

CHAPTER-III

Financial management

3.1 Organisational set-up

3.1.1 At the Government level, the Principal Secretary, Mines and Petroleum and at the department level the Director Mines Geology (DMG) are responsible for administration and implementation of the related Acts and Rules in the Mines and Geology Department. The DMG is assisted by five ADMs and three ADGs. The ADMs exercise control through seven circles headed by SME.

3.1.2 There are 38 ME/AMEs, who are responsible for assessment and collection of revenue, besides prevention of illegal excavation and despatch of minerals from areas under their control. The Department has a separate vigilance wing controlled by two SMEs (Vigilance) at Jaipur and Udaipur. In DMG office, the Financial Advisor controls the work of maintenance of accounts and internal audit.

3.2 Revenue contribution of mining sector

3.2.1 Receipts from mines and minerals mainly consist of royalty which is levied either on specific or *ad valorem* basis on the quantity of mineral removed or consumed from mines. Dead rent is levied on the area leased out for mining activity. Other receipts for mining Department are excess royalty collection fee, application fee, licence fee, permit fee, development charges, service charges, prospecting charges, penalties and interest for delayed/belated payments of dues *etc.* Rates of royalty and dead rent in respect of major minerals are prescribed by the Central Government but these are collected and utilised by the State Government. Similarly, rates of royalty and dead rent in respect of minor minerals are determined and its collection and utilisation is also affected by the State Government itself.

The mining lease is granted on fixed dead rent, against which the lessee may remove specified quantity of mineral without payment of royalty. The lessee removes or despatches or utilises the mineral from the mines and quarry on valid *rawannas*¹. The lessee keeps correct and regular accounts of all minerals excavated and despatched and furnished monthly returns to the Mines and Geology Department. For collection of royalty over and above the specified quantity, royalty/excess royalty collection contract² may be granted by auction or tender in respect of such areas and such minerals as the DMG may order.

¹ *Rawanna* means delivery challan for removal or despatch of mineral from mines.

² 'Excess Royalty Collection Contract' means a contract for specified minerals and area given to collect royalty in excess of dead rent, on behalf of the Government from the holder of mining lease(s) under the contract. The contractor shall pay a fixed amount annually to the Government as per terms of the contract.

3.2.2 The budget estimates, actual revenue of mining sector, total revenue raised by the State Government and percentage contribution by mining sector towards State revenue was as under:

(₹ in crore)

Year	Budget estimates	Actual	Total revenue of State Government	(-)Shortfall/ (+) excess (BEs vis a vis actuals)	Percentage contribution by mining sector
2004-05	625.00	645.35	10,560.97	(+) 20.35	6.1
2005-06	750.00	814.08	12,617.90	(+) 64.08	6.5
2006-07	850.00	1,196.52	15,038.85	(+) 346.52	8.0
2007-08	1,280.00	1,226.61	17,328.66	(-) 53.39	7.1
2008-09	1,400.00	1,275.59	18,832.21	(-) 124.41	6.8

The percentage of variation between budget estimates and actual revenue realised ranged from (-) 9 to (+) 41. The abnormal increase in revenue with reference to BEs during the year 2006-07 and decrease during the year 2008-09 were due to change in London Metal Exchange price of Zinc metal.

The revenue from mining sector was adversely affected due to pendency of mining licences of applications for a long time. The pendency of applications was due to delay in segregation of applications and lack of co-ordination among Revenue, Forest and Mining Departments (details given in Chapter-IV).

3.2.3 The revenue realised during the year 2008-09 constituted 6.8 *per cent* and 32.8 *per cent* of the total revenue and non-tax revenue respectively, of the State. Though, the contribution of the mining sector has increased to ₹ 1,275.59 crore in 2008-09 from ₹ 645.35 crore in 2004-05, but its share in total revenue of the State decreased to 6.8 *per cent* in 2008-09 from 8.0 *per cent* in 2006-07. There is ample scope for improvement which can be achieved by revamping of revenue realisation system and plugging in revenue leakage, few instances of which have been incorporated in this review.

3.3 Arrears of revenue

3.3.1 The arrears of revenue increased from ₹ 62.98 crore as on 1 April 2004 to ₹ 103.16 crore at the end of year 2008-09. During the period from 2004-05 to 2008-09, recovery of old arrears was not impressive and ranged from 6.58 *per cent* (2007-08) to 15.80 *per cent* (2004-05) only, as against target of 50 *per cent*.

3.3.2 Recoveries stayed by various courts increased from ₹ 20.49 crore beginning of 2004-05 to ₹ 60.32 crore (2008-09). Serious efforts are needed to vacate stay imposed by various courts.

We found that against the total outstanding recoveries of ₹ 60.32 crore (stayed by courts) as on 31 March 2009, ₹ 14.20 crore pertained to seven cases of illegal excavation/despach of minerals of ME/AME offices, Jodhpur and Balesar, wherein stay orders were granted by courts more than three to six

years back. The matter was reported (July 2010) to the Department and the Government; their reply is awaited (October 2010).

3.3.3 The year-wise position of the arrears (excluding arrears of illegal excavation/despatch of minerals) during the years 2003-04 to 2008-09 was as under:

(₹ in crore)

Year	Opening balance	Addition during the year	Recovered during the year	Amount involved in court cases	Closing balance
2003-04	51.71	436.62	425.35	20.49	62.98
2004-05	62.98	557.99	553.61	28.41	67.36
2005-06	67.36	708.97	694.16	43.50	82.17
2006-07	82.17	1,084.65	1,076.20	52.89	90.62
2007-08	90.62	1,125.38	1,114.58	62.49	101.42
2008-09	101.42	1,094.33	1,092.59	60.32	103.16

The above table indicates that sincere efforts were not made to recover old dues. We found from the age-wise break-up of dues that chances of recovery of dues ₹ 37.92 crore pertaining to the period up to 2003-04 are bleak.

The Government stated (September 2010) that ₹ 42.08 crore had been recovered.

3.4 Internal audit

Internal audit is an important mechanism to ensure that the departmental operations are carried out according to the applicable laws, regulations and approved procedures in an economical, efficient and effective manner, subordinate offices are maintaining various records, registers/account books properly and accurately, and adequate safeguards are being taken against non/short collection or evasion of revenue.

Our scrutiny (October 2009) of the records of DMG, Udaipur revealed that audit of almost all the mining units were pending since 2004-05. As on 31 March 2009, internal audit of 69 sub-ordinate offices was pending. Thus, the internal control mechanism of the Department is not strong.

When we pointed out (October 2009) this, the DMG stated (November 2009) that internal audit had been pending due to shortage of staff.

In the absence of internal audit, the departmental authorities remained unaware of the areas of malfunctioning of the systems, evasion/leakage of revenue and did not, therefore, have any opportunity of taking remedial action.

3.5 Recommendations

- *We recommend that a strong mechanism to ensure speedy recovery of sums due to Government should be developed.*
- *Efforts may be made for augmenting revenue of Mining sector for recovery of old dues, including getting stays vacated from the Courts.*
- *Internal audit may be conducted on regular basis for detecting malfunctioning of the system, leakage of the revenue and compliance of rules and provisions of the Act.*