

## Executive Summary

Minerals are valuable natural resources being finite and non-renewable. Their exploitation is guided by long term national goals, perspectives and global economic scenario. Minerals are one of the main sources of revenue and major contributor for economic growth of the State Government. The State of Andhra Pradesh is well known globally for variety of rocks, industrial minerals and popularly called Ratna-Garbha.

In the State, the Mines and Geology Department is entrusted with both promotional and regulatory functions for overall development of mining sector and collection of mineral revenue to the State Exchequer. The Department oversees the functions of vigilance and monitoring of minerals production, survey and demarcation of areas, mineral revenue collection, mineral investigation and exploration and dissemination of mineral information.

The Performance Audit of Functioning of Mines and Geology Department was carried out to assess the effectiveness in accounting of mineral revenue and overall development of mining sector in the State. The audit objectives included systems and procedures for utilisation of funds meant for exploration activities and granting / renewal of mining leases; mechanism to ensure extraction of mineral within the approved limits and management of associated revenues; mechanism for prevention/ detection of unauthorised mining activities.

The scope of audit included Industries and Commerce Department (Mines), Director, Mines and Geology and other subunits of four districts (Krishna, Kurnool, Kadapa and Visakhapatnam) related to mining activities. Necessary inputs were obtained from Indian Bureau of Mines (IBM), Directorate General of Mines Safety (DGMS), State Environment Impact Assessment Authority (SEIAA), Andhra Pradesh Pollution Control Board connected with mining activities. Consultancy services were availed from Indian Institute of Science (IISc), Bengaluru for scrutiny of limestone leases in the selected mandals (Kolimigundla in Kurnool District and Jaggaiahpet in Krishna District).

The major findings of the Performance Audit are presented below:

### A. Exploration of minerals and granting of mining leases

State Mineral Policy (SMP) in line with National Mineral Policy bringing out a roadmap with better regulations for mining activities and sustainable mining practices was yet to be formulated. Absence of SMP deprives the State from identifying and utilising mineral resources optimally and in an effective manner. ***It is recommended that the State Government should formulate the State Mining Policy with better regulations for achieving optimum utilisation of mineral wealth and for ensuring sustainable mining practices.***

Mining Plans were approved without duly considering the United Nations Framework Classification guidelines for arriving at mineral reserves, which inflated the mineral reserves and life of mining leases. Deficient scrutiny of mining plans submitted by prospective miners and ineffective coordination between Departments involved in approval of mining plans resulted in overestimation of mining life. ***It is recommended that Government should***

***ensure that the mining plans are approved after evaluation by competent authority at all levels, to avoid inflated figures of mineral reserves projected by the prospective miners.***

The mineral exploration fund did not receive the designated revenue and the funds at disposal were not utilised to the extent available for exploration of minerals. ***It is recommended that effective mechanism needs to be evolved for proper levy, collection, remittance of two per cent of seigniorage fee to designated fund of MERIT and to optimise the utilisation of funds for exploration of minerals.***

The system of receiving mineral concession application for mining lease to granting of lease was not transparent, as large number of applications received were not disposed of in time with necessary clearances and were pending for approval at various stages/ levels. The related vital records/ data were also not maintained. There was lack of coordination between different levels of approvals, as reconciliation of data on mineral concession application received and approved was not done at any level. The State Coordination cum Empowered Committee specially constituted by Government of Andhra Pradesh (GoAP) to monitor and minimise delay in processing and granting of mining lease was non-functional. ***It is recommended that the State Coordination cum Empowered Committee may be made functional to monitor and coordinate between various Departments for timely processing of mineral concession applications to avoid delay in granting of lease.***

There was lack of consistency in maintenance of data on inoperative leases. Prompt and timely action was not initiated on inoperative leases. The inaction on the part of Department resulted in idling of mining leases without being allotted to prospective miners for generation of revenue. There were instances of leases not being renewed within the stipulated time which allowed miners to hold leases illegally for extraction of minerals beyond lease period. Thus, the system of renewal and monitoring of inoperative mining leases at the Mines & Geology Department was ineffective. ***It is recommended that the State Government should ensure that the Mines and Geology Department periodically reviews and renews the leases within the lease period and resumes inoperative mining areas to avoid unauthorised mining activity beyond the lease period.***

The lease deed must be executed within the stipulated period from the date of grant/renewal of lease for minerals. However, mining lease deeds were not executed and registered for some of the leases which led to loss of revenue to Exchequer towards stamp duty and registration fees under Indian Registration and Stamp Act. ***It is recommended that Government should ensure that all the mining lease deeds are executed and registered under the Stamp Act to avoid loss of revenue to Exchequer.***

## **B. Removal of minerals and realisation of associated revenues**

The Hon'ble Supreme Court held that minerals excavated without or in excess of quantity mentioned in Environment Clearance (EC) were illegal and cost of illegal quantity was to be recovered. The Department did not comply with the directions of Hon'ble Supreme Court and allowed the lessees to excavate minerals without EC and also in excess of permissible quantity. The cost of illegal excavated quantity was not recovered from the lessees. ***It is recommended that Government should develop an effective technology to prevent excess excavation of mineral over the approved limit, in compliance to the directions of Hon'ble Supreme Court to prevent illegal mining.***

The extraction of minerals required for government works by Engineering or other Departments were allowed without the requirement of clearance certificate from the Mines & Geology Department as per age old prevailing orders. As a result, the Department was not aware of the nature and quantity of mineral excavated, the amount of seigniorage fee to be received from the other user Departments and this also provided scope for illegal excavation of minerals. ***It is recommended that Government may revise the previous orders for removal of minerals, without clearance certificate for minerals utilised in government works, to avoid any kind of illegal excavation and to account for the minerals with definite revenue realisation.***

Mineral Revenue Assessment (MRAs) and Demand Collection Balances (DCBs), the critical records to assess the types of minerals, quantities removed, revenues realised and pendency were not prepared regularly either manually or on online mode. There were instances of non-levy of dead rent at the enhanced rate, short collection or non-forfeiture of security deposit, incorrect mineral classification of minor mineral as major mineral resulting in loss of revenue to the Department. ***It is recommended that Government may devise online systems or strengthen the existing Online Mineral e-Permit System to generate MRAs, DCBs and demand notices automatically, without human intervention and to ensure that the associated revenues as prescribed in the Acts & Rules are levied and collected appropriately to prevent any kind of loss to the Exchequer.***

### **C. Prevention and detection of unauthorised mining activity**

Required number of inspections of mining lease areas were not conducted covering all the existing leases in a year to identify lapses, if any. The District Level Task Force constituted for effective vigilance to curb illegal mining and transportation of minerals was non-functional and State Level Task Force was not established. Action on the part of the Department, on the recommendations made by IBM/ DGMS for termination of leases which violated the laid down rules and instead allowed illegal mining, was not forthcoming. ***It is recommended that the inspection of mining leases may be given utmost priority by making the district/state level task force functional, for effective vigilance to curb illegal mining and transportation of mineral. Recommendations made by IBM/DGMS are to be implemented efficiently to enforce immediate action on illegal mining activities.***

Differential Global Positioning System (DGPS) survey was not completed for 57 per cent major mineral mining leases and 66 per cent minor mineral mining leases. Out of the registered vehicles, 38 per cent of the vehicles were not enabled with installation of Global Positioning System (GPS) and 40 per cent of permits were issued to the vehicles not enabled with GPS during the period of audit. There was installation of meagre number of Closed-Circuit (CC) Cameras and all of them were non-functional, in the entire State. This clearly affected the Department's efforts in curbing illegal mining activities. ***It is recommended that Government shall ensure that DGPS survey of all mining leases is completed, all vehicles involved in transportation of mineral are registered and equipped with GPS and CC cameras are installed in all the designated places for effective monitoring and prevention of illegal mining.***

In the case study of 11 limestone leases of the two selected mandals, the extracted quantity quantified by Technical Consultant IISc was varying (15 to 91 per cent) with that of the

recorded extracted quantity of the Department. In respect of five leases, the recorded extracted quantity by Department was more than the quantity estimated by IISc and for remaining six cases, the recorded extracted quantity was less than the quantity estimated by IISc. Thus, there was excess extraction of minerals in six cases than permitted and also excess recording of minerals than actually extracted. The IISc noticed huge dumps of mine spoils without any protection measures across the study sites. The environmental management was absent in most mines, and afforestation activities were observed to be poor across the sites. ***It is recommended that the Government must encourage use of advanced technology such as remote sensing technology to assess actual quantity of minerals extracted to facilitate detection of any kind of illegal mining activities.***