

## Executive Summary

Minerals are valuable natural resources being finite and non-renewable. Their exploitation is guided by long term national goals and perspectives. Minerals are one of the main sources of revenue and major contributor for economic growth of the State of Uttar Pradesh. Mining is also a major source of employment in the rural and tribal areas of the State.

In the State, the Geology and Mining Department is entrusted with overall development of mining sector and collection of mineral revenue to the State Exchequer. The Department oversees the functions of vigilance and monitoring of mineral production, survey and demarcation of areas, mineral revenue collection, mineral investigation and explorations and dissemination of mineral information.

Audit of Sustainable mining with optimisation of revenue in Geology and Mining Department was taken up and included in the Audit Report on Revenue Sector for the year ended 31 March 2016. Since then new Mining Policy was implemented in 2017 and mining leases were allotted through e-tender cum e-auction system. From August 2017, electronic transit pass (e-MM-11 form) was introduced in place of physical MM-11 form for transportation of minerals. A large number of cases of illegal mining were reported and published in newspapers. To check all the aspects of mining activities including illegal mining in Uttar Pradesh the topic “**Mining in Uttar Pradesh and Socio-Economic Impact of Illegal Mining**” was selected for Performance Audit.

The Performance Audit was carried out to ascertain whether provisions of the Acts and Rules governing administration of mines and minerals were being implemented effectively; whether the Department had adequate human resources, efficient IT system and utilised latest technology and know-how to detect and prevent illegal mining; and whether effective controls existed to monitor mining activities so that environmental and ecological concerns were addressed properly.

Scope of the audit included Directorate of Geology and Mining and 18 district mining offices in 18 districts of the State. Necessary inputs were obtained from Uttar Pradesh Pollution Control Board. Consultancy services were availed from Motilal Nehru National Institute of Technology, Allahabad at Prayagraj for geo-spatial analysis of leases in the selected tehsils (Sarila in Hamirpur district and Bara in Prayagraj district).

The major findings of the Performance Audit are presented below:

### **A. Grant of mineral concession**

The Sustainable Sand Mining Management Guidelines, 2016 prohibit sand mining near bridges, however, audit found four instances where mining leases were granted near bridges, posing environmental and safety risks. ***It is recommended that the Government may ensure compliance of Sustainable Sand Mining Management Guidelines and not award leases near bridges.***

Security deposit and first instalment of royalty deposited by 84 successful bidders were deposited into Government Account after lapse of 12 to 424 days from the date of issue of Letter of Intent. Total 613 stone crusher units were operating without taking storage license. Financial assurance, required to

indemnify the Department against reclamation and rehabilitation cost of closure of mines, was not collected from 54 lessees before execution of lease deeds. ***It is recommended that the Government may ensure collection of financial assurance from successful bidders before execution of lease deed.***

### **B. Levy and collection of Revenue**

The Department needs to improve their system to collect royalties, fees and other dues from lessees and brick kiln owners as there were instances of not depositing Government revenue, not/short levying of interest on delayed deposit of Government revenue, not imposing penalties for late submission of mining plans and illegal excavation of minerals.

Security deposit received from lessees were deposited in the Consolidated Fund of the State instead of in Public Account. Separate accounting of receipts from major and minor minerals was not done despite provision in the List of Major and Minor Heads for Union and the States.

### **C. Transportation of minerals**

Transit pass is required to transport mineral from the mining area to its destination. Contractors of the work executing agencies of the State Government are required to submit transit pass as proof of royalty paid for extracted mineral. Irregularities noticed in transit passes submitted by the contractors to work executing agencies were submission of fake/photo copy/office copy/check post copy of transit passes, transit passes issued for other destinations, issue date of transit passes being before award of work and after completion of work. The executing agencies and the Department did not notice these irregularities relating to transit passes. ***It is recommended that the Government may strengthen co-ordination between Geology and Mining Department and the Government executing agencies undertaking civil works to ascertain that the contractors have sourced minerals from legitimate licensees and submit valid transit passes to executing agencies. The Government may also examine irregularities of transit passes in detail and if a serious lapse is found should fix responsibility and take appropriate action.***

Analysis of data of transit passes (e-MM-11 forms) indicated that input control mechanism in the software generating transit passes was weak. Lessees generated transit passes for vehicles not fit for transportation of minerals, for vehicles having ineligible/fake registration numbers and in prohibited months. Distance mentioned in transit passes were much more than the actual distance. ***It is recommended that the Government may enable proper controls in the departmental portal and link it with Vahan database to minimise manual intervention in generation of e-MM-11 forms and to prevent generation of e-MM-11 forms for vehicles not fit for transportation of mineral, for transportation of mineral in excess of permitted quantity, for unrealistic distances & in prohibited months. The Government may also establish coordination between Geology and Mining Department and Transport Department to prevent the overloading of minerals and use of vehicles not fit for transportation of minerals.***

#### **D. Illegal Mining**

The Uttar Pradesh Minor Mineral (Concession) Rules does not prescribe what is price of mineral and royalty in cases of mining areas leased out through auction. The Department overlooked the bid rate and recovered the royalty and price of mineral at the base rate, not revised since January 2016, from lessees who had illegally excavated minerals from the lease area and/or areas neighbouring the sanctioned lease area, which resulted in deprivation of potential revenue to the Government. ***It is recommended that the Government may make amendment in the UPMMC Rules to clearly prescribe what is price of mineral and royalty in terms of Section 21(5) of the MMDR Act in areas leased out through auction. The Government may also review and update in a time bound manner the rates of royalty which will be applicable in cases of illegal mining in areas neighbouring mining leases settled through auction.***

Examination of the selected sites of leases from Google Earth revealed instances where minerals were excavated outside lease areas and without grant of mining leases. ***It is recommended that the Government may strengthen the mapping and monitoring process with the help of remote sensing and advance surveying instruments to identify the suspected illegal mining activities early which can save the natural resources. The Government may also fix the responsibility of the concerned officials for loss of revenue due to illegal excavation of minerals.***

Brick kilns were established without following prescribed norm regarding distance from other brick kilns, residential area, school/college, orchard, Eco-sensitive Zone and historical monuments. ***It is recommended that the Government may ensure that all brick kilns established in violations of the norms and operating illegally are closed.***

The Mining Surveillance System, developed by Ministry of Mines for detection of illegal mining, was not used effectively in preventing illegal mining.

#### **E. Internal control and monitoring mechanism**

Monitoring of mining activity is an essential function to ensure the compliance of the related rules and regulations. Departmental security force and departmental mobile squad were not formed and inspection of mines was not done as per norms due to inadequate human resource. Norms for inspection of mines by officers higher than District Mining Officer were not fixed. Recovery of revenue amounting to ₹ 408.68 crore through recovery certificates were pending due to lack of monitoring. ***It is recommended that the Government may consider to provide requisite manpower to the Internal Audit Wing and other wings of the Department to strengthen the reporting and monitoring system. The Government may also ensure to fix the inspection norms for officers of the Department for proper monitoring of mining activities.***

Instances of non-submission of Quarterly return in Form MM-12 by lessees, which is a tool to compare the quantity excavated against the admissible quantity indicated in the mining plan and to collect information regarding skilled and unskilled labourers engaged in mining sector, were noticed. ***It is recommended that the Government may ensure submission of periodic***

***returns to monitor the movement of minerals effectively and gather data of employment generated through mining.***

Formation of the District Mineral Foundation Trust (DMFT) with a delay of more than two years delayed implementation of socio-economic development programs in the mining affected areas. Director, Geology and Mining and Trustees of the DMFT did not make efforts for audit of accounts of DMFT. Trustees of the DMFT did not adhere to provisions of DMFT Rules and made expenditure on works which did not pertain to areas specified in the Rules. ***It is recommended that the Government may ensure utilisation of collected DMFT fund for welfare and development of persons of mining affected areas in accordance with DMFT Rules and fix responsibility for diversion of DMFT fund by authorities.***

Lessees were required to submit environmental statements in Form-V to UPPCB. However, submission of environmental statements were not monitored by the Department and the UPPCB. ***It is recommended that the Government may ensure that a co-ordination mechanism is established between Uttar Pradesh Pollution Control Board and Geology and Mining Department for submission of environment statement in Form-V by the lessees.***

Plantation of trees by the lessees, as required in the No-objection Certificates issued by the Forest Department was not monitored by the Department. Reclamation and rehabilitation work by lessees in closed mines was also not monitored by the Department. Not monitoring of these works involved risk of environmental degradation and deterioration of the flora and fauna of the mined area. ***It is recommended that the Government may ensure that a co-ordination mechanism is established between Forest Department and Geology and Mining Department for proper monitoring of the plantation work required to be done by lessees.***

#### **F. Good practices/initiatives**

This Report also highlights the good initiatives taken by the State Government such as e-auction of mining leases, Mine Mitra portal, Integrated Mining Surveillance System (iMSS) and stringent provisions of fine and imprisonment. E-Auction of mining leases was implemented from August 2017. Punishment for illegal mining was increased (May 2017) with provision of imprisonment for a term which may extend upto five years or with fine which shall not be less than ₹ two lakh per hectare and which may extend to ₹ five lakh per hectare of the area, or with both.

Mine Mitra portal was implemented in December 2020. The portal is designed to provide a digital platform for online submission and monitoring of mining related activities such as generation and validation of transit passes, submission and approval of Mining Plan and issue of storage licenses.

Implementation of iMSS was initiated in the year 2020 with provisions of facilities of drone surveillance of areas of complaints of illegal mining, registration of mineral transporting vehicles, Radio Frequency Identification (RFID) tags and weigh bridges along with Pan Tilt Zoom (PTZ) Camera at the exit of mines and their integration with State Command Centre. As on April 2022, 80000 vehicles were registered under the iMSS, 441 Weigh bridges were installed in the mining areas, 75 hand-held machines were provided to the Mining Officers to check illegal transportation and

16 automated check-gates were installed. However, iMSS was not used for curbing onsite illegal mining through use of drone surveillance and could be used only for checking of illegal transportation of minerals.

As a result of initiatives of the State Government, mining receipts increased (110 *per cent*) from ₹ 1,548.39 crore in 2016-17 to ₹ 3,258.88 crore in 2017-18, however, it later decreased to ₹ 2,655.48 crore in 2021-22. Similarly, number of cases of illegal excavation/transportation of minerals detected by the Department increased (155 *per cent*) from 10,188 cases in 2017-18 to 25,986 cases in 2021-22 and recovery in these cases also increased (335 *per cent*) from ₹ 28.73 crore in 2017-18 to ₹ 124.89 crore in 2021-22.