

## PREFACE

This Report contains the results of the Performance Audit on Controls and Systems for Sustainable Mining in Karnataka under Article 151 (2) of the Constitution of India.

The audit of non-tax mining receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The issue regarding illegal mining of Iron Ore has been widely reported in the print and electronic media. The Lokayukta of Karnataka has submitted the final report to the Government in July 2011 on illegal mining in Karnataka for the period from 2006-07 to July 2010. Separately the Hon'ble Supreme Court has directed the Central Empowered Committee (CEC) and the Central Bureau of Investigation (CBI) to probe into the issue of illegal mining in Karnataka. In the context of the issues highlighted in the report of the Lokayukta and the concerns expressed by the CEC, Audit felt it appropriate to conduct a performance appraisal on the controls and systems in place in the State of Karnataka for ensuring and regulating legitimate and sustainable mining. This report is in pursuance of such an audit. The report does not audit issues connected with illegal mining of Iron Ore as that issue has been adequately examined by the Lokayukta and under investigation by CBI.

The cases mentioned in this Report relating to the period from 2006-07 to 2010-11, are among those which came to notice in the course of test-audit of records of selected units during the year 2011-12, as well as, those noticed in earlier years but could not be included in the previous reports.