

# **CHAPTER – V**

## **MINING RECEIPTS**

## Chapter- V Mining Receipts

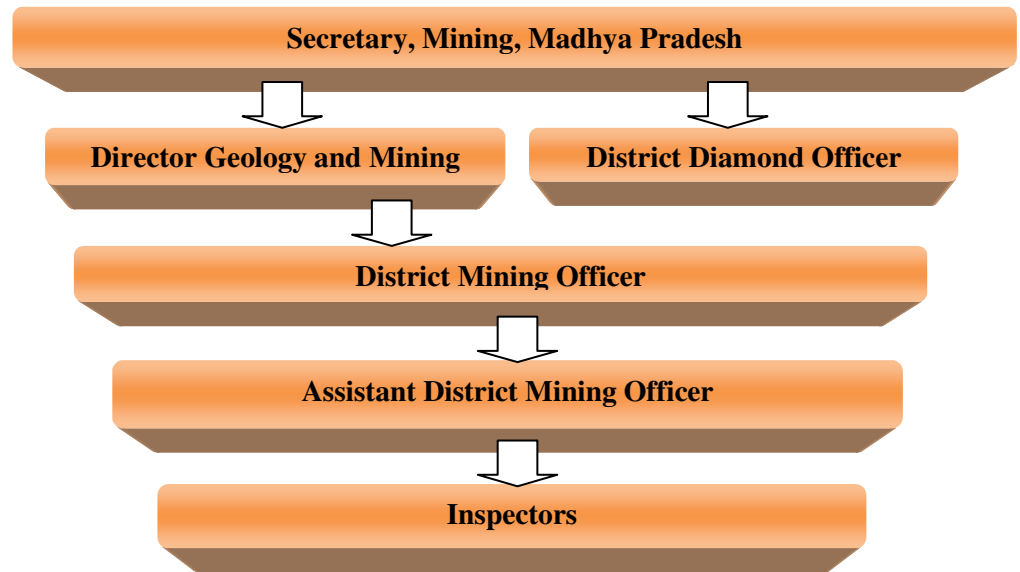


### 5.1 Tax administration

The Mineral Resources Department functions under the overall charge of the Secretary, Mining, Government of Madhya Pradesh. The Director, Geology and Mining, is the Head of the Department who is assisted by four Regional Heads based at Indore, Gwalior, Jabalpur and Rewa, 50 District Mining Officers (DMOs) based at the district level and one Diamond Officer in Panna. The DMOs are assisted by Assistant DMOs and Mining Inspectors. The DMOs, Assistant DMOs and Inspectors are under the administrative control of the Collector at the district level. Mining Receipts are collected under the provisions of the following Acts and Rules and notifications issued there under:

- Mines and Minerals (Development and Regulation) Act, 1957;
- Mineral Concession Rules, 1960;
- Mineral Conservation and Development Rules, 1988;
- Marble Development and Conservation Rules, 2002;
- Madhya Pradesh Minor Mineral Rules, 1996;
- Madhya Pradesh Minerals (Prevention of Illegal Mining Transportation and Storage) Rules, 2006;
- Madhya Pradesh Rural Infrastructure and Road Development Act, 2005;
- The Colliery Control Rules, 2004; and
- Coal Bearing Areas Act, 1957.

**Chart 5.1: Organisational Setup**



## 5.2 Internal Audit

Internal audit is a vital arm of internal control mechanism and is generally defined as the control of all controls. It helps the organisation to assure that the prescribed systems are functioning reasonably well. The Department stated that no internal audit wing existed in the Department and therefore internal audit of the mining unit was not conducted.

All the observations raised in this Chapter through Paragraph 5.4 to 5.13, had also been raised in our earlier Audit Reports. This clearly shows that in absence of internal audit wing, these audit observations have resurfaced year after year, which has resulted in short realisation of revenue to the Department.

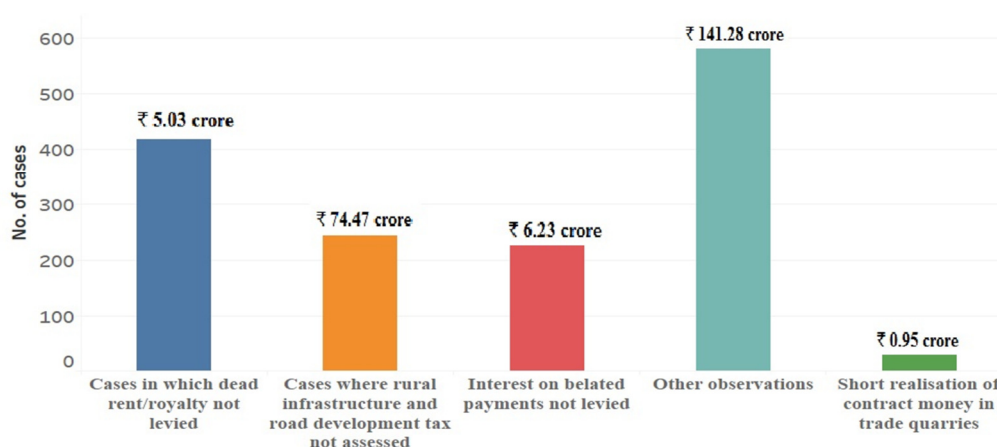
## 5.3 Results of Audit

We test checked the records of 32 units out of 51 units relating to Mining Receipts during 2015-16 and observed cases of revenue not realised/short realized and other irregularities involving ₹ 227.96 crore in 1,501 cases which fall under the following categories as mentioned in the **Table 5.1**.

**Table 5.1**

Sl. No.	Categories	₹ incrore)	
		No. of cases	Amount
1.	Cases in which dead rent/royalty not levied	418	5.03
2.	Cases where rural infrastructure and road development tax not assessed	244	74.47
3.	Short realisation of contract money in trade quarries	31	0.95
4.	Interest on belated payments not levied	226	6.23
5.	Other observations (Cases of penalty on delayed payment of rural infrastructure and road development tax, cases of export of copper by Government Company not related to revenue, Mines not auctioned and operated due to environment clearance, etc.)	582	141.28
<b>Total</b>		<b>1,501</b>	<b>227.96</b>

**Chart 5.2: Results of Audit**  
(Amount involved is ₹227.96 crore in 1,501 cases)



The Department accepted cases where revenue not realised/short realised and other deficiencies of ₹ 227.71 crore in 1,500 cases, which were pointed out in audit during the year 2015-16.

The Department recovered ₹ 4.97 crore in 151 cases as mentioned in **Table 5.2**.

**Table 5.2**

Table showing amount recovered by the Department against audit observations

Year to which recovery pertain	Amount (in Lakh)	Cases
2011-12	4.94	7
2012-13	7.88	16
2013-14	11.09	25
2014-15	472.93	103
<b>Total</b>	<b>496.84</b>	<b>151</b>

All observations were communicated to Government and Director, Geology and Mining. A meeting was held with the Department on 28 September 2016 to discuss paragraphs included in this Chapter. Replies given by the Department during the meeting have been included in respective paragraphs.

A few illustrative cases involving ₹ 43.91 crore highlighting important audit findings are mentioned in the following paragraphs:

#### **5.4 Exempted Stamp duty and Registration fees not recovered**

**The lessee did not commence the commercial production at mines allotted to it by the due date despite availing the benefits of subsidised stamp duty and registration fees under the Industrial Policy of the State Government. The Department did not recover the amount of rebate of Stamp duty and registration fees amounting to ₹ 9.46 crore on agreement of allotment of lease and interest of ₹ 8.08 crore thereon, despite conditions of agreement not fulfilled.**

In order to establish new industries in Madhya Pradesh, employment generation for local population and to scientifically exploit the mineral resources of the State, the State Government had entered into an MoU with M/s Abhijeet Cement Ltd., Nagpur (ACL) on 16 February 2008 for setting up; (a) Cement Plant of capacity of 2.5 MTPA, (b) Limestone Mine of capacity of 2.5 MTPA, (c) Captive Power Plant of 50 MW and (d) Coal Mine; with an investment of ₹ 800 crore in first phase. The total investment proposed by ACL in Madhya Pradesh is ₹ 1,210 crore.

Later, an agreement was entered on 26 June 2010 with ACL by the State Government through Managing Director, M.P. Trade and Investment Facilitation Corporation Ltd. to produce Cement in Morena District with an investment of ₹ 1,162 crore. According to the Industry Department letter dated 23.11.2009 these concessions shall be available to the company only on condition that it shall start commercial production by 31.03.2012. Further as per agreement, the State Government shall also have the right to withdraw this facility from the company without prejudice to its right of the agreement or otherwise and also recover the amount with interest at the rate of 18 *per cent* per annum if the State Government is of the opinion that the company has at any point of time misrepresented or concealed any material fact or made any false statement for availing such benefits as mentioned vide its letter dated 16 June 2010 issued by the State Government.

The company was allotted Limestone Mines on an area of 645.636 hectare land on 30 years' lease vide agreement dated 3 July 2010. Further, the Government vide its letter dated 16 June 2010, granted exemption of Stamp Duty on mining lease, according to which the Company had to pay Stamp Duty of only two *per cent* leviable as per rule or ₹ two lakh, whichever was less.

The Government allotted the Limestone Mines to ACL on following terms and conditions communicated vide letter dated 07 January 2009:-

1. Applicant Company shall ensure that the area allotted is not affected by provision of Forest Conversation Act 1986.
2. Action may be taken in accordance of notification issued by the Government of India, Ministry of Forest and Environment dated 14 September 2006. As per the letter of Government of M.P., Commerce Industry and Employment Department, the date by which Company was to start commercial production was 31 March 2012. It was further stated in this letter that Company shall be entitled to avail all these benefits only when it will commence commercial production on or before 31 March 2012.

On Company's request, the Commerce Industry and Employment Department, Bhopal vide its letter dated 23 November 2009 had extended the date of commercial production to 31 March 2012, which was earlier 31 March 2011.

During the audit of DMO, Morena we observed (July 2015) that, ACL was given concession of stamp duty and registration fees amounting to ₹ 9.46 crore on registration of agreement of mining leases. It was further observed that the ACL had not started the commercial production at the mines of limestone even upto July 2015, although as per conditions *ibid*, it had to start commercial production on or before 31 March 2012. Thus due to violation of terms and conditions of the agreement, the exemption of Stamp duty and Registration

fees of ₹ 9.46 crore was recoverable from the Company. Further, as per Clause 5 of the agreement executed on 16 June 2010, interest of ₹ 8.08 crore (from 3 July 2010 to 31 March 2015) at the rate of 18 *per cent* per annum was also leviable. Thus, total amount of ₹ 17.54 crore was recoverable from the Company as shown in **Appendix XX**.

After we pointed out (July 2015), District Mining Officer stated that action would be taken by the Government because exemption was given by the Government Committee.

We reported the matter to the Government and the Department, (July 2016); the Department also reiterated that action would be taken by the Government because exemption was given by the Government (September 2016). The Department stated in a meeting (September 2016) that detailed information from DMO, Morena is requisitioned and awaited and that detailed reply would be submitted accordingly.

## **5.5 Stamp duty and Registration fees not realised/short realised**

### **5.5.1 Mining leases/ Quarry leases**

**Agreements of 22 mining/quarry leases were executed on unduly stamped lease agreement. As a result, Stamp duty and Registration fees amounting to ₹ 4.19 crore was not realised/short realised.**

According to the instructions of Government of Madhya Pradesh (March 1993), Mineral Resources Department, Stamp Duty and Registration Fees are leviable on average annual royalty on new mining lease to be calculated on the basis of mineral to be extracted as shown in the application for mining lease or the production given in the mining plan, whichever is higher. Further, as per Section 33 of Indian Stamp Act, 1899 the Stamp Duty shall be levied at the same rate as conveyance for a market value equal to the amount or at the rate of five *per cent* or one and half times to five times of the market value of average annual royalty for the lease period five to 30 years, depending on the period of lease. Besides, as per Indian Registration Act, 1908 Registration Fee shall be levied at the rate of 75 *per cent* of Stamp Duty. Further, according to Section 33 read with Section 35 of Indian Stamp Act, 1899, every public officer, if any instrument chargeable in his opinion, with duty, is produced or comes in the performance of his functions, shall, if it appears to him that such instrument is not duly stamped, impound the same and refer it to Collector of Stamps for correct levy of Stamp duty. Insufficient stamped instruments shall not be admitted in evidence unless such instruments are duly stamped after payment of deficient duty together with a penalty equal to ten times of the deficient amount of duty.

We test checked 21 mining leases out of 63 and 118 quarry leases out of 170 in six District Mining Offices<sup>1</sup> (between May 2015 and January 2016) during scrutiny of case files of leases sanctioned to MP State Mining Corporation Limited (MPSMCL) for the period 2011-15 and observed that the corporation entered into agreement with lessees for 22 mining/quarry leases. An amount of ₹ 4.26 crore was leviable for Stamp Duty and Registration Fees on the agreements. Against this, an amount of ₹ seven lakh only was levied. As a

<sup>1</sup> Chhatarpur, Chhindwada, Dindori, Harda, Singrouli and Umaria

result, Stamp Duty and Registration Fee of ₹ 4.19 crore was not realised/short realised (**Appendix XXI**). The respective DMOs, being public officers, should not have accepted the unduly stamped agreements and should have impounded the same and referred it to Collector of Stamps for correct levy of Stamp duty.

We reported the matter to the Government and the Department, (between December 2015 and April 2016). The Department accepted the audit observations and stated in his reply (July 2016) that action for recovery is being taken by respective District Collectors in all these cases.

However, the Department stated in a meeting (September 2016) that all such cases are forwarded to District Registrar, for quantum of leviable Stamp Duty and Registration Fees, on the basis of which, Stamp Duty and Registration Fees has been recovered.

We do not agree with the reply as, in cases of trade quarries, agreements of leases were executed on stamp papers of ₹ 100 also. This suggests that quantum of Stamp Duty and Registration Fees was not decided by the District Registrars.

### 5.5.2 Trade Quarries

**Instead of levying the Stamp duty on full amount of contract money in accordance with the Departmental instructions, agreements of trade quarry leases were executed on stamp papers of lesser amount. As a result, Stamp Duty and Registration Fees of ₹ 7.66 crore was not realised/short realised.**

As per instructions issued by Mineral Resources Department, Government of Madhya Pradesh (March 1993), full amount of contract money should have been treated as premium for the purpose of levy of Stamp Duty on trade quarries. Besides, as per Indian Registration Act, 1908, Registration Fee at the rate of 75 per cent of Stamp Duty is leviable.

We observed (between May 2015 and January 2016) during scrutiny of case files of District Mining Officer, Harda, that in all three cases test checked, Stamp Duty and Registration Fee of ₹ 7.66 crore was leviable as per instructions *ibid*. However, agreements of leases were executed on stamp papers of ₹ 100. This resulted in short realisation of Stamp Duty and Registration Fees of ₹ 7.66 crore (**Appendix XXII**).

We reported the matter to the Government and the Department, (between December 2015 and April 2016).The Department accepted the audit observation and stated in reply (July 2016) that action for recovery is being taken by respective District Collectors in all these cases.

However, the Department stated in a meeting (September 2016) that we forward all such cases to District Registrar, for quantum of leviable Stamp Duty and Registration Fees, on the basis of which, Stamp Duty and Registration Fees has been recovered.

We do not agree with the reply as in cases of trade quarries, agreements of leases were executed on stamp papers of ₹ 100 also. This suggests that quantum of leviable Stamp Duty and Registration Fees was not decided by the District Registrar.

## 5.6 Rural infrastructure and road development tax not realised/short realised

**Ninety nine mining lessees had paid ₹ 11.91 crore of rural infrastructure and road development tax against the payable amount of ₹ 17.89 crore for the period 2014-15. This resulted in short realisation of revenue amounting to ₹ 5.98 crore.**

According to the provisions of the Madhya Pradesh Rural Infrastructure and Road Development Act, 2005 and notification of September 2005, rural infrastructure and road development tax at the rate of five *per cent* per annum of the market value of major minerals produced after deducting amount of royalty actually paid by the lessee and ₹ 4,000 per hectare per year in the case of idle mines is to be levied on lessees holding mining leases. Further, in the case of working mines, rural infrastructure road development tax shall be levied at the rate of five *per cent* on the average of the sale price of preceding two years. Every lease holder has to deposit tax by the last day of each quarter in terms of Rule 7 of the Act. In case of tax not paid, competent authority shall, under Section 4(2), impose the penalty not exceeding three times of the tax payable, but not before giving a reasonable opportunity to the assesses of being heard. According to Sub Section 5 of Section 4, the competent authority shall recover the amount of tax and penalty, if not paid, as the arrears of land revenue.

We observed (between April 2015 and March 2016) during scrutiny of individual case files of major minerals in respect of mining leases of 10 District Mining Offices<sup>2</sup> that out of 314 test checked, 98 lessees had not paid rural infrastructure and road development tax amounting to ₹ 2.34 crore and only one lessee had paid ₹11.91 crore against the payable amount of ₹ 15.55 crore for idle mines for the period of 2012-15. The Department failed to comply with the prescribed system of quarterly collection of tax and did not collect tax accordingly. This resulted in short realisation of revenue of ₹ 5.98 crore.

After we pointed out these cases, DMO, Katni reported that an amount of ₹ 6.57 lakh has been recovered and demand notices issued for remaining amount; DMO, Damoh reported that demand notices have been issued for recovery; other DMOs, stated (between April 2015 and March 2016) that audit would be intimated after recovery of payable amount.

We reported the matter (between September 2015 and April 2016) to the Government and the Department. The Department accepted the audit observation and stated (July 2016) in reply that ₹ 0.27 lakh has been recovered by DMO Shahdol and action for recovery is being taken by respective District Collectors in other cases. The Department stated in a meeting (September 2016) that its recovery is under process.

<sup>2</sup> Balaghat, Chhindwada, Damoh, Jabalpur, Jhabua, Katni, Mandasaur, Neemuch, Satna and Shahdol



### 5.7 Interest not realised/short realised on belated payments of royalty on mining leases

**The Department did not levy interest of ₹ 5.67 crore on belated payments of royalty by lessees in respect of 18 lessees of mining leases as per the provisions of the Rules.**

According to Rule 64 (a) of Mineral Concession Rules, 1960, a lessee is liable to pay royalty, rent and rates by the prescribed date, failing which he is liable to pay simple interest at the rate of 24 *per cent* per annum from the sixtieth day of the expiry of the stipulated date till the date of payment of such royalty.

We observed (between April 2015 and March 2016) during scrutiny of case files of six District Mining Offices<sup>3</sup> for the period April 2013 to March 2015 that 18 lessees, out of 218 test checked, had delayed payments of royalty by 45 to 1,101 days beyond sixtieth day of the expiry of the stipulated date between July 2011 to January 2015. The DMOs did not recover the amount of interest of ₹ 5.67 crore on belated payments. As a result, interest of ₹ 5.67 crore on belated payment of royalty was not realised.

After we pointed this out (March 2015), DMO, Katni reported realisation of full amount of ₹ 9.99 lakh; DMO Khargone stated that audit would be intimated after recovery of the amount and other DMOs stated that action for recovery would be taken after scrutiny of the cases.

We reported the matter (between December 2015 and April 2016) to the Government and the Department, The Director, Geology and Mining accepted the audit observation and stated in his reply (July 2016) that ₹ 80,000 has been recovered by DMO Neemuch and action for recovery is being taken by respective District Collectors in other cases. The Department stated in a meeting (September 2016) that amount would be recovered.

### 5.8 Dead rent for quarry lease/mining lease not realised or short realised

**Department recovered dead rent of ₹ 9.82 lakh against recoverable amount of ₹ 1.23 crore from 131 lessees holding quarry lease and mining leases. As a result, dead rent amounting to ₹ 1.13 crore was not realised.**

According to Rule 30 (1) (a) of Madhya Pradesh Minor Mineral Rules, 1996, every lessee shall pay yearly dead rent for every year, except for the first year, at the rates specified in Schedule IV, in advance for the whole year, on or before the twentieth day of the first month of the year.

According to Section 9 A (i) of the Mines and Minerals (Development and Regulation) Act 1957, and rules made thereunder, every lessee of a mining lease has to pay dead rent every year to the State Government at the rates prescribed in Schedule III of the Act in respect of all areas included in the lease provided that where the lessee becomes liable to pay royalty for any mineral removed or consumed, he shall be liable to pay either such royalty or the dead rent in respect of that area, whichever is greater.

<sup>3</sup> Katni, Khargone, Neemuch, Rewa, Satna and Sidhi

We observed (between April 2015 and February 2016) during scrutiny of individual files of lessees of 14 District Mining Offices<sup>4</sup> that out of 407 test checked, 95 lessees had not paid dead rent and 36 lessees had paid short amount of dead rent for the period April 2011 to March 2015. This resulted in short realisation of dead rent of ₹ 1.13 crore.

After we pointed out these cases (between April 2015 and January 2016), DMO Dindori reported recovery of ₹ 40,000; DMO Katni reported that dead rent on quarry lease of ₹ nine lakh and dead rent on mining lease of ₹ 8.20 lakh had been recovered and demand notices issued for remaining amount and other DMOs stated that audit would be intimated after scrutiny and recovery of payable amount.

We reported the matter (between September 2015 and April 2016) to the Government and the Department. The Director, Geology and Mining accepted the audit observation and stated in his reply (July 2016) that dead rent on quarry lease of ₹ 37.99 lakh has been recovered by five DMOs<sup>5</sup> and dead rent on mining lease of ₹ 0.35 lakh has been recovered by DMO Neemuch and DMO Shahdol and action for recovery is being taken by respective District Collectors in other cases. The Department stated in a meeting (September 2016) that amount would be recovered.

### 5.9 Contract money not realised/short realised in trade quarries

**The Department recovered contract money of only ₹ 23.16 lakh for agreement of trade quarries from 15 contractors, against recoverable amount of ₹ 81.96 lakh. As a result, contract money of ₹ 58.80 lakh was not realised/short realised.**

According to Rule 37(1) of M.P. Minor Mineral Rules, 1996, and condition No. 5(i) and 9 of the Contract Agreement for trade quarry, every contractor has to pay contract money to the State Government on the scheduled date. If the contract money remains unpaid for more than one month, the contract may be cancelled and quarry may be re-auctioned. Consequently, upon re-auction of the quarry, if the Government sustains any loss, the same will be recovered from the defaulting contractor as arrears of land revenue, but before doing so, notice would be issued to the contractor to deposit amount of overdue within 30 days.

We observed (between November 2015 and January 2016) during test check of the case files of 31 trade quarries of three District Mining Offices<sup>6</sup> for the period 2012-15 that contract money of ₹ 81.96 lakh was due for payment whereas the contractors paid an amount of ₹ 23.16 lakh only. As a result, contract money amounting to ₹ 58.80 lakh from 15 contractors was not realised/short realised. Out of these 15 contractors, 11 contractors at DMO Panna did not pay any amount of contract money. The DMO should have initiated action of cancellation of these trade quarries after one month from the scheduled date. However, DMO failed to initiate action in accordance with the relevant rules to cancel the auction of trade quarries and re-auction them.

<sup>4</sup> Chhatarpur, Dindori, Jabalpur, Katni, Khargone, Mandsour, Morena, Neemuch, Rewa, Satna, Shahdol, Sidhi, Singrouli and Tikamgarh

<sup>5</sup> Dindori, Khandwa, Neemuch, Shahdol and Ujjain

<sup>6</sup> Guna, Panna and Rajgarh

We reported the matter to the Government and the Department, (January 2016 to June 2016). The Department accepted the audit observation and stated in his reply (July 2016) that ₹ 1.42 lakh has been recovered by DMO Rajgarh and action for recovery is being taken by respective District Collectors in other cases. The Department stated in a meeting (September 2016) that amount would be recovered.

#### 5.10 Short realisation of royalty on mining lease

**One lessee had paid royalty of ₹ 3.29 crore on mining lease, between June 2013 and March 2015 for consumption/transportation of minerals against payable royalty of ₹ 3.69 crore. This resulted in short realisation of royalty of ₹ 40 lakh.**

According to Section 9(i) of the Mines and Minerals (Development and Regulation) Act, 1957, every lessee of a mining lease has to pay royalty in respect of minerals removed or consumed by him from the leased area, at the rates specified in the Schedule II of the Act. Further, as per instructions issued by Director, Geology and Mining (DGM) in September 2005, assessment of tax for every half year period January to June and July to December should be completed by 31<sup>st</sup> of July and January respectively.

We observed (June 2015) during scrutiny of case files, assessment and annual production statement of District Mining Office, Katni that one lessee of major minerals, out of 80 test checked, had paid royalty of ₹ 3.29 crore against the payable amount of ₹ 3.69 crore due for the period June 2013 to March 2015. It was stated by the District Mining Officer (DMO) that lessee did not submit timely returns and records to the Department, therefore royalty could not be recovered. Had the DMO scrutinised the returns on time as per instructions of DGM, short realisation of royalty could have been avoided. This resulted in short realisation of royalty of ₹ 40 lakh.

After we pointed this out (June 2015); DMO Katni reported (April 2016) recovery of full amount. However, particulars of recovery were not provided to audit (October 2016).

#### 5.11 Royalty against temporary permits issued not realised/short realised

**District Mining Officer failed to recover advance royalty of ₹ 31.00 lakh from three contractors to whom permission for extraction, removal and transportation of minor mineral was granted to carry out Government work.**

According to Rule 68 (1) of Madhya Pradesh Minor Mineral Rules, 1996, the Collector shall grant permission for extraction, removal and transportation of any minor mineral from any specific quarry or land which may be required for the works of any Department and undertaking of the Central Government or the State Government. Sub-rule (3) further provides that such permission shall only be granted on payment of advance royalty calculated at the rates specified in Schedule III.

We observed (between April and November 2015) during scrutiny of the case files and temporary permits issued to contractors under three District Mining

Offices<sup>7</sup> for the period 2012-15 that four temporary permits out of 13 test checked were issued to three contractors for the minerals used in Govt. construction work. The DMOs did not realise the entire sum of royalty payable in advance and instead issued permits against part payment by the contractors. As a result, the Department could realise ₹ 40 lakh only against the payable royalty of ₹ 71 lakh leading to short realisation of revenue of ₹ 31 lakh.

After we pointed out the cases (between April and November 2015), DMO Katni replied that demand notice has been issued for recovery of payable amount and DMO Mandasaur stated that audit would be intimated after recovery of payable amount and DMO Satna stated that action for recovery would be taken after scrutiny.

We reported the matter (between December 2015 and April 2016) to the Government and the Department. The Director, Geology and Mining accepted the audit observation and stated in his reply (July 2016) that action for recovery was being taken by respective District Collectors. However, in a meeting (September 2016), the Department stated that in cases of temporary permits, Department is recovering royalty on the basis of quantity excavated.

The reply of the Department is not acceptable as in cases of temporary permits, royalty should always be recovered in advance as per the provisions of Rule 68 (1) of Madhya Pradesh Minor Mineral Rules, 1996.

### **5.12 Interest on belated payments of dead rent by quarry lessees was not levied**

**The Department did not levy interest of ₹ 29.72 lakh on belated payments of royalty/dead rent by lessees in respect of 147 quarry lessees as per the provisions of the Rules.**

As per Rule 30 (i) (d) of Madhya Pradesh Minor Mineral Rules, 1996, every lessee of quarry lease is required to pay dead rent or royalty under sub rule (a) and (b) to the State Government on or before the twentieth day of first month of the year, failing which the lessee is liable to pay interest at the rate of 24 *per cent* per annum till the default continues, besides any penal action to be taken under the rules.

We observed (between May 2015 and February 2016) during scrutiny of case files related to quarry leases of sixteen District Mining Offices<sup>8</sup> between April 2011 and March 2015 that 147 lessees, out of 527 test checked, had made delayed payment of dead rent. The delay ranged between eight to 1,165 days. The Department did not levy any interest on these belated payments. As a result, interest on delayed payments of ₹ 30.13 lakh was not recovered.

After we pointed out these cases (between May 2015 and February 2016), DMO Hoshangabad immediately recovered ₹ 41,000 out of leviable interest of ₹ 73,000; DMO Harda reported that an amount of ₹ 11,427 has been recovered and demand notices issued for remaining amount. DMO Katni reported that an amount of ₹ 18,944 has been recovered and demand notices issued for remaining amount; while, other DMOs stated that audit would be intimated

<sup>7</sup> Katni, Mandasaur and Satna

<sup>8</sup> Alirajpur, Anuppur, Dindori, Guna, Harda, Hoshangabad, Indore, Jabua, Khandwa, Khargone, Katni, Morena, Panna, Sidhi, Singrouli and Ujjain

after recovery of payable amount. An amount of ₹ 29.42 lakh is still outstanding (April 2016).

We reported the matter to the Government and the Department (between December 2015 and April 2016). The Department accepted the audit observation and stated in reply (July 2016) that action for recovery was being taken by respective District Collectors. The Department stated in a meeting (September 2016) that amount would be recovered.

### **5.13 Royalty on quarry lease not realised/short realised**

**Nineteen lessees had paid royalty of ₹ 42.09 lakh between January 2008 and March 2015 for consumption/transportation of minerals against the payable amount of royalty of ₹ 57.92 lakh, resulting in short realisation of royalty of ₹ 15.83 lakh.**

As per Rule 30(1) (a) of Madhya Pradesh Minor Mineral Rules, 1996, a lessee shall pay the amount of dead rent in advance for a full year on or before twentieth day of the first month in which lease was granted. Further, as per Rule 30(1) (b) of Madhya Pradesh Minor Mineral Rules, 1996, a lessee shall pay the amount of dead rent or royalty whichever is higher but not both in respect of each mineral. The lessee shall pay royalty in respect of quantity of mineral consumed or transported from the leased area, as soon as the amount of dead rent already paid, equals the royalty on mineral consumed or transported by him.

We observed (between May 2015 and January 2016) during scrutiny of case files and returns of quarry lease holders in nine District Mining Offices<sup>9</sup> that 19 lessees, out of 344 test checked, had paid royalty of ₹ 42.09 lakh in respect of mineral removed between January 2008 and March 2015 against payable amount of ₹ 57.92 lakh which resulted in the short realisation of royalty of ₹ 15.83 lakh. The DMOs did not scrutinise the returns on time as per Departmental instructions and hence the royalty on the quarry leases was not realised or short realised.

After we pointed out these cases (between May 2015 and January 2016), DMO Harda stated (April 2016) that demand notices have been issued for recovery of dues; DMOs Alirajpur, Panna and Singrouli stated that audit would be intimated after recovery of due amount and the other DMOs stated that audit would be intimated after scrutiny.

We reported the matter to the Government and the Department, (April 2016). The Department accepted the audit observation and stated in reply (July 2016) that ₹ 5.47 lakh has been recovered by DMO Rajgarh and DMO Harda and action for recovery is being taken by respective District Collectors in other cases. The Department stated in a meeting (September 2016) that amount would be recovered.

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<sup>9</sup> Alirajpur, Anuppur, Guna, Harda, Jhabua, Panna, Rajgarh, Seoni and Singrouli