mineral production.

Further, the mining receipts of ₹ 1,275.59 crore realised during the year 2008-09 constituted 6.8 and 32.8 *per cent* of total revenue and non-tax revenue respectively, of the state. Thus, this sector plays a vital and important role in development of the National and State economy.

A performance review on the same topic was incorporated in the Audit Report 2004-05, highlighting non/short recovery of dues, royalty, interest *etc.* Since then a lot of changes have been affected by introduction of the National Mineral Policy, 2008 especially focusing on environmental and ecological concerns.

The review indicated a number of system and compliance deficiencies which are discussed in subsequent paragraphs.

1.4 Objectives of audit

We undertook the review with the objectives to ascertain whether:

- the provisions of various Acts and rules made thereunder were enforced effectively;
- the mining leases or quarry licences were renewed timely;
- an effective system for computation, levy and realisation of various fees, rent, royalty, penalty *etc.* exists in the Department;
- action taken in the cases of default or illegal excavation of minerals was effective;
- effective internal control and monitoring mechanism was in place in the Department to prevent leakage of revenue; and
- the environmental and ecological concerns have been taken care of.

1.5 Scope of audit

We conducted performance audit during May 2009 to March 2010. 16 (out of 38) Mining Engineers/Assistant Mining Engineers (ME/AME) offices were selected on the basis of revenue realised of all minerals and adopting probability proportional to size with replacement random sampling method. The units were test-checked for the years 2004-05 to 2008-09. In addition,

records maintained by Deputy Secretary, Mines and Petroleum, Director, Mines and Geology (DMG), Additional Directors, Mines (ADM), Additional Directors, Geology (ADG) and Superintending Mining Engineers (SME) were also test-checked.

1.6 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Mining and Geology Department in providing necessary information and records for audit. An entry conference was held on 31 August 2009 with the Principal Secretary, Mines and Petroleum, wherein, objectives and methodology of audit were explained.

An exit conference was held on 17 August 2010 with the Principal Secretary, Mines and Petroleum in which results of audit and recommendations were discussed. The replies of the Department received during the exit conference and at other points have been appropriately included in the respective paragraphs.