

## Executive summary

Minerals are valuable natural resources being finite and non-renewable; therefore, their exploitation is guided by long term national goals and perspectives. Mineral exploration and development is closely linked with the development of economy and upliftment of inhabitants residing nearby. However, a harmony and balance is to be maintained between conservation and development as it intervenes with the environment and social structure.

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.

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, application fee, licence fee, permit fee, development 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; whereas, rates of royalty and dead rent in respect of *minor minerals* are determined by the State Government and their collection and utilisation is done by the State Government.

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.

We conducted a Performance Audit of Mining Receipts of the period 2004-05 to 2008-09 in order to ascertain whether the provisions of various Acts and rules made thereunder were enforced effectively by the Mining Department. We also ascertained whether there existed an effective system for computation, levy and realisation of various fees, rent, royalty, penalty *etc.* in the Department; and the action taken in the cases of default or illegal excavation of minerals was effective.

We also analysed internal controls and monitoring mechanism for their effectiveness. Further, we tried to assess whether the environmental and ecological concerns had been taken care of.

We found that though illegal mining of minerals is a matter of concern in the State and in the knowledge of the Department; the Rules do not provide for recovery of damages caused to the Environment and cost of reclamation required after mining activity. This is not consistent with the National Environment Policy, 2006.

We found irregularities in management of leases, unauthorised excavation, non/short assessment and realisation of royalty, misuse of *rawannas etc.* aggregating ₹ 402.85 crore as mentioned in the succeeding chapters.

We observed that the percentage contribution of the mining sector in total revenue of the State decreased from 8 *per cent* (2006-07) to 6.8 *per cent* (2008-09). There is ample scope of improvement by revamping realisation system and plugging revenue leakages.

The arrears of revenue increased from ₹ 62.98 crore (as on 31 March 2004) to ₹ 103.16 crore (as on 31 March 2009) mainly due to non-recovery of charges levied in cases of illegal mining of minerals. The recovery of old arrears ranged between 6.6 and 15.8 *per cent* as against target of 50 *per cent*.

We observed that in absence of internal audit of almost all the mining units which had not been done since 2004-05, there was no effective system of internal check on the activities of the Department.

We found that large number of applications for mining leases/quarry licences were pending resulting in non-exploitation of minerals and development of mineral industries.

In office of the Mining Engineer, Kota excess royalty collection contract of mineral sand stone and masonry stone was given at much higher rates than actual realisation of royalty amount, which indicated illegal despatch of minerals.

Our scrutiny revealed large scale misuse of *rawannas* and despatch of minerals without *rawannas*, and cost of minerals was yet to be recovered in cases of illegal/unauthorised mining.

We also found that the cost of illegally excavated minerals by the Public Works contractors was pending for recovery.