



**CHAPTER - VI**  
**MINES AND MINERALS**  
**DEPARTMENT**



## CHAPTER – VI : MINES AND MINERALS DEPARTMENT

### 6.1 Results of Audit

A Performance Audit (PA) on ‘Working of Geology and Mining Department, Assam’ was conducted between April 2017 and July 2017 with revenue implication of ₹ 1,396.90 crore.

**Table 6.1  
Results of Audit**

Sl. No.	Categories	Number of cases	Amount (₹ in crore)
1	A Performance Audit on ‘Working of Geology and Mining Department, Assam’	01	1,396.90
<b>Total</b>		<b>01</b>	<b>1,396.90</b>

The PA on ‘Working of Geology and Mining Department, Assam’ is discussed in the succeeding paragraphs.

### 6.2 Performance Audit on ‘Working of Geology and Mining Department, Assam’

#### EXECUTIVE SUMMARY

Minerals are valuable natural resources. Being finite and non-renewable, their exploitation is guided by long term national goals and perspectives. Management of mineral resources is the responsibility of both the Central Government and the State Governments as ‘minerals’ is listed in the Union List (List I) and also the State List (List II) under the Seventh Schedule of the Constitution of India.

Receipts from minerals and mineral oils mainly consist of royalty which is levied either on specific or *ad valorem* basis on the quantity removed or consumed from mines. Other receipts are application fees, licence fees, prospecting charges, surface rent, dead rent, 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 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 also collected and utilised by the State Government.

Assam is mineral-rich and blessed with minerals and mineral oils such as crude oil, natural gas, coal, limestone, granite, china clay, iron ore, glass sand, fuller's earth, sillimanite, etc. Receipts from mining are one of the main components of the non-tax revenue of the State. During 2011-12 to 2016-17, it ranged between 61.06 and 72.22 per cent of total non-tax revenue and constituted between 3.86 and 7.28 per cent of the State's total revenue.

A Performance Audit (PA) was conducted on 'Working of Geology and Mining Department' in Assam to ascertain whether the provisions of the Acts and Rules governing administration of minerals and mineral oils were being implemented effectively for processing of leases/licences, assessment, realisation and remittance of revenue, prevention of illegal mining and leakage of revenue; that steps taken by the Department were adequate and effective to ensure that mining activities were being carried out with due regard to the approved mining plan and with due consideration to environmental aspects; and, the internal control mechanism including Information Technology (IT) systems in the department were sufficient and effective to ensure an adequate degree of oversight and monitoring of the Department's activities.

### **Highlights**

- Adequate exploration and mineral investigation was not carried out by the Department to assess the quality and quantity of mineral reserves in the State  
*(Paragraph 6.2.10)*
- Production of petroleum commenced prior to grant of Petroleum Mining Lease (PML) as the Department neither followed nor monitored any timeline for application and grant of PML  
*(Paragraph 6.2.11.1(i))*
- There was short payment of stamp duty of ₹ 158.99 crore for 16 mining leases. Further, there was loss of revenue of ₹ 14.99 lakh due to non-registration of 32 lease deeds  
*(Paragraphs 6.2.11.7 (i) & (ii))*
- The Department did not detect the short/ non-payment of licence fee for 13 Petroleum Exploration Licences (PELs) amounting to ₹ 5.97 crore and did not levy interest of ₹ 38.06 lakh in respect of 16 licensees for delayed payment of licence fee  
*(Paragraph 6.2.11.8)*
- Short deposit of statutory fees in respect of 17 PMLs amounting to ₹ 1.15 crore was not realised  
*(Paragraph 6.2.11.9)*

- Department did not cross check returns for production with annual accounts/other reports resulting in acceptance of lower quantity of production of crude oil and natural gas reported by Oil India Limited and Oil and Natural Gas Corporation Limited which lead to short payment of royalty of ₹ 351.79 crore

(Paragraph 6.2.12.1 (i) & (ii))

- Surface rent of ₹ 20.34 crore in respect of 39 PMLs was not realised

(Paragraph 6.2.12.4)

- The Department did not levy dead rent amounting to ₹ 14.24 crore in respect of non-operation of mining leases

(Paragraph 6.2.12.7 (i))

### 6.2.1 Introduction

Mineral exploration and development is closely linked with the development of economy and upliftment of the local population. As the exploitation of minerals adversely affects the environment, a balance is to be maintained between its development and conservation.

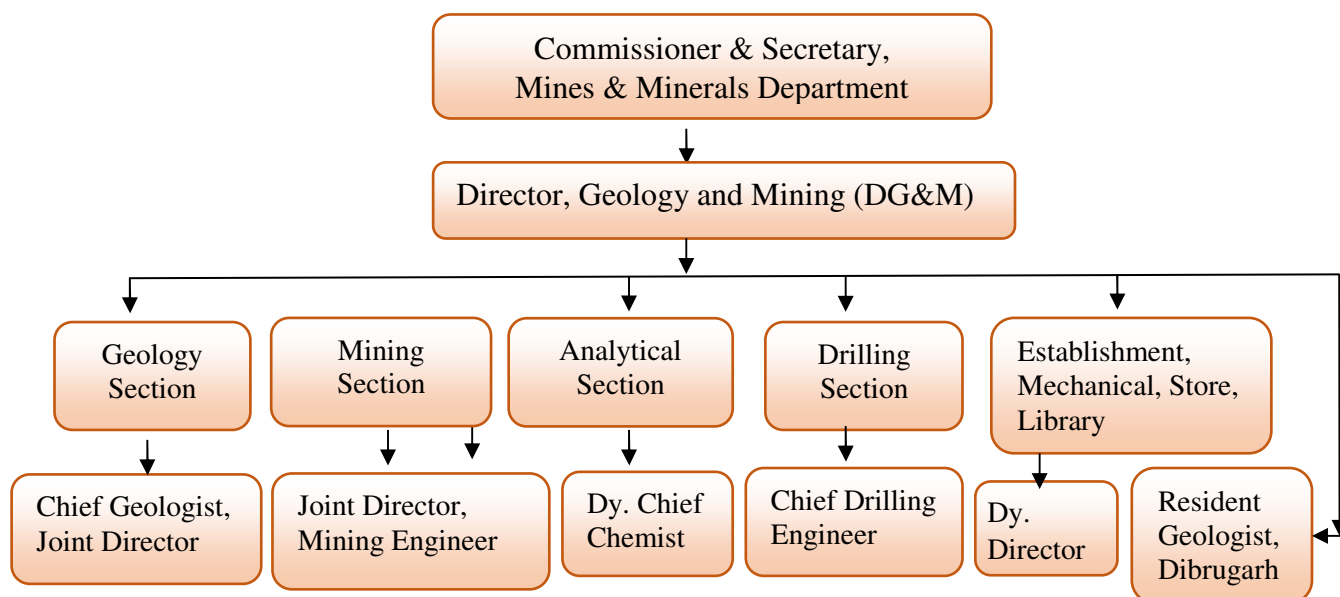
The Geology and Mining Department of Government of Assam is responsible for the investigation/exploration of the State's minerals and groundwater resources. It also administers exploitation and development of these naturally endowed assets. Coal, crude oil, natural gas, limestone, etc., are the chief mineral resources of the State.

The management of mineral resources is the responsibility of both the Central and the State Governments.

To ensure the conservation, systematic development and regulation of mining activities in the country, Government of India (GoI) enacted the Oilfield (Regulation and Development) Act, 1948; the Petroleum and Natural Gas Rules, 1959; the Mines and Minerals (Development and Regulation) Act, 1957; the Mineral Concession Rules, 1960; the Mineral Conservation and Development Rules, 1988; the Mines Act, 1952; and, the Colliery Control Rules, 2004. The Government of Assam (GoA) has adopted these Acts and Rules.

### 6.2.3 Organisational structure

The Mines and Minerals Department, GoA is headed by a Commissioner & Secretary. He is assisted by a Director of Geology & Mining (DG&M). The Directorate does not have any office in the districts other than the one at Dibrugarh for receiving the returns from Oil India Limited (OIL), Oil and Natural Gas Corporation Limited (ONGCL) and Coal India Limited (CIL). The organisational structure of the Department is as under:



#### **6.2.4 Rationale for selecting the topic**

Mining receipts contributed 5.35 *per cent* of the total revenue and 67.16 *per cent* of the total non -tax revenue collected during the period 2011-2017 (calculation based on details given in **Table 6.2**).

A PA on ‘Mining Receipts-assessment, levy and collection of royalty, fees and rent’ was included in C&AG’s Audit Report for the year ending 31 March 2010. The Public Accounts Committee (PAC) discussed (January 2014) this PA and gave suitable recommendations on the systemic and compliance deficits which were pointed out.

Keeping in view the above aspects, a need was felt to conduct the present PA on ‘Working of the Geology & Mining Department’.

#### **6.2.5 Audit Objectives**

The PA was undertaken with a view to examine whether:

- the provisions of the Acts and Rules governing administration of mines and minerals were being implemented effectively for processing of leases/licences, assessment, realisation and remittance of revenue, prevention of illegal mining and leakage of revenue;
- the steps taken by the Department were adequate and effective to ensure that mining activities were being carried out with due regard to the approved mining plan and with due consideration to the environmental aspects; and,

- the internal control mechanism including Information Technology (IT) systems in the Department were sufficient and effective to ensure an adequate degree of oversight and monitoring of the Department's activities.

#### **6.2.6 Audit Criteria**

The PA was benchmarked against the following audit criteria:

- All related Acts and Rules such as Mines and Minerals (Development & Regulations) (MMDR) Act, 1957; Mineral Concession Rules (MCR), 1960; Mineral Conservation and Development (MCD) Rules, 1988; Mines Act, 1952; Mines Rules, 1955; Coal Mines (Conservation and Development) Act, 1974; Coal Mines Regulations, 1957; Coal Mines (Nationalisation) Act, 1973; Colliery Control Rules, 2004; Petroleum Act, 1934; Petroleum and Natural Gas (PNG) Rules, 1959; Oil Fields (Regulation and Development) (ORD) Act, 1948; Publications of Indian Bureau of Mines (IBM); Indian Stamp Act, 1899; Registration Act, 1908; Assam Financial Rules; the Water (Prevention & Control of Pollution) Act and Rules; the Air (Prevention & Control of Pollution) Act and Rules; the Environment (Protection) Act, 1986 and Rules made thereunder; and,
- Orders, instructions, guidelines, standards issued by GoI, GoA, Hon'ble Courts, etc., from time to time.

#### **6.2.7 Audit Scope and Methodology**

Audit reviewed the functioning of the Mines and Minerals Department for the period from 2011-12 to 2016-17 through test check the records of the Department and the Directorate of Geology and Mining. Audit also scrutinised the lease files pertaining to periods prior to the period covered by this PA as mining operations against those leases are still being carried out.

An Entry Conference was held with Additional Secretary, GoA (Finance Department), Joint Secretary and Director, Geology and Mining Department on 11 April 2017, wherein audit approach, scope and coverage were explained. A draft PA Report was forwarded in August 2017 to the Department for its comment. An Exit Conference was held on 8 November 2017 with the Commissioner and Secretary, Mines and Minerals Department, GoA and the Joint Secretary and Director, Geology and Mining Department wherein the audit findings were discussed in detail. The replies given at the Exit Conference and also replies submitted on 29 December 2017 by the Department have, where necessary, been suitably incorporated in the relevant paras featured in this PA.

## 6.2.8 Trend of Production and Mining Receipts

### 6.2.8.1 Annual Production and Royalty

The annual production of different minerals and revenue earned there from by way of royalty during 2011-12 to 2016-17 is given in **Table 6.1**:

**Table 6.1**

Sl. No.	Name of Minerals	Production & Revenue	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
1.	Crude Oil	Production (MMT)	4.96	4.79	4.62	4.39	4.12	4.13
		Revenue (₹ in crore)	1,830.84	1,421.14	1,613.32	1,216.79	1,459.87	2,932.95
2.	Natural Gas	Production (MM <sup>3</sup> )	2,232.46	2,222.87	2,222.73	2,286.89	2,371.36	2,425.84
		Revenue (₹ in crore)	136.37	152.05	174.45	202.57	227.65	164.54
3.	Coal	Production (MMT)	0.86	0.69	0.63	0.90	0.51	0.96
		Revenue (₹ in crore)	25.89	43.35	38.74	50.96	32.27	34.62
4.	Limestone	Production (MMT)	0.29	0.34	0.25	0.66	0.78	1.60
		Revenue (₹ in crore)	0.74	1.01	0.45	1.39	2.98	5.28

Source: Departmental records (MMT- Million Metric Tonne, MM<sup>3</sup>- Million Cubic Metre)

### 6.2.8.2 Trend of Mining Receipts

The total collection of revenue receipt, non-tax revenue receipt and mining receipt along with percentage of collection during 2011-12 to 2016-17 are given in **Table 6.2**:

**Table 6.2**

Year	Total Revenue Receipts	Total Non-Tax Revenue Receipts	Mining Receipts	Variation of Mining Receipts w. r. t. previous year	(₹ in crore)	
					Percentage of Mining Receipts w. r. t. Non-tax revenue	Percentage of Mining Receipts w. r. t. Total Revenue Receipts
2011-12	27,455.39	2,866.76	1,997.82	-	69.69	7.28
2012-13	30,690.98	2,473.59	1,634.60	(-)363.22	66.08	5.33
2013-14	32,212.79	2,705.03	1,830.55	(+)195.95	67.67	5.68
2014-15	38,181.49	2,412.89	1,473.33	(-)357.22	61.06	3.86
2015-16	42,457.68	2,741.56	1,707.92	(+)234.59	62.30	4.02
2016-17	49,219.81	4,353.13	3,143.82	(+)1,435.90	72.22	6.39
<b>Total</b>	<b>2,20,218.14</b>	<b>17,552.96</b>	<b>11,788.04</b>		<b>67.16</b>	<b>5.35</b>

Source: Finance Account of Assam

As can be seen in the above table, mining receipts was the main component of the State's non-tax revenue and ranged between 61.06 and 72.22 *per cent* during 2011-12 to 2016-17. The amount collected however, fluctuated from year to year. The reason for decrease in revenue collection was due to decrease in the production and



fluctuating rates of crude oil. However, during 2016-17 there was a sharp increase in revenue collection due to receipt of arrears of royalty at pre-discounted price of crude oil for the period February 2014 to June 2016 as per the instruction (15 July 2016) of Ministry of Petroleum and Natural Gas (MoPNG), GoI in pursuance of Hon'ble Supreme Court's interim order (13 February 2014).

### 6.2.8.3 Budget Allotment and Expenditure

The budget allotment, expenditure and savings of the Department during the years 2011-12 to 2016-17 is shown in **Table 6.3**:

**Table 6.3**

(₹ in crore)

Year	Budget Allotment (BA)	Expenditure	Savings	Saving as a percentage of BA
2011-12	15.69	13.83	1.86	11.85
2012-13	13.23	11.11	2.12	16.02
2013-14	27.78	23.16	4.62	16.63
2014-15	15.86	10.56	5.30	33.42
2015-16	18.16	9.35	8.81	48.51
2016-17	18.81	10.37	8.44	44.87

Source: Appropriation Accounts

Savings have been on a continual increase and rose from ₹ 1.86 crore in 2011-12 to ₹ 8.44 crore in 2016-17 indicating that the budget estimates were not prepared on a realistic basis. Reasons for persistent savings were not furnished.

### 6.2.9 Acknowledgement

Indian Audit and Accounts Department (IA&AD) acknowledges the co-operation extended by the Mines and Minerals Department, GoA and the Directorate of Geology and Mining and their officials during the course of the Performance Audit.

### Audit Findings

The main functions of the Geology and Mining Department, GoA are:

- (i) Investigations of mineral;
- (ii) Management of permit, licences and leases for mining operation;
- (iii) Assessment, collection and levy of royalty and other dues; and,
- (iv) Monitoring the overall mining operations in the State.

Audit observations in respect of different functions of the Department are discussed in the succeeding paragraphs.

## **6.2.10 Mineral Investigation**

The Department is responsible for carrying out investigations to identify mineral resources of the State. The State Geological Programming Board (SGPB)<sup>90</sup> co-ordinates mineral investigation activities in the State. This involves geological mapping of mineral bearing areas, core drilling, exploratory drilling and production, collection of mineral samples for laboratory studies, etc. The SGPB fixes the target for investigation of mines and minerals in its annual meetings.

### **6.2.10.1 Target and Achievement**

Audit observed that

- the Department did not achieve the target for mineral investigation activities such as survey, geological mapping, contouring, drilling, etc., fixed by the SGPB during the years 2011-12 to 2015-16<sup>91</sup>. Details of target *vis-à-vis* achievement is given in *Appendix – XIII*;
- during 2011-16, the Department did not achieve the target for geological mapping, detailed geological mapping and contouring, geo-chemical mapping, drilling work and construction of exploratory wells as shown in **Table 6.4**:

**Table 6.4**

<b>Sl. No.</b>	<b>Work</b>	<b>Target</b>	<b>Achievement</b>	<b>Percentage of achievement</b>
1.	Geological Mapping	195.00 sq. km.	119.60 sq. km.	61.33
2.	Detailed Geological Mapping and Contouring	19.00 sq. km.	8.31 sq. km.	43.74
3.	Geochemical Mapping	820 sq. km.	104 sq. km.	12.68
4.	Drilling	1,650 meters	504 meters	30.55
5.	Exploratory Well	18 nos.	2 nos.	11.11

- mineral investigations relating to four projects<sup>92</sup> were not carried out due to non-availability of fund during 2015-16.

It will be seen that the percentage of achievement during 2011-16 in the various investigating activities ranged from 11.11 to 61.33 *per cent* which suggests that the Department did not give due attention to this aspect of its mandate.

<sup>90</sup> SGPB was constituted in 1965. The Commissioner and Secretary, Mines and Minerals Department, GoA is the Chairperson, the Director, Geology and Mining Department is the Member Secretary and various State and Central Government Organisation such as Geological Survey of India, OIL, ONGCL, CIL, etc. and special invitees from other research institutes/institutions are participatory members.

<sup>91</sup> Target and achievement for the year 2016-17 are yet to be received from the Department.

<sup>92</sup> (i) Investigation of coal in Kalya –dung area near Bokulia of Karbi Anglong District (ii) Investigation of limestone at Bura Hundong area near , Dima Hasao District (iii) Reappraisal survey of copper mineral in Pancharatna Hill, Goalpara District (iv) Conversion of all existing hard form field investigation reports in the library of Directorate of Geology and Mining, Assam into soft form.

### 6.2.10.2 Action on mining operation of Mineral Reserve

As per Rule 75 of MCR, 1960, where a State Government proposes to undertake prospecting or mining operations of any mineral, it shall issue a notification in the Official Gazette giving details of the area and the period for which such operations are proposed to be undertaken.

Reserve deposits of different mineral resources<sup>93</sup> such as granite, china clay, iron ore, glass sand, fuller's earth and sillimanite in different districts of Assam are given in **Table 6.5**:

**Table 6.5**

Sl. No.	Deposits	Districts	Reserves
1.	Granite	Karbi Anglong, Kamrup, Goalpara	346.50 million cu. m.
2.	China Clay	Karbi Anglong	1.00 million tonnes
3.	Iron Ore	Dhubri, Goalpara	18.89 million tonnes
4.	Glass Sand	Nagaon	10.00 million tonnes
5.	Fuller's Earth	Baksa	13.00 million tonnes
6.	Sillimanite	Karbi Anglong	0.80 million tonnes

Source: *Departmental Booklet "Assam Harnessing Mineral Wealth"*

It was observed that during the period covered by this PA, the Department did not initiate any action for inviting expressions of interest from companies/ firms who may be interested to mine these minerals in the State. Extraction/exploitation of these minerals would have augmented the State's revenue by way of royalty, taxes, cess, etc., besides ushering in development of the local economy and the economic upliftment of the local populace.

The Department accepted (November 2017) the observation and stated that it has taken initiatives in this regard.

### 6.2.11 Management of Permit, Licence and Lease for Mining Operation

Mineral concessions include Reconnaissance Permits (RP)<sup>94</sup>, Prospecting Licence (PL)<sup>95</sup> and Mining Lease (ML)<sup>96</sup>. An application for RP/PL/ML for any land in which minerals vest shall be made to the State Government and shall be accompanied by the prescribed fee.

Audit noticed deficiencies in management of RP, PL and ML which are discussed in the subsequent paragraphs.

<sup>93</sup> Booklet "Assam Harnessing Mineral Wealth" published (November 2008) by the Directorate of Geology and Mining, Assam

<sup>94</sup> **Reconnaissance Permit (RP)** - This allows undertaking of reconnaissance operations for preliminary prospecting of mineral through regional, aerial, geophysical or geochemical surveys and geological mapping.

<sup>95</sup> **Prospecting Licence (PL)** - This allows prospecting operations for the purpose of exploring, locating or proving mineral deposits.

<sup>96</sup> **Mining Lease (ML)** - This allows undertaking of mining operations for the purpose of winning/ excavating minerals.

## Systemic deficiencies

### 6.2.11.1 Disposal of applications for RP, PL and ML

(i) As per Rules 4 and 5 of the PNG Rules, 1959, Petroleum Mining Lease (PML) shall be granted by the State Government with the prior approval of the Central Government. Further, mining of petroleum shall commence from the date specified in the PML.

Audit noticed that out of 30 PMLs approved by GoI during 2002 to 2015, GoA issued 24 PMLs with delays ranging from one to 14 years as given in **Table 6.6**:

**Table 6.6**

	PML approved/issued by GoA after delay			
	Between 1 & 3 year	Between 3 & 7 years	Between 7 & 10 years	More than 10 years
No. of PMLs	9	11	2	2

Although no timeline is prescribed for grant of PML, six of the lease applications were kept pending for more than four to 14 years without any recorded reason.

Audit further noticed that production was taking place from ten lease areas prior to grant of lease from GoA as given in **Appendix - XIV**.

The Department accepted (November 2017) the observation and stated that it had disposed off all pending PMLs.

(ii) As per the MCR, 1960 the Government is required to dispose of the application for RP, PL and ML within six, nine and 12 months respectively from the date of receipt of applications.

This timeline was completely ignored as Audit observed that eight, three and one applications for ML, PL and RP respectively were submitted to the Department. As of June 2017, these applications were pending for more than five to 14 years without any recorded reasons as given in **Appendix - XV**.

Further, the Government was deprived of estimated royalty amounting to ₹ 419.49 crore during the period 2011-12 to 2016-17 in respect of eight mining leases for coal and limestone which otherwise it would have earned for just this period had the leases been granted.

The Department accepted (November 2017) the observation. Further development in this regard was awaited (February 2018).

### 6.2.11.2 Information of relinquishment of Petroleum Exploration Licence (PEL) area

Rule 22 of the PNG Rules and also agreement made between the Government and the licensee stipulate conditions regarding relinquishment of Petroleum Exploration Licence (PEL) area. Upon relinquishment in part or full of a licence, the licensee shall deliver the area after restoring it in good order and condition in accordance with international practices within six months from the date of such relinquishment. The licensee shall prior to the relinquishment of a licenced area, remove and dispose off any petroleum stores, equipment, tools, machinery from such area within six months of handing over of the area. If the same is not done by the licensee, the Government shall proceed with removal and disposal of petroleum stores, equipment, tools and machinery at the risk and cost of the licensee.

Audit observed that in respect of 30<sup>97</sup> out of 37 PELs, neither the licensees furnished any information regarding relinquishment of the leased area nor did the Department ask for the same after expiry of the PELs. In the absence of any information in this regard, Audit could not ascertain whether the licensees relinquished the area in good order or the licensees still held the areas in an unauthorised manner (February 2018).

### 6.2.11.3 Survey of leased areas

As per MCR and also Rule 15 of PNG Rules, at the time of granting lease, survey at the expenses of the lessee, is to be carried out by State Government for demarcation of the lease area.

Audit noticed that the Department had not initiated any action for survey and demarcation of 75 leases<sup>98</sup> granted till March 2017. Hence, occupation of area in excess of leased area granted to the lessees could not be ruled out.

The Department while accepting (November 2017) the audit observation stated that it would utilise Mining Surveillance System for monitoring of mining activities to curb illegal mining.

<sup>97</sup> (1)Dumduma Extension (2) Dumduma Extension-II (3) Tinsukia area (4) Dibrugarh (5) Marigharita area (6) Borhat area (7) Sadiya area (8) Murkongselek area (9) Murkongselek area-I (10) Merapani area (11) Titabar area (12) Sector-VI (Kopili valley) (13) Karbi Anglong area (14) Block AA-ONN/2 (15) Golaghat (16) AA-ONN-2001/3 (17) AA-ONN-2002/3 (18) AA-ONN-2003/3 (19) AA-ONN-2003/1 (20) AA-ONN-2004/1 (21) AA-ONN-2000/1 (22) AA-ONN-2004/2 (23) AA-ONN-2004/3 (24) AA-ONN-2004/5 (25) AA-ONN-2005/1 (26) AA-ONN-2009/3 (27) AA-ONN-2009/4 (28) AS-CMB-2008/IV (29) AA-ONN-2010/3 (30) AA-ONN-2010/2

<sup>98</sup> Crude Oil & Natural Gas: 57 nos., Coal: 12 nos. and Limestone: 6 nos.

#### 6.2.11.4 Lapsed Mining leases

Under Rule 28 of the MCR, 1960, where mining operations do not commence within two years from the date of execution of the lease, or are discontinued for a continuous period of two years after commencement of such operations, the State Government shall, by an order, declare the mining lease as lapsed and communicate this decision to the lessee. In case reasons for this are beyond the control of the lessee, he is required to submit an application to the State Government, explaining the reasons for the same, at least three months before the expiry of such period. The State Government may on receipt of an application made and on being satisfied about the adequacy and genuineness of the reasons for the non-commencement of mining operations or discontinuance thereof, extend or refuse to extend the period of the lease.

(i) Audit observed that three leaseholders of limestone either did not commence mining operation or discontinued their mining operations for more than continuous two years. The reasons for non-commencement or discontinuance of mining operation were not on record. No steps were taken by the Department to declare these leases as lapsed and to notify the same for inviting expression of interest from companies/ firm thereby incurring a potential revenue loss of ₹ 174.99 crore by way of royalty on limestone. Details are given in **Table 6.7**:

**Table 6.7**

Sl. No.	Name of leaseholder	Period of non-commencement or discontinuance of mining operation		Total period without mining operation	Potential Loss <sup>99</sup> (₹ in crore)
		From	To		
1.	Assam Industrial Development Corporation/ Calcom Cement Ltd.	1992 (since inception)	Till date	More than 25 years	170.97
2	Umrongso Cement Ltd.	February 2005	November 2016	More than 11 years	3.26
3.	North Eastern Cement	February 2012	August 2015	More than three years	0.76
<b>Total</b>					<b>174.99</b>

Source: Departmental records

(ii) As per Rule 75 of MCR, where a State Government proposes to undertake mining operations of any mineral, it shall issue a notification in the Official Gazette

<sup>99</sup>

Sl. No.	Name of the leaseholders	Period	Qty. likely to be extracted (in MMT)	Estimated Royalty (₹ in crore)	Dead Rent paid (₹ in crore)	Potential loss (₹ in crore)
1	AIDC	1994-95 to 2016-17	342.70	171.50	0.53	170.97
2	UCL	2005-06 to 2015-16	5.50	3.27	0.01	3.26
3	NECEM	2012-13 to 2014-15	1.20	0.76	0	0.76
<b>Total:</b>				<b>175.53</b>	<b>0.54</b>	<b>174.99</b>

giving details of the area and the period for which such operations are proposed to be undertaken.

The State Government rejected (April 2004) applications made by Coal India Ltd. (CIL), North Eastern Coalfield (NEC) (17 July 2002) for renewal of three coal mining leases<sup>100</sup> on grounds of non-commencement of mining operations in the mining areas since July 1973 and declared as lapsed.

Further, scrutiny revealed that none of these mining leases had been notified for re-granting of leases after lapse of more than 13 years from the date of being declared lapsed and reasons were not found recorded.

Non-notification of coal blocks resulted in expected revenue loss<sup>101</sup> to the Government in the form of royalty. Further, possibility of illegal mining also could not be ruled out.

The Department stated (December 2017) that the matter will be suitably addressed. Further development was awaited (February 2018).

#### 6.2.11.5 Mining Plan

Rule 22 and 22A of MCR, 1960 stipulate that mining operation shall be undertaken in accordance with a duly approved mining plan. Modification of the approved mining plan during the operation of mining lease also requires prior approval. The mining plan shall incorporate details of geology & lithology of the leased area, extent of manual mining or mechanical mining, environmental protection plan, tentative scheme, annual programme, plan for excavation for five years and progressive mine closure plan.

Audit observed that complete approved mining plans were not available in the files relating to 48 leases<sup>102</sup> made available to Audit giving rise to the possibility that the Department granted leases and allowed mining operations without obtaining the complete approved mining plans which was in contravention of the Rules *ibid*.

The Department stated (December 2017) that matter will be suitably addressed. Further development was awaited (February 2018).

<sup>100</sup> (i) Sheelvata (253 Hectare)-KarbiAnglong (ii) Koilajan (681 Hectare)-KarbiAnglong (iii) Bimalapore (750 Hectare)-Sivasagar

<sup>101</sup> Loss of revenue could not be quantified due to non-availability of mining plan, details of quantity likely to be extracted, etc.

<sup>102</sup> (1) Lakwa (2) Geleki (3) Rudrasagar (4) Banamali (5) Chariali Extension-I (6) Geleki Extension-I (7) Geleki Extension-II (8) Laiplinggaon (9) Namti (10) Panidihing (11) Sonari (12) Makeypore-Santak-Nazira (13) South East Geleki (14) North Rudrasagar (15) East Changmaigaon Extension (16) Khoraghat Extension-I (17) Nambar (F) (18) Kasmorigaon (19) North Patharia (20) Kalyanpur (21) Sector V.C. Block (22) Chariali (23) Kasmorigaon (Additional) (24) Cachar (25) Khoraghat (26) Tinsukia Extension (27) Borhat (28) Naharkatia (29) Naharkatia Extension (30) Hugrijan (31) Moran (32) Dumduma (33) Dibruigarh (34) Tinsukia (35) Digboi (36) Baghjan (37) Dumduma Extension (38) Chabua (39) Tikok (40) Tipong Colliery Underground (41) Tirap Colliery (42) Garampani (43) Khota-Arda (44) AMDC (45) VCL (46) UCL (47) AIDC/Calcom (48) CCI

**6.2.11.6 Operation of mining lease by another lessee without consent of the State Government**

Rule 37, 47 & 62 of the MCR, 1960 stipulates that prior permission of the Government should be obtained in the event of a mining lease being transferred from the original allottee to another party. Further, Rule 52 (2) provides that if any person transfers a mining lease in contravention of any of the provisions, he shall be punished with imprisonment which may extend to one year or fine which may extend to five thousand rupees or both.

Audit noticed that the Department granted a lease (in January 1986 and renewed in January 2006) to M/s Vinay Cement Ltd. for mining of limestone at Umrongso. The Department, however, accepted monthly returns submitted (since April 2016) by M/s Dalmia Bharat Cement. The Department stated that no lease was transferred to M/s Dalmia Bharat Cement. The mining operation by M/s Dalmia Bharat Cement without transferring of lease by M/s Vinay Cement Ltd. with prior consent from the GoA was therefore, irregular.

The Department accepted the fact and stated that correspondences have been made in this regard. Further development was awaited (February 2018).

**6.2.11.7 Incorrect determination of Stamp Duty and non-registration of lease deeds**

Stamp Duty to be paid for a ML deed, is assessed as per the Indian Stamp Act, 1899 applicable in Assam. Section 26 of the said Act provides that for purposes of determination of Stamp Duty of a mining lease, the value of the lease shall be taken as the estimated royalty to be obtained from it.

Section 17(1) (d) read with Section 49 of the Registration Act, 1908 provides for registration of all lease deeds where the period of lease granted is more than one year. The deed if not registered, would not qualify to be an evidence of a contract.

Stamp Duty and Registration fee are to be borne by the lessee.

Further, the PAC in its 134<sup>th</sup> Report<sup>103</sup> recommended that the Department should ensure the execution of lease deeds only after payment of stamp and registration fee.

The Department could furnish to Audit the records of only 32 lease deeds out of 75 MLs granted till March 2017.

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<sup>103</sup> 134<sup>th</sup> Report dated 30 January 2014 presented to the House on 15 February 2014.



(i) Scrutiny of the 32 lease deeds revealed that in 16 cases, the Department did not determine the Stamp Duty as per the estimated royalty based on assessment of quantity of minerals expected to be mined or extracted during the entire period of mining lease as per the Stamp Act. As a consequence, the leaseholders paid only ₹ 9.57 lakh as Stamp Duty against ₹ 158.99 crore payable as given in **Appendix - XVI**. In the remaining 16 cases, the correct Stamp Duty to be levied could not be ascertained due to non-availability of estimated extractable quantity of minerals.

Audit could not ascertain whether the correct Stamp Duty was determined by the Department in respect of the 43 other lease deeds, the records of which were not furnished.

The Department stated (December 2017) that the 16 leaseholders were directed to deposit all outstanding dues. Further development in this regard was awaited (February 2018).

(ii) Audit observed that none of the 32 lease deeds were registered before the Competent Authority. This resulted in loss of Government revenue by way of registration fee amounting to ₹ 14.99 lakh as given in **Appendix - XVII**. Besides, in the remaining 43 cases, audit could not ascertain registration fee due to non-production of records.

### Compliance deficiencies

#### 6.2.11.8 Non/short payment of Licence Fee for Petroleum Exploration Licence (PEL)

Rule 11(2) of the PNG Rules, 1959 provides that the licensee of a PEL shall pay yearly in advance by way of licence fee, a sum calculated for each square kilometer or part thereof covered by the licence at the prescribed rates.

Rule 23 of the PNG Rules further provides that all licence fees, lease fees, royalties and other payments have to be paid within the specified time. They would, if not, be increased by a penal rate of 200 basis points over the Prime Lending Rate<sup>104</sup> of State Bank of India for the delayed period.

(i) Audit observed that out of 37 petroleum exploration licensees (PELs), two licensees paid licence fee amounting to ₹ 45 lakh against ₹ 46.53 lakh actually payable and 11 licensees had not paid any fees amounting to ₹ 5.96 crore during

<sup>104</sup> The prime lending rate (PLR) is the interest rate charged by the banks to their largest, most secure and more credit worthy customers on short term loans. This rate is used as a guide for computing interest rates for other borrowers. The average lending rate in India is 13.75 per cent from 1978 to 2017.

October 2007 to March 2017 as given in **Appendix - XVIII**. The Department did not take any action for realisation of the same.

The Department stated (November 2017) that correspondences have been made with the licence holders. Further development was awaited (February 2018).

(ii) Audit observed that 16 out of the 37 licensees paid licence fees with delays ranging between 4 and 961 days. The Department had not demanded/ levied penal interest for delayed payment of licence fee which worked out<sup>105</sup> to ₹ 38.06 lakh as given in **Appendix - XIX**.

The Department stated (December 2017) that the concerned parties were directed to deposit all outstanding dues, interest and penalty. Further development in this regard was awaited (February 2018).

#### **6.2.11.9 Short deposit of Statutory Fees for Petroleum Mining Lease (PML)**

As per Rules 6 and 13(1) of the PNG Rules, 1959, the applicant of PML shall, before the lease is granted to him, deposit statutory fees such as Security Deposit, Preliminary Expenses and Lease Fee at the prescribed rates.

Audit observed that 17 out of 44 petroleum leaseholders paid statutory fees amounting to ₹ 50 lakh against payable statutory fee of ₹ 1.65 crore. This led to short payment of statutory fee of ₹ 1.15 crore as given in **Appendix - XX**.

The Department stated (December 2017) that the concerned parties were directed to deposit all outstanding dues. Further development was awaited (February 2018).

#### **6.2.12 Assessment, Collection and Levy of Royalty and other dues**

Royalty is the amount payable to the State Government on account of any extraction/ removal of mineral oil, natural gas and other minerals from any land. The Department is required to assess the amount of royalty, dead rent, surface rent payable by the lessees from the monthly returns submitted to the Department. This is to ensure regular collection of revenue. The irregularities noticed in Audit in this regard are discussed in the succeeding paragraphs.

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<sup>105</sup> Penal interest calculated on the basis of average lending rate i. e. 13.75 per cent + 200 basis point i.e. (2 per cent)= 15.75 per cent per annum.

## Systemic deficiencies

### 6.2.12.1 Absence of a mechanism for obtaining relevant data/records from the leaseholders

The Department assessed the amount of royalty exclusively on the basis of monthly returns furnished by the leaseholders. Thus, the royalty paid by the leaseholders was accepted by the Department without cross-verification of important data/details, essential for making a correct assessment, like;

- (a) lease-wise annual quantity of production/ extraction Statement for oil and natural gas separately;
- (b) trading and manufacturing account;
- (c) profit and loss account, Annual Financial Statement and Annual Report, wherever required; and,
- (d) sales invoices.

The PAC<sup>106</sup> while discussing the C&AG's Audit Report<sup>107</sup> recommended that the Department should put in place a system of assessment by co-relating the returns of the lessees with other connected records.

Audit noticed that even after lapse of four years of recommendation of PAC, the Department had not put in place a system to co-relate the returns of the lessees with other records. Due to this, suppression of production of oil and natural gas in monthly returns remained undetected leading to short payment of royalty as discussed in succeeding paragraphs.

(i) Audit cross checked the figures of net production of crude oil and natural gas of OIL as shown in its monthly returns for the years 2011-16 (except 2012-13)<sup>108</sup> with those shown in the Annual Accounts. It was noticed that the net production during the aforesaid period was shown less in the monthly returns leading to short payment of royalty amounting to ₹ 128.91 crore as given in *Appendix - XXI*.

(ii) ONGCL prepared its annual accounts for the whole of India without mentioning the production of crude oil and natural gas for Assam separately. Therefore, in order to obtain ONGCL's net production of crude oil and natural gas,

<sup>106</sup> 134<sup>th</sup> Report dated 30 January 2014 placed in the House on 15 February 2014.

<sup>107</sup> Para No.6.2.8 of the Performance Audit on "Mining Receipts-assessment, levy and collection of royalty, fees and rent" included in the Comptroller & Auditor General (C&AG) of India's Audit Report (Revenue Receipts), GoA for the year ending 31 March 2010

<sup>108</sup> Net production of crude oil and natural gas for Assam had not been depicted in Annual Account of OIL for the year 2012-13.

Audit took the figures of total net production in Assam as declared in the Mineral Year Books<sup>109</sup> and from this deducted the net production of OIL as disclosed in its annual accounts for the years 2011-15<sup>110</sup>. The net production so worked out was more than that disclosed in monthly returns submitted by ONGCL. This resulted in suppression of production figures leading to short payment of royalty amounting to ₹ 222.88 crore as given in *Appendix - XXI*.

(iii) Audit noticed that production/despached quantity of limestone disclosed by one leaseholder<sup>111</sup> in its monthly returns<sup>112</sup> was less than that disclosed in its return submitted to Regional Controller of Mines, Indian Bureau of Mines, Guwahati. This resulted in suppression of production/despached quantity of limestone leading to short payment of royalty of ₹ 1.12 lakh as given in *Appendix - XXII*.

The Department stated (November 2017) that “the matter will be looked into”. Further development in this regard was awaited (February 2018).

#### **6.2.12.2 Loss of revenue due to absence of standard norms or maximum permissible limit for unavoidable loss**

Section 6A (3) of the ORD Act, 1948 and Rule 14 of the PNG Rules, 1959 stipulate that no royalty shall be payable in respect of any crude oil, casing head condensate or natural gas which is unavoidably lost or is returned to the reservoir or is used for drilling or other operations relating to the production of petroleum or natural gas, or both. The Rules do not, however, specify any standard norms or maximum permissible limit for quantity utilised for operations relating to production or any unavoidable loss.

The GoA had taken up the matter (May 2002 and November 2008) with the MoPNG, GoI to restrict the element of ‘unavoidable loss’ to a maximum limit of 0.5 *per cent* for crude oil and 5.0 *per cent* for natural gas through suitable amendment of PNG Rules, 1959. Approval for the same from GoI was awaited (February 2018).

The PAC<sup>113</sup> discussed the C&AG’s Audit Report<sup>114</sup> and recommended that a joint committee should be formed involving both the State and the Central Government to examine the matter and take decision in the interest of the State and action taken in this regards was to be intimated to the Committee within three months from the date of presentation of report before the House.

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<sup>109</sup> Published by Indian Bureau of Mines

<sup>110</sup> Except 2012-13, for which monthly returns of OIL were considered since net production was not disclosed in annual account of 2012-13.

<sup>111</sup> M/s North Eastern Cement (NECEM) Ltd.

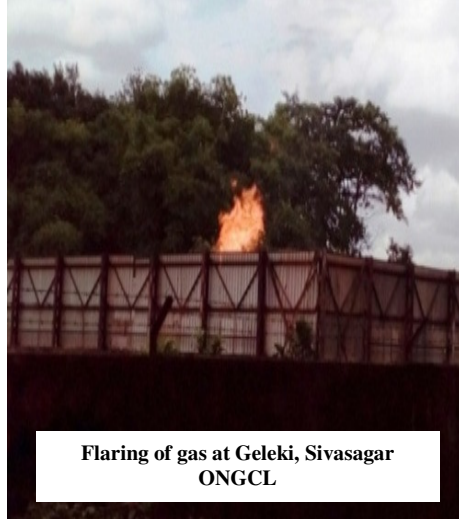
<sup>112</sup> For the period from August 2011 to January 2012

<sup>113</sup> 134<sup>th</sup> Report dated 30 January 2014 placed in the House on 15 February 2014.

<sup>114</sup> Para No.6.2.10 in the Performance Audit on “Mining Receipts-assessment, levy and collection of royalty, fees and rent” included in the Comptroller & Auditor General (C&AG) of India’s Audit Report (Revenue Receipts) GoA for the year ending 31 March 2010

The Department neither constituted the joint committee nor took any further action in the light of PAC's recommendation.

- (i) Audit observed that during 2011-17, ONGCL and OIL had claimed unavoidable loss in respect of natural gas which varied from 8.00 to 19.33 *per cent* and 4.57 to 6.84 *per cent* respectively.



Flaring of gas at Geleki, Sivasagar  
ONGCL

Audit further observed that during 2011-17, ONGCL had claimed unavoidable loss in respect of crude oil which varied from 1.08 to 2.21 *per cent*. OIL, however, did not claim any unavoidable loss in respect of crude oil as given in *Appendix XXIII*.

The claims for unavoidable loss of crude oil and natural gas were not consistent. Had the norms been approved by the GoI, the GoA would have for 2011-17 earned additional royalty of ₹ 51.72 crore.

- (ii) Audit noticed from monthly returns that one mining lessee<sup>115</sup> had produced 19,56,875 SCUM<sup>116</sup> natural gas, of which 17,51,175 SCUM (89.49 *per cent*) had been utilised for mining operations and claimed 2,05,700 SCUM (10.51 *per cent*) as unavoidable loss during 2011-17. Another lessee<sup>117</sup> had produced 98,68,731 SCUM natural gas and utilised entire quantity of natural gas for mining operations during the same period without claiming unavoidable loss (details in *Appendix – XXIV*). In both the cases, there were 'nil' production and hence the State did not earn any royalty from those two leases during 2011-17.

The Department did not analyse the reason for 'nil' production for six continuous years in respect of the two PMLs.

The Department stated (December 2017) that communication with GoI was made (December 2017) to nominate one officer to constitute a joint committee to look into the matter. Further development in this regard was awaited (February 2018).

<sup>115</sup> Sonari (ONGCL)

<sup>116</sup> Standard Cubic Meter

<sup>117</sup> Digboi (OIL)

### **6.2.12.3 Levy of royalty on natural gas at different rates**

The PNG Rules stipulated that a lessee shall pay to the State Government a royalty at 10 *per cent* of the value of natural gas. The price of natural gas is declared on a six-monthly basis by MoPNG, GoI.

Audit noticed that OIL paid royalty to the State Government on natural gas during the periods 2011-17 at annual average rates ranging from ₹ 606.97 to ₹ 937.29 per thousand SCUM. However, ONGCL during the same period paid royalty at annual average rates ranging from ₹ 697.12 to ₹ 1,184.53 per thousand SCUM. OIL was paying royalty on natural gas at the lesser rates compared to that of ONGCL. This resulted in short levy of royalty to the extent of ₹ 195.76 crore by OIL as given in *Appendix - XXV*. The Department did not analyse the reason for difference of rates of royalty on natural gas.

The Department stated (December 2017) that OIL was directed to deposit all outstanding royalties. Further development in this regard was awaited (February 2018).

### **6.2.12.4 Non-payment of surface rent**

Rule 13(2) (b) of the PNG Rules, 1959 provides that the lessee has to pay surface rent for the area of land actually used by him/her for the purpose of operations conducted under the land, at such rate not exceeding the land revenue and cess assessed or assessable on the land as specified by the State Government with the approval of the Central Government.

Audit noticed that out of 57 PMLs (ONGCL: 40 PMLs and OIL: 17 PMLs) granted in Assam upto March 2017, ONGCL and OIL paid surface rent for only three and 15 PMLs respectively. The Department did not initiate action for realisation of surface rent in respect of remaining PMLs since the date of their commencement of mining operations. This resulted in loss of revenue amounting to ₹ 20.34 crore (calculated upto March 2017) as given in (*Appendix – XXVI*).

The Department stated (December 2017) that the concerned parties were directed to deposit all outstanding surface rent. Further development in this regard was awaited (February 2018).

## Compliance deficiencies

### 6.2.12.5 Short payment/ delayed payment of royalty

Under the Section 9 of the MMDR Act, 1957, the holder of a mining lease is required to pay royalty on removal or consumption of mineral from the lease area at the rate for the time being specified in the Second Schedule of the Act. Further, as per Rule 64A of the MCR, 1960, simple interest at the rate of 24 *per cent* per annum may be charged on any rent, royalty or fee from the sixtieth day of expiry of due date to till date of payment. The GoA fixed (July 1988) 10th day of each calendar month as the due date for payment of royalty, rent, fee, etc., on minerals produced during the preceding month.

Audit noticed that

- one lease holder<sup>118</sup> paid royalty amounting to ₹ 1.00 lakh against royalty payable of ₹ 3.22 lakh on despatch of 12,789 MT limestone during 2011-12. Thus, there was short payment of ₹ 2.22 lakh towards royalty.
- three leaseholders paid royalty with delays ranging from 2 to 2,925 days, but interest amounting to ₹ 13.19 lakh was not paid (details in *Appendix – XXVII*).

The Department stated (November 2017) that demand notice has been issued to the lease-holders. Confirmation of realisation of the same was awaited (February 2018).

### 6.2.12.6 Short payment/ delayed payment of share of royalty to District Councils

Under the Sixth Schedule of the Constitution of India, the District Councils are entitled to a share of royalty, which would belong to them without being routed through the Consolidated Fund of the State. The Hill Areas Department, GoA prescribed (January 1983) the procedure for payment of shares of royalty of minerals to District Councils. It instructed that 60 *per cent* of the royalty due would be paid by the leaseholders straightaway into the relevant receipt head of account of the concerned District Council. The balance 40 *per cent* would be paid into receipt head of account of the State Government. The responsibility of Mines and Minerals Department is to periodically verify the timely payment of due royalty to the District Councils and the State Government.

<sup>118</sup> M/s North Eastern Cement (NECEM) Ltd



Audit noticed that

- One lease holder<sup>119</sup> paid ₹ 25.06 lakh to North Cachar Hills Autonomous Council against payable royalty of ₹ 54.02 lakh (being 60 *per cent* share of total royalty due during 2004-05 to 2016-17) leaving a balance of ₹ 28.96 lakh unpaid. (*Appendix - XXVIII*). Audit could not quantify the interest amount as details of pendency were not made available. The Department stated (November 2017) that demand has been issued to the lease holder. Further development in this regard was awaited (February 2018).
- Two lease holders<sup>120</sup> paid royalty to District Councils concerned with delays ranging from 29 to 386 days, but interest amounting to ₹ 13.31 lakh had not been paid (*Appendix – XXIX*).

#### **6.2.12.7 Dead Rent**

The PNG Rules and the MMDR Act have provisions for payment of dead rent to act as a deterrent against the tendency of leaseholders of mining leases to keep mines idle.

(i) Rule 13 (2)(a) of PNG Rules prescribes that the lessee shall pay for every year, fixed yearly dead rent at the prescribed rates, provided that lessee shall be liable to pay only the dead rent or the royalty, whichever is higher in amount but not both.

Audit noticed that there was no production in respect of 19 PMLs (ONGCL: 15 and OIL: 4) for which dead rent of ₹ 14.24 crore was not realised (details given in *Appendix – XXX*). The Department did not raise any demand for recovery of dead rent since October 2002.

(ii) Under section 9A of the MMDR Act, 1957, the holder of a mining lease shall be liable to pay either royalty, or the dead rent in respect of leased area, whichever is higher as per the rates of dead rent notified by the Central Government from time to time.

Audit observed that four lease holders of coal and limestone did not pay or paid short the amount towards dead rent which worked out to ₹ 30.09 lakh (details given in *Appendix – XXXI*). The Department did not initiate any action to realise the same.

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<sup>119</sup> M/s North Eastern Cement (NECEM) Ltd

<sup>120</sup> (i) M/s Cement Corporation of India Ltd. (CCIL) (ii) M/s Vinay Cement Ltd. (VCL)



(iii) As per Rule 64A of the MCR, 1960, simple interest at the rate of 24 *per cent* per annum may be charged on any rent, royalty or fee from the sixtieth day of expiry of due date till date of payment.

Audit noticed that four leaseholders paid dead rent with delays ranging from 51 to 1,957 days. However, they did not pay interest amounting to ₹ 9.82 lakh (details given in (*Appendix – XXXII*)). The Department did not detect the same and also did not initiate realisation of the interest amount.

The Department stated (December 2017) that the concerned parties were directed to deposit all outstanding dues. Confirmation of realisation of dead rent and interest was awaited (February 2018).

#### **6.2.12.8 District Mineral Foundation Trust (DMFT)**

As per Section 9B of the MMDR Act, 1957 and the Mines & Minerals (Contribution to District Mineral Foundation) Rules, 2015 effective from 12 January 2015, every holder of a mining lease or prospecting licence, shall in addition to the royalty, pay to the concerned DMFT, an amount at the rate of 10 *per cent* of the royalty paid (for which lease /licence granted on or after 12 January 2015) or at the rate of 30 *per cent* of the royalty paid in respect of lease/licence granted before 12 January 2015.

GoA accorded approval<sup>121</sup> in August 2016 for establishment of a DMFT in every district affected by mining related operations. However, the DMFTs have not been established in Assam even after a lapse of two years.

The Department stated (November 2017) that DMFTs have since been constituted and that lessees have been instructed to deposit their contribution in the DMFT. However, the financial status of these DMFTs was not intimated (February 2018).

#### **6.2.12.9 National Mineral Exploration Trust Fund (NMETF)**

Under Section 9C of the MMDR Act, 1957, GoI notified<sup>122</sup> the National Mineral Exploration Trust (NMET) Rules, 2015 and set up<sup>123</sup> the NMETF effective from 12 January 2015. The GoI instructed<sup>124</sup> (14 September 2015) that all payments of royalty must be collected along with NMETF component at 2 *per cent* of the royalty and no royalty payment should be accepted without the mandatory contribution towards the NMETF. The liability of payment towards NMETF accrues from 12 January 2015 on all royalty payments.

<sup>121</sup> Notification No. PEM.40/2015/101 dated 26 August 2016

<sup>122</sup> Notification No. GSR 632 (E) dated 14 August 2015

<sup>123</sup> Notification No.633 (E) dated 14 August 2015

<sup>124</sup> Letter no. F. No. 6/1/2015-NMET dated 14 September 2015

Audit observed that six leaseholders paid royalty amounting to ₹ 97.64 crore on despatch of coal and limestone during 12 January 2015 to March 2017. The leaseholders paid ₹ 0.90 crore against payable amount of ₹ 1.95 crore resulting in short payment of ₹ 1.05 crore towards NMETF (details given in *Appendix – XXXIII*).

The Department did not initiate any action to realise the same despite instructions issued (September 2015) by GoI not to accept royalty without mandatory contribution towards NMETF.

The Department stated (December 2017) that the concerned parties were directed to deposit all outstanding dues. Confirmation of realisation of dues was awaited (February 2018).

### **6.2.13 Other issues**

#### **6.2.13.1 Demand, Collection and Balance (DCB) Register**

The Demand, Collection and Balance (DCB) Register/ Statement is a key control document, required to be maintained for effective monitoring and control over the assessment and collection of royalty and other government dues.

Audit observed that the Department did not maintain DCB Register/Statement to watch the assessment and collection of royalty, dues, fees, etc., from the licensees or lessee.

The Department stated before the PAC<sup>125</sup> while discussing the C&AG's Audit Report<sup>126</sup> that steps had already been taken in this regard.

Even after a lapse of four years from the time the assurance was given to the Committee, the Department was yet to implement the same (February 2018).

#### **6.2.13.2 Illegal mining, transportation and storage of minerals**

Section 23 of the MMDR Act, empowered the State Government to frame rules for preventing illegal mining, transportation and storage of minerals. Such rule may provide for inspection, checking and searching of minerals at the place of excavation or storage or during transit, establishment of check-posts and weighbridges to measure the quantity of minerals being transported.

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<sup>125</sup> 134<sup>th</sup> Report dated 30 January 2014 presented to the House on 15 February 2014.

<sup>126</sup> Para Nos. 6.2.9.1 to 6.2.9.6 in the Performance Audit on "Mining Receipts-assessment, levy and collection of royalty, fees and rent" included in the Comptroller & Auditor General of India's Audit Report (Revenue Receipts), GoA for the year ending 31 March 2010

Audit noticed that

- the State Government has yet to frame any rules in pursuance of the provision of the Act. Failure to frame rules showed lack of determination on the part of the Department to effectively tackle illegal mining;
- the Department had not prescribed any system for inspection of the leased areas to check whether mining activities were being carried out in lawful manner as per approved mining plan;
- the Department did not install/ establish weighbridges and check-posts at any of the mining operation areas and also did not examine/carry out any testing of weighing machines installed by leaseholders. In absence of departmental weighbridges or any examination/ testing of leaseholder's weighing machines, the leaseholders did their weighments in their own ways thereby leaving scope for leakage of revenue; and,
- the Department did not have a vigilance, enforcement and inspection wing for conducting search/seizure, detecting fraud, evasion and preventing illegal mining in the absence of which, unauthorised mining activities in the State could not be ruled out.

### **6.2.13.3 State Level Co-ordination-cum-Empowered Committee**

The Government constituted<sup>127</sup> (26 November 2009) the State Level Co-ordination-cum-Empowered Committee for the following functions. The Commissioner and Secretary, GoA, Mines and Mineral Department is the Chairman and the Director, Geology and Mining is the Member Secretary of the Committee.

- (i) effect co-ordination with Revenue Department for managing the land for purposes of concession;
- (ii) ensure that clearance/ NOCs/ approvals are given by Forest, Environment and other Department in a streamlined way;
- (iii) monitor process of approval of concession and compliances with concession conditions; and
- (iv) ensure building up of computerised database, effectively integrated with other State level database

The Department stated (July 2017) that information regarding number of meetings, minutes of meeting, etc., in respect of this committee was not available. In absence of such information, audit could not assess the performance of the Committee.

<sup>127</sup> Notification No. PEM. 6/09/82 dated 26 November 2009.

#### **6.2.13.4 Environmental Issues**

The National Mineral Policy, 2008 endeavored the close linkage between mining and environmental issues. It emphasised upon development of a framework for sustainable mining activity alongside suitable measures for restoration of ecological balance.

The following shortcomings were noticed in this report:

##### **(i) Forest Clearance not obtained from the Competent Authority**

The GoI while granting PMLs instructed that Forest Clearance from the Competent Authority should be obtained for the Reserved Forest areas falling in the leased areas.

Test check of records revealed that 17 lease holders of PMLs as given in *Appendix - XXXIV* did not obtain the said clearance from the concerned Divisional Forest Officer (DFO) though parts of the leased areas fell in Reserved Forest areas.

##### **(ii) Inspection of mining sites to check plantation work**

As per Rule 27 of the Mineral Concession Rules, 1960, the lessee shall –

(i) take immediate measures for planting in the same area or any other area selected by the Government not less than twice the number of trees destroyed by reasons of any mining operations;



Limestone Mining Sites, CCIL, Karbi Anglong

(ii) look after them during the subsistence of the lease after which these shall be handed over to the State Forests Department; and,

(iii) restore, to the extent possible flora destroyed by the mining operations.

Audit noticed that the Department had not inspected the mining operation sites to check implementation of this Rule nor did it maintain any lease-wise record in this regard.

**(iii) NOC and Consent not obtained from State Pollution Control Board**

Under the provisions of the Water (Prevention and Control of Pollution) Act, 1974 read with the Air (Prevention and Control of Pollution) Act, 1981, an industrial unit has to obtain No Objection Certificate (NOC) from the State Pollution Control Board before installation of any industry and has to obtain consent every year for operation of the industry.

Audit noticed that three leaseholders<sup>128</sup> were operating limestone mines without obtaining NOC from the State Pollution Control Board. The Department did not issue any instruction to the leaseholders in this regard.

**6.2.13.5 Satellite Imagery data and physical field data for assessment of mineral wealth**

Remote Sensing Data (RSD) coupled with information obtained from Geological Survey of India (GSI) through physical probes, sampling, etc., could be used to fix floor level of quantities and quality of mineral wealth that can reasonably be expected to be extracted from a lease site within a mining plan timeline and revenue expected in terms of royalty. If quantity reported as mined is less than the floor level quantity, suitable penalties can be fixed to minimise loss to public exchequer and to curtail illegal mining. The Department, however, was yet to explore this possibility for optimising mineral exploration and extraction and to mitigate the ill effects of mining.

**6.2.13.6 Digitisation of records**



Most of the leases were granted to companies such as OIL, ONGCL and CIL more than 20 years ago. It is essential to maintain the related documents such as applications, approved mining plan, environment and forest clearance, statutory payment details and lease deeds in a proper way, as mining operation is still going on. The Department, however, did not explore the possibility of digitising these documents.

<sup>128</sup> (1) M/s Umrongso Cement Ltd. (2) North Eastern Cement (NECEM) Ltd. (3) Assam Industrial Development Corporation (AIDC)/Calcom

#### **6.2.13.7 Software purchased but not used**

It was noticed that the Department had purchased two softwares, namely, AutoCAD<sup>129</sup> and Arc GIS<sup>130</sup> 10.2 during 2015-16 for ₹ 18.25 lakh. The software was purchased for 2D and 3D designing and drafting, digital image processing, geo-referencing, digital elevation map generation, etc. The Department, however, was yet to install the software (August 2017).

#### **6.2.14 Conclusion**

The Geology and Mining Department being responsible for overall administration of mining operations in the State, did not effectively perform its role to ensure optimum exploration of the State's vital natural resources which in turn would have further augmented the revenues of the State.

Being a revenue collecting Department, maintenance of demand collection and balance due registers is of utmost importance. These records were not maintained. There was no monitoring of processes relating to issue of mining leases, neither were the returns submitted cross-linked with relevant records. Therefore, apart from the instances of revenue leakages brought out in this PA, the correctness of revenue realised was difficult to ascertain.

Initiative was lacking in prevention of illegal mining, as no rules were framed in this regard. Instances of operation of mining leases without environmental consent and non-inspection of plantation works at mining sites indicated the Department's lack of seriousness with regard to enforcement and environmental issues.

Digitisation of important documents for long term storage and utilising satellite imageries and field data for assessment of mineral wealth was not explored.

#### **6.2.15 Recommendations**

Audit recommends that the Department may consider-

- instituting a system to monitor overall administration of the responsibilities assigned to the Department relating to grant/ re-grant, monitoring and reporting relating to leases;
- strengthening of internal controls and mandatory maintenance of Demand, Collection and Balance (DCB) Register to ensure correct assessment and realisation of revenue;

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<sup>129</sup> Automated Computer Aided Design (AutoCAD) is a commercial Computer aided design and drafting software application.

<sup>130</sup> Arc GIS is a complete, single, integrated system software for geographic data creation, management, integration and analysis.

- framing of rules for preventing illegal mining, transportation and storage of minerals and establishing sufficient numbers of check-posts and weighbridges besides regular inspection of mining operation sites;
- digitisation of old records and use of GIS technology to control illegal mining and degradation of forests due to excess/uncontrolled mining activities.

**Guwahati**

**Dated : 11 May 2018**



**(RASHMI AGGARWAL)**  
**Accountant General (Audit), Assam**

**Countersigned**

**New Delhi**

**Dated : 15 May 2018**



**(RAJIV MEHRISHI)**  
**Comptroller and Auditor General of India**

