



**Report of the
Comptroller and Auditor General of India
(Revenue Sector)**

**On
Functioning of the Directorate of Mines & Geology**



**Government of Andhra Pradesh
Report No. 2 of 2014**

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COMPTROLLER AND AUDITOR GENERAL OF
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Mines & Geology**

**GOVERNMENT OF ANDHRA PRADESH
Report No.2 of 2014**

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P R E F A C E

This Report of the Comptroller and Auditor General of India contains the results of the observations arising out of Performance Audit of “Functioning of the Directorate of Mines & Geology” in Andhra Pradesh. The report has been prepared for submission to the Governor under Article 151 (2) of the Constitution of India.

The audit of Revenue Receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971. The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts for the years 2006-07 to 2011-12 conducted during 2011-13 as well as those noticed in earlier years but could not be included in previous years’ reports.

EXECUTIVE SUMMARY

Performance Audit was conducted on the functioning of Directorate of Mines and Geology in Andhra Pradesh to ascertain whether the systems and procedures for approval/renewal of mineral concessions were as per the prescribed rules/regulations and were properly complied with; the provisions for levy, assessment and collection of mineral receipts were properly enforced to safeguard the revenue of the State; and whether the monitoring and vigilance mechanism in Andhra Pradesh Government/Directorate of Mines and Geology was adequate and effective.

The audit revealed a number of system and compliance deficiencies which are briefly discussed in this Report.

General

Central and the State Governments are jointly responsible for the development of mining sector and mineral exploitation in India. In Andhra Pradesh the Directorate of Mines and Geology under Department of Industries and Commerce is responsible for grant, administration and monitoring of mineral concessions relating to minor minerals as well as levy and collection of mineral receipts.

(Paragraphs 1.1 to 1.4)

Audit Findings

Administration and Management of mineral concessions

During the course of audit, it was found that there were delays in disposal of mineral concession applications mainly due to non-receipt of reports/No Objection Certificates from the Revenue Department. However, in some cases, mineral concessions were granted without clearance from Revenue Department officials.

(Paragraphs 2.1.1 and 2.1.3)

Mineral concessions for quarrying of granite were granted without mining plans. In eight leases granted for quarrying/mining iron ore, limestone and ball clay the production was 28 *per cent* more than quantity allowed in the mining plans approved by the Government.

(Paragraph 2.1.2)

Security Deposits amounting to ₹ 44.39 lakh of 79 quarry leases were not forfeited to the Government.

(Paragraph 2.2.2)

Permits were issued for transport of 1,054 MT of iron ore during the periods when Government had suspended the mining operations of lessees.

(Paragraph 2.2.4)

Leases were transferred by two partnership firms by changing their partners and by a lessee to a company through sale of leased area without taking prior approval of the Government. The Government did not take any action against such unapproved transfer of leases. In another case, Government allowed transfer of lease without clearance of dues by the transferor lessee.

(Paragraphs 2.3.1 and 2.3.2)

Government allowed 387 inoperative mining leases to continue beyond the limits of inoperative periods.

(Paragraphs 2.4.1 and 2.4.2)

Management of sand leases

Auction of sand reaches was conducted without obtaining prior clearance of the Ground Water Department

(Paragraph 3.1.1)

Minimum Bid Amounts of sand reaches were fixed without taking into account actual quantity of sand available for quarrying, resulting in a revenue loss of at least ₹ 2.04 crore. This was despite the dimensions of sand pockets being given in the Ground Water Department clearance certificates.

(Paragraph 3.1.2)

Statutory dues of ₹ 70.96 lakh towards security deposits were short-collected and Earnest Money Deposit of ₹ 2.08 crore was incorrectly adjusted against knocked down amount to be paid.

(Paragraph 3.2.1)

Lease periods were incorrectly reckoned in cases of 24 sand leases extending undue benefit of ₹ 56.05 lakh to the lessees.

(Paragraph 3.3.1)

Provisions of APMMC Rules were violated to condone delay in payment of dues, to permit payment in instalments and to irregularly grant refunds.

(Paragraphs 3.4.1, 3.4.2 and 3.4.4)

Issues relating to environment

Audit found that quarrying of sand took place beyond limits fixed by Ground Water Department due to non-inclusion of limit of quantity of sand that can be quarried in the notification for auction. Waybills were also issued for transportation of such sand quarried beyond the limits prescribed.

(Paragraph 4.1)

Audit found that machinery such as proclains were being used for quarrying sand in violation of APMMC Rules. Government did not cancel lease of a leaseholder in Lankapally sand reach despite recommendation of Director of Mines and

Geology, after machinery which the leaseholder was using was seized by Regional Vigilance and Enforcement Officer, Vijayawada.

(Paragraph 4.2)

Measures suggested in Mineral Concession Rules and Mineral Concession Development Rules for ensuring safety and for reducing the impact of environmental pollution due to mining were not adhered to. Audit found that boundary pillars were not erected in 33 cases. The waste and sub-grade material were not properly disposed of in 16 cases. Barrier zones to prevent pollution in mining areas were not provided for in seven cases.

(Paragraph 4.4.1)

Audit noticed through field visits, cases of quarrying beyond permissible depths, construction of unauthorised path for transportation of sand causing blockage of water flow in the river and illegal quarrying in non-leased sand reaches.

(Paragraphs 4.4.2, 4.4.3 and 4.4.4)

Internal Control, Human Resources and other Issues

Audit noticed many deficiencies in the accounting system of the Department - Demand Collection and Balance Registers were furnished with delay in 15 out of 19 offices test checked; there were variations between the closing and opening balances of successive financial years. Also, there was no mechanism to ensure the veracity of details given by other departments regarding seigniorage fee to be recovered from the contractors executing works for them.

(Paragraph 5.1.3)

The Department suffered from staff shortage. Vacancies in the crucial cadres of Joint Directors and Deputy Directors were 57 and 78 *per cent* of sanctioned strength.

(Paragraph 5.2.1)

A portion of Development of Mineral Resources and Technological Upgradation Fund (DMRTUF), funded by contribution of 10 *per cent* of annual sales turnover of the Andhra Pradesh Mineral Development Corporation (APMDC), was diverted for expenditure which did not match its mandate. During the period from 2009-10 to 2011-12, no activities were taken up to utilize the amounts available in the Fund. The Committee which managed the Fund also did not ensure timely remittance of contributions to the Fund by APMDC.

(Paragraph 5.3.1)

CHAPTER I INTRODUCTION

Andhra Pradesh (AP) has¹ reserves of 48 minerals including gold, diamond, bauxite, beach sand, limestone, coal, oil and natural gas, dimensional stones and other building materials. As per Andhra Pradesh Socio Economic Survey 2012-13, the State ranks number one among all states in India in respect of reserves of barites, limestone and beach sand in the country. The respective share of different minerals found in the State in the total national production of minerals in 2010-11 were as follows: feldspar 43.33 *per cent*, quartz 43.27 *per cent*, silica sand 36.74 *per cent* and sand (others) 87.31 *per cent*.

1.1 Constitutional and legal provisions relating to mining

The Central and the State Governments are jointly responsible for the development of mining sector and mineral exploitation in India. Parliament had enacted the Mines and Minerals (Development and Regulation) Act (MMDR Act) in 1957 which lays out the basic legal framework for regulation of mines and development of minerals in the country. This was followed by the issue of the Mineral Concession Rules, 1960 (MCR). The State Government framed the Andhra Pradesh Minor Mineral Concession Rules 1966 (APMMC Rules) which govern the quarrying of minor minerals in Andhra Pradesh. Andhra Pradesh Water, Land, Trees Act (APWALTA) was enacted in 2002 and Andhra Pradesh Water, Land, Trees Rules (APWALTR) were framed in 2004.

The MMDR Act categorizes minerals into Minor minerals² and Other or Major minerals. The State Government is empowered to frame rules for grant of mineral concessions for minor minerals, including payment of royalty/ surface rent. The other minerals (major minerals) have been listed in the first schedule to the MMDR Act in three parts - Part A (hydrocarbons/energy minerals³), Part B (atomic minerals) and Part C (metallic and non-metallic minerals⁴). Central Government is the competent authority to grant leases in respect of minerals listed in Parts A and B of the first schedule. In respect of other major minerals specified in Part C of the first schedule, the State Government can grant the leases with prior consent of the Central Government. State Government is required to furnish a statement of particulars in a specified proforma, while seeking approval of the Central Government for grant of such leases.

¹ Source: Government of Andhra Pradesh Socio Economic Survey 2012-13

² As per section 3(e) "Minor minerals" means building stones, gravel, ordinary clay, ordinary sand other than sand used for prescribed purposes, and any other mineral which the Central Government, may, by notification in the Official Gazette, declare to be minor mineral.

³ Coal and lignite.

⁴ Asbestos, bauxite, chrome ore, copper ore, gold, iron ore, lead, manganese ore, precious stones and zinc.

The MMDR Act also defines different types of mining concessions:-

Reconnaissance Permit (RP) – This allows undertaking of reconnaissance operations for preliminary prospecting of a mineral through regional, aerial, geophysical or geochemical surveys and geological mapping [Section 3(ha)].

Prospecting Licence (PL) – This allows prospecting operations for the purpose of exploring, locating or proving mineral deposits [Section 3(h)].

Mining Lease (ML) – This allows undertaking of mining operations for the purpose of winning/ excavating minerals [Section 3(d)].

Quarrying of minor minerals in the state is governed by the APMMC Rules which prohibit any person from carrying out such operations except under a lease or a permit granted under the Rules.

Rule 9 of APMMC Rules provides for provisions related to the revenue aspects of management of sand quarrying in the State, whereas Section 27 of APWALTA 2002 and Rules made thereunder deals with environmental issues. Rule 23 of APWALT Rules 2004 stipulates provisions for deciding the area of sand reaches, quantity of sand to be extracted, etc.

1.2 Trends in Production and Revenue Collection⁵

Table 1 represents the volume of reserves and annual production of minerals that contributed significantly to the exchequer during the period under review. The mining leases for coal and natural gas are granted by Government of India (GOI) and their mining activities are monitored by it under the Coal Mines (Conservation and Development) Act 1974, Coal Mines Regulations 1957, The Petroleum and Natural Gas Rules 1959, etc.

Table 1: Annual Production of Minerals in Andhra Pradesh

Minerals	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	CAGR ⁶
Coal (in million tonnes)	38.43	43.76	44.48	50.56	51.33	51.03	5.8
Barites (in million tonnes)	1.02	0.91	1.99	1.17	1.3	1.43	7.0
Iron ore (in million tonnes)	5.62	9.78	10.31	6.63	1.31	1.48	-23.4
Limestone (in million tonnes)	34.62	35.58	38.72	48.14	52.2	65.04	13.4
Limestone slabs (in million sq. m.)	18.5	22.68	32.75	18.68	12.5	15.02	-4.1
Granite (in million cu.m.)	0.8	0.79	0.76	0.65	0.93	1.25	9.3
Gravel (in million cu. m.)	60.67	76.24	60.33	61.36	45.09	72	3.5
Road metal (in million cu.m.)	169.64	178.83	94.24	97.6	91.65	114.58	-7.5
Sand (in lakh cu.m)	NA	202.87	188.41	196.57	334.31	NA	18.1
Crude Oil (In lakh tonnes)	2.14	2.43	2.84	3.01	3.6	3.04	7.3
Natural Gas (in million cu.m.)	1,506	1,536	1,506	2,019	1,384	1,353	-2.1

⁵ Publications of Mines and Geology Department for the years 2006-07 to 2011-12.

⁶ Compound Average Growth Rate (annual).

From the table it is noted that production of sand and limestone grew at much higher rates than other minerals, while production of iron ore registered a negative growth rate over the period. The production of iron ore dropped in 2010-11 due to suspension of mining operations by AP Government. Table 2 shows the annual revenues earned from minerals in Andhra Pradesh. It is seen that 62 *per cent* of the non-tax revenues of the State collected during the period 2006-12 came from three minerals, viz. Coal, Limestone and Road metal.

Table 2: Annual Revenues Earned from Minerals in Andhra Pradesh

(₹ in crore)

Minerals	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	Total	Share in State's total mineral revenue (%)
Crude Oil	73	91	118	121	155	130	689	6.32
Natural Gas	44	40	NA	NA	NA	NA	83	0.76
Coal	390	515	560	637	682	788	3,571	32.79
Barites	7	4	8	10	19	12	59	0.54
Iron ore	9	16	17	30	11	7	89	0.82
Limestone	158	160	174	239	330	411	1,472	13.51
Limestone slabs	6	8	15	9	7	8	52	0.48
Granite	118	117	113	70	169	250	836	7.68
Gravel	79	95	121	159	117	158	729	6.69
Road metal	223	227	201	296	303	379	1,629	14.96
Sand	NA	61	80	101	158	127	527	4.83
Other minerals	216	265	277	216	114	67	1,157	10.62
Total	1,321	1,598	1,685	1,887	2,065	2,337	10,893	100

The year wise budget estimates and actual realisation of mineral receipts of the State for the period 2006-07 to 2011-12 is exhibited in Table 3 which shows that there was wide variation between estimates and actual receipts.

Table 3: Budget Estimates vis-a-vis Actuals

(₹ in crore)

Year	Budget estimates	Actual Receipts	Variation(excess (+) / shortfall(-))	Percentage of variation
2006-07	1,265.00	1,321.25	+56.25	+4.45
2007-08	1,750.00	1,597.56	-152.44	-8.71
2008-09	2,187.50	1,684.98	-502.52	-22.97
2009-10	2,450.00	1,887.26	-562.74	-22.97
2010-11	2,695.00	2,064.86	-630.15	-23.38
2011-12	2,594.00	2,336.74	-257.26	-9.92

1.3 Organisational structure

The Principal Secretary (Industries & Commerce) controls the Directorate of Mines and Geology (Department). The Department is entrusted with regulatory and promotional functions for overall development of mineral sector and also for collection of mineral revenue towards state exchequer. Department is headed by Director of Mines and Geology (DMG), who oversees the functions of receipt and processing of mineral concession applications, approval of mining plans etc. The DMG is assisted by three Joint Directors, four Zonal

Joint Directors, 11 Deputy Directors and 62 Asst. Directors at the headquarters and in the field.



Besides the State Government, the Indian Bureau of Mines (IBM) under Ministry of Mines, GOI, acts as a regulatory body for underground mining under the MMDR Act. IBM has the power to inspect underground mines, approve mining plans and to suspend mining operations in the case of irregularities. Andhra Pradesh comes under the Southern zone of IBM.

1.4 Audit Approach

1.4.1 Justification, scope and methodology for the performance audit

Considering increase in the number of mining leases from 1,507 in 2006-07 to 2,060 in 2011-12 and revenue involved, need was felt to review the functioning of department with regard to the systems and procedures in place. Licensing and monitoring mechanisms were also planned to be reviewed with emphasis on compliance with procedures. Similarly, there was increased public and media attention on sand mining activities which presented risk factors.

Functioning of Department for the period from 2006-07 to 2011-12 was reviewed by audit between December 2011 and April 2012. Data was updated wherever possible during April 2013. Audit scope includes mineral receipts of the State excluding that of Coal, Oil and Natural Gas since they are governed and monitored by GOI and the state is only a recommending agency for granting licenses to these minerals.

As part of performance audit, records of offices of Government Secretariat (Industries and Commerce Department – Mining), DMG, 20 ADsMG⁷, five ADsMG (Vigilance)⁸, two ZJDsMG⁹ and two DDsMG¹⁰ were scrutinised.

20 out of 34 ADMG offices, which were selected on the basis of their revenue collections¹¹ were responsible for 75.28 *per cent* of total mineral revenue collections during the period under review. Of these 20 offices, seven ADMG offices were in sand rich districts located along the coastline. However, sand leases fall in the jurisdictional area of 15 offices. In these 15 offices, 116 sand reaches (out of 229) covering 160 leases were test checked.

Physical verification with help of departmental authorities was also conducted in respect of selected mines/quarries and sand reaches to check whether mining operations were being conducted in accordance with approved mining plans and to assess extent of illegal quarrying/non-compliance with stipulated terms and conditions.

Cases of short/non levy of royalty etc. noticed during local audit of department during the previous years have also been included in this report.

1.4.2 Audit Objectives

Objectives of performance audit were to ascertain and check whether:

- Systems and procedures for approval/renewal of mineral concessions were as per prescribed rules/regulations and whether these were properly complied with;
- Provisions for levy, assessment and collection of mineral receipts, viz. royalty, seigniorage fees and other levies were properly enforced to safeguard revenue of the State;
- System and procedures for auction, award of sand reaches for quarrying and granting exemptions/concessions/compensation comply with relevant laws, rules, regulations and orders issued;
- Monitoring and vigilance mechanism in Government/Directorate of Mines and Geology were adequate and effective.

1.4.3 Audit Criteria

Performance audit was benchmarked against following sources of audit criteria:

- MMDR Act, 1957, MCR, 1960 and Mineral Conservation and Development Rules, 1988 (MCD Rules) issued thereunder;

⁷ Anantapur, Banaganapalle, Dachepalli, Eluru, Guntur, Karimnagar, Kurnool, Manchirial, Miryalaguda, Nalgonda, Nandigama, Ongole, Rajahmundry, Rangareddy, SPSR Nellore, Tadipatri, Tandur, Vijayawada, Yerraguntla and YSR Kadapa.

⁸ Guntur, Ongole, Rangareddy, SPSR Nellore and Vijayawada.

⁹ Ongole and YSR Kadapa.

¹⁰ Guntur and Rangareddy.

¹¹ Except revenue on Coal, Oil and Natural Gas.

- Granite Conservation and Development Rules, 1999 (GCDR);
- APMMC Rules, 1966;
- APWALTA, 2002 and APWALT Rules, 2004 and
- Orders/Notifications issued by Government from time to time.

1.5 Acknowledgement

Audit acknowledges co-operation extended by Industries and Commerce Department (Mining), as well as the Directorate of Mines and Geology and their officials during course of this performance audit. An entry conference was held with Department of Mines and Geology, represented by Principal Secretary to Government (Industries and Commerce) and Director, Mines and Geology, in December 2011, where audit approach, scope and coverage were explained to them. The Exit Conference was held on 25 February 2014 wherein the audit findings were discussed with the Principal Secretary (Industries and Commerce) and the Director, Mines and Geology. The replies furnished during the Exit Conference have been duly considered while finalising this Report.

CHAPTER II

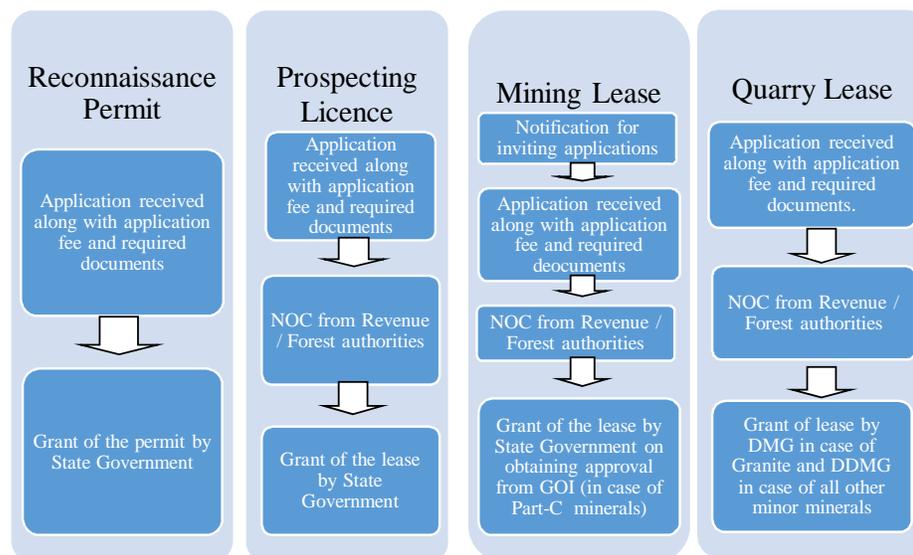
ADMINISTRATION AND MANAGEMENT OF MINERAL CONCESSIONS

Mineral Concessions include reconnaissance permits (RP), prospecting leases (PL), mining leases (ML) and quarrying leases (QL). As per Section 10(1) of MMDR Act, 1957, an application for RP, PL or ML for any land in which minerals vest in the Government shall be made to State Government concerned in the prescribed form and shall be accompanied by prescribed fee. On receipt of an application, the State Government may, having regard to provisions of this Act and any rules made thereunder, grant or refuse to grant the permit, licence or lease as the case may be.

General principle followed in granting mineral concessions for minerals other than minor minerals is, other things being equal, the principle of 'first come first serve'. However, a person who has undertaken reconnaissance operations under an RP has a preferential right for obtaining PL, and similarly, a person who has prospected for the mineral under a PL has preferential right for obtaining an ML. ML may be granted without first granting a PL, if State Government is satisfied that there is evidence to show that area for which the lease is applied for has been prospected earlier or the existence of mineral contents therein has been established otherwise than by means of prospecting such area.

Activities relating to processing of mineral concession applications are shown in the flowcharts:

Processing of Mineral Concession Applications



As per Socio-Economic Survey 2012-13 of Andhra Pradesh, there were 2,059 MLs for major minerals and 9,805 QLs for minor minerals covering an extent of 1,34,722 ha and 18,021 ha respectively. Out of these, 1,133 MLs and 6,702 QLs covering 76,166 ha and 17,737 ha respectively were active. Administration

of mineral concessions includes inspection of mines and quarries and scrutiny of returns.

2.1 Grant of leases

2.1.1 Delay in disposal of mineral concession applications

As per Rule 63-A of MCR, 1960, State Government should dispose of applications for RP, PL and ML within six, nine and 12 months respectively from date of receipt of application. As per G.O.Ms.No.181 of Industries and Commerce (Mines-I) Department dt. 28 May 1998, the ADMG, immediately after receiving an application for PL, ML or QL should send one set of application to Mandal Revenue Officer (MRO)/Tahsildar to report within 30 days on category and availability of land for grant of such lease. In case of delay in receipt of reports, matter is to be brought to the notice of District Collector. In turn District Collector will ensure that the MROs send their reports within the specified time. In any case applications have to be disposed of within time limits prescribed in the rules.

Audit scrutiny revealed that (March 2012) in 15 ADMG offices¹², out of 27,485 applications received between 2006-07 and 2011-12, 7,570 applications (27.5 per cent) for grant of mineral concessions¹³ were pending with the ADsMG and the delay ranged from 30 days to over two years. Delay, as stated by ADsMG, was mainly due to non-receipt of No Objection Certificate (NOC) from revenue authorities. Audit did not find any documentary evidence indicating that the ADsMG brought these cases of delay to the notice of District Collector as was instructed¹⁴ by State Government.

Six thousand nine hundred and twenty three applications were still pending as on 1 April 2013. Government replied (May 2013/February 2014) that action was taken to dispose of applications.

2.1.2 Grant of mining leases without obtaining mining plan and non-adherence to mining plans

As per Rule 12 of Granite Conservation and Development Rules (GCDR), 1999, no mining lease shall be granted or renewed by State Government unless there is a mining plan duly approved by it. As per Rule 16(2), mining operations for granite cannot be commenced in any area except in accordance with an approved mining plan. Further, in terms of Rule 16(3), leaseholder is required to apply to State Government for making modifications in mining plans. As per Rule 22-A of Mineral Concession Rules, mining operations shall be undertaken in accordance with approved mining plan and modification of approved mining plan during operation of a mining lease also requires prior approval.

¹² Banaganapalle, Dachepalli, Guntur, Hyderabad, Karimnagar, Kurnool, Miryalaguda, Nandigama, Ongole, Rajahmundry, Srikakulam, SPSR Nellore, Tadipatri, Tandur and Vijayawada.

¹³ Reconnaissance Permit-26, Prospecting License-1490, Mining Lease-2243, Quarrying Lease-3811.

¹⁴ G.O.Ms.No.181, Ind. & Com. (Mines-I) Department, Dt. 28 May 1998.

During scrutiny of files related to grant of granite leases, audit noticed in six ADMG offices¹⁵ that out of 442 granite leases which were granted during April 2006 to March 2012, seventy eight granite leases were granted without obtaining mining plans.

Audit further noticed that in four ADMG offices¹⁶, production of minerals (iron ore, limestone and ball clay) in eight out of 54 leases test checked was more than quantity approved in mining plans by 11.39 lakh MTs (27.95 per cent excess). Prior approval for production of excess quantity from the competent authority¹⁷ was not obtained in any of the cases.

The matter was brought to notice of Government (October 2012). The Government replied (February 2014) that notices were issued in 72 cases. Out of these, leaseholders in 30 cases had submitted approved mining plan subsequently. The DMG had determined 25 leases. Draft mining plan was submitted by one leaseholder. In 16 cases, action was pending. Government had earlier replied (May 2013) that out of eight cases of excess production over the approved mining plan, five leaseholders had submitted modified mining plan/scheme of mining between March 2013 and April 2013 and in the remaining cases notices were issued for compliance.

Granting of leases and allowing mining without obtaining mining plans was in contravention to the rules.

2.1.3 Grant of Mining/Quarry leases without obtaining reports from revenue authorities

As per Government order¹⁸, ADMG, immediately after receiving an application for PL/ML or QL, should send one set of application to MRO/Tahsildar to report on the category and availability of land for grant of lease. It was noticed (March 2012) by audit that MLs for Limestone (Cement Grade) were granted¹⁹ by State Government to two companies on basis of reports stating availability of land for three years for purpose of prospecting, against which MLs were granted for 30 years. Further, three quarry leases in Ongole were granted by DDMG, Guntur, between February 2009 and December 2010 based on reports of MROs issued in July 1998 and November 2000 for 10 years each, which had expired by the time the leases were granted in 2009 and 2010 respectively. Availability of these lands was not reconfirmed and leases were granted on basis of old reports of MROs for carrying out quarrying activities for 30 years each.

Government replied (May 2013) that there was no fixed time frame for the MRO report. Reply does not address the issue highlighted in audit about granting of leases for mining / quarrying without obtaining fresh reports about availability of land at that point of time.

¹⁵ Anantapur, Dachepalli, Hyderabad, Kurnool, Tadipatri and Ongole.

¹⁶ Anantapur, Eluru, Yerraguntla and YSR Kadapa.

¹⁷ Indian Bureau of Mines in case of iron ore /Joint Director of Mines and Geology in case of limestone and ball clay.

¹⁸ G.O.Ms.No.181 of Industries and Commerce (Mines-I) Department dt. 28 May 1998.

¹⁹ G.O.Ms.No.159 Ind. & Com. (M.II) Dept. Dt. 21 June 07 & G.O.Ms.No.95 Ind & Com. (M.III) Dept. Dt. 27 March 2006.

2.1.4 Irregular rejection of applications for mining lease

State Government issues notifications for receiving applications for mineral concessions from interested parties who at times submit such applications prior to the issue of such notifications. Section 11(2) of the MMDR Act provides for treating such applications as having been received on date of notifications for purpose of assigning priority.

State Government issued (June 2007) a Notification²⁰ calling for applications for grant of a mining lease (iron ore) in Survey No. 1 & 2 of Siddapuram and Malapanagudi villages of Anantapur District. Out of 26 applications, three applications received before date of Notification were rejected as 'premature'. Out of remaining 23 applications received after the date of Notification, 21 applications were rejected as these were received after the date of submission as mentioned in Notification. The remaining two applications were considered and mining leases were granted²¹ for iron ore for a period of 20 years over an extent of 68.50 ha. Non-consideration/rejection of three applications received prior to date of notification on the grounds of their being premature was contrary to the provisions of MMDR Act.

Government's reply (February 2014) did not address the issue raised in the audit observation as it did not furnish reasons for not considering the applications received before the notification under Section 11(2).

2.2 Administration of leases

2.2.1 Short levy of mineral revenue

During audit scrutiny of Mineral Revenue Assessments²² (MRA) in 12 ADMG offices following discrepancies were noticed.

- As per Rule 9 of MMDR Act, 1957, holder of a mining lease granted shall pay royalty in respect of any mineral removed or consumed by him or by his agent. In four cases two ADsMG²³ did not take into account quantity of minerals despatched as reported in the Annual returns submitted by the lessees for the year 2007-08 which resulted in short levy of royalty of ₹ six lakh.
- GoAP revised rates of seigniorage fee/royalty from 13 August 2009. Seven ADsMG²⁴ finalised eight MRAs of 2006-07, 2007-08, 2008-09 and 2009-10 at pre-revised rates which resulted in short levy and collection of seigniorage fee/ royalty of ₹72.65 lakh.
- Lumpsum amount paid by the lessees at the beginning of the year is deducted against the permits issued for transporting minerals. Two

²⁰ No. 2 of Anantapur District Gazette Dt. 12 July 2004.

²¹ G.O.Ms.No.151 Ind. &Com. (M.III) Dept., Dt. 18 June 2007.

²² The annual assessment of dispatch of minerals and the royalty/seigniorage fee paid thereof.

²³ Kurnool and Vizianagaram.

²⁴ Banaganapalle, Chittoor, Mahaboobnagar, Tadipatri, Vijayawada, Visakhapatnam and YSR Kadapa.

ADsMG²⁵ while deducting amount of royalty²⁶ / seigniorage fee²⁷ had incorrectly arrived at the balance amount, which resulted in excess credit of ₹ 6.10 lakh to two lessees during 2010-11.

- As per Rule 10(4)(b) of APMMC Rules, when a QL is granted, seigniorage fee or dead rent²⁸, whichever is higher shall be charged on all minor minerals despatched or consumed from the land at rates specified. It was seen that dead rent for the year 2009-10 was not levied for six non-working QLs by ADMG, Khammam as there was no mining activity. The non-levy of dead rent amounted to ₹ 3.21 lakh.
- As per Rule 64-A of MCR, simple interest at 24 *per cent* per annum is to be levied on arrears of royalty. ADMG, Anantapur while finalising MRA for 2009-10 of a lessee did not levy interest of ₹ 16.90 lakh on arrears of royalty.

Above omissions resulted in short assessment of mineral revenue of ₹ 1.05 crore.

Government admitted (February 2014) the audit observation in 16 cases, revised the MRAs and recovered ₹ 74.53 lakh. The remaining five cases have been contested.

2.2.2 Non-forfeiture of security deposit

As per Rule 12(5) (h) (xii) of APMMC Rules, 1966, in case of any breach on the part of licensee or lessee of any covenant or conditions contained in the grant, Director may, after giving an opportunity to defaulter, cancel the license or lease, take possession of premises under license or lease and forfeit the Security Deposit.

Audit scrutiny revealed in eight ADMG offices²⁹ that a sum of ₹ 44.39 lakh deposited towards security in respect of 79 quarry leases determined between December 1980 and March 2012 were not forfeited. Government accepted (May 2013/February 2014) the audit observation and intimated that ₹ 23.25 lakh was forfeited and credited to Government account in 21 cases subsequent to audit observation and action was in process in respect of remaining cases.

²⁵ Ongole and YSR Kadapa.

²⁶ Royalty is a kind of levy payable to the State Government in proportion to the minerals worked. It is an imposition of tax or impost whether general or local or special. Royalty is charged on major minerals at the rates decided by the Government of India.

²⁷ Seigniorage fee: Charges payable to the state government for the quantity of minerals extracted from a mine/quarry for minor minerals. The rates are specified by the state government.

²⁸ Dead rent: A lump sum amount payable to the government in lieu of royalty/seigniorage fee during the period when no mining activities are being conducted in the mine/quarry.

²⁹ Anantapur, Guntur, Hyderabad, Karimnagar, Ongole, Rajahmundry, SPSR Nellore and Tandur.

2.2.3 Non-collection of dues/failure to produce proof of payment

As per Section 21(5) of MMDR Act, where any person raises, without any lawful authority, any mineral from any land, State Government may recover from such person the mineral so raised and may also recover from such person, rent, royalty or tax, as the case may be, for period during which land was occupied by such person without any lawful authority.

In the office of ADMG (Vigilance), Hyderabad, it was noticed that two lessee companies exported (January-November, 2010) 1,68,000 MTs & 16,000 MTs of iron ore from Krishnapatnam port. As they initially contended that iron ores were from Karnataka but failed to produce any documentary evidence, ADMG (Vigilance), Hyderabad arrived at evaded royalty, including cost of mineral, as ₹ 60.99 crore (₹ 55.89 crore + ₹ 5.10 crore) and requested the DDMG, Hyderabad (April 2011) to take penal action against said companies. DDMG, Hyderabad sought clarification (June 2011) from DMG as to whether a show cause notice was to be issued by him (as the addresses of firms were of Hyderabad under the jurisdiction of ADMG, Hyderabad) or by DDMG, Guntur (as dispatch of mineral took place at Krishnapatnam Port, SPSR Nellore District under jurisdiction of DDMG, Guntur). When audit highlighted (March 2012) delay in clarifying the matter, DDMG, Guntur was directed (November 2012) to deal with the case, but no further development regarding recovery of dues had taken place (May 2013).

Government replied (February 2014) that DDMG, Guntur who had jurisdiction over place of export, had issued Show Cause Notices (December 2012 and March 2013) to both firms directing them to pay evaded royalty including cost of mineral. However, the arrears remained uncollected even after more than two years since irregularities were noticed by ADMG (Vigilance), Hyderabad.

2.2.4 Issue of permits during periods of suspension of mining operations

The mining operations of a lessee were suspended in December 2009 by the Deputy Controller of Mines, IBM on account of violation of Rule 13(1) of MCDR, 1988 according to which mining has to be in accordance with approved mining plan. However, even during period of suspension of mining activities, ADMG, Kurnool, issued a dispatch permit (January 2010) for transportation of 1,054 MTs of iron ore. Issue of permits during the period of suspension of mining activities was irregular.

ADMG replied (February 2014) that permits were issued to lessee for dispatch of iron ore already available in the mine. However, issue of dispatch permits during period of suspension of mining activities was in violation of MCD Regulations.

2.2.5 Implementation of AP Revenue Recovery Act (APRR Act)

2.2.5.1 As per Government order³⁰, ADsMG have been delegated with powers to recover mineral dues under Section 52-B of APRR Act, 1864. In twelve ADMG offices³¹, out of dues amounting to ₹ 103.31 crore up to 31 March 2012, cases pertaining to ₹ 24.72 crore were referred to revenue authorities for taking action under APRR Act during April 2006-March 2012. Against total amount, only ₹ 1.24 crore was collected in cases relating to five ADMG offices. No collection was made in remaining seven ADMG offices³². As powers to recover mineral dues were delegated to ADsMG, recovery processes were required to be initiated by ADsMG. Inaction on their part resulted in meagre collections under APRR Act.

Government replied (February 2014) that poor recoveries under APRR Act were due to unavailability of contact details of previous leaseholders. However, despite delegation of powers, ADsMG did not take action on their own and referred the cases to revenue authorities.

2.2.5.2 Audit noticed in office of ADMG, Banaganapalle, that a lessee company had produced 34.29 lakh MT of Limestone (Cement Grade), during 2006-07 to 2011-12. Royalty of ₹ 18.16 crore was due to be paid to Government on extraction of minerals, which the Company had failed to do. As on March 2012, royalty of ₹ 5.18 crore, interest of ₹ 7.21 crore besides dues on account of cess, taxes etc. of ₹ 27 lakh totalling to ₹ 12.66 crore were payable for the period 2006-07 to 2011-12. Although demand notices were issued year after year, no action under RR Act was initiated for recovery of Government dues.

Government replied (May 2013) that DDMG, Kurnool had issued Show Cause Notice to the defaulter (July 2012) to pay arrears of mineral revenue and the ADMG, Banaganapalle, had initiated all preventive steps to avoid further accumulation of arrears. However, Government did not furnish details of preventive steps taken by ADMG.

2.3 Transfer of Leases

As per Rule 37(1) of MCR, 1960, lessee in the case of mining lease for any mineral specified in Parts A and B of the First Schedule to the Act, shall not, without the previous consent of State Government or previous approval of Central Government:

(a) assign, sub-let, mortgage, or in any other manner, transfer the mining lease, or any right, title or interest therein; or

(b) enter into or make any bona fide arrangement, contract or understanding whereby the lessee will or may be directly financed to a substantial extent by, or under which the lessee's operations or understandings will or may be substantially controlled by any person or body of persons other than the lessee.

³⁰ G.O.Ms.No.66, Revenue Department, Dt. 02 June 2005.

³¹ Anantapur, Banaganapalle, Dachepalli, Eluru, Hyderabad, Kurnool, Miryalaguda, Ongole, SPSR Nellore, Tadipatri, Tandur and Yerraguntla.

³² Banaganapalle, Dachepalli, Eluru, Ongole, SPSR Nellore, Tadipatri and Tandur.

As per rule 27 (5) of MCR 1960, if lessee makes any default in payment of royalty or dead rent or commits a breach of any of the conditions and if the royalty or dead rent or breach is not remedied within sixty days from date of receipt of notice, State Government may determine lease and forfeit Security Deposit.

Following discrepancies in respect of transfer of leases were noticed:

2.3.1 Transfer of mining leases without prior consent of Government

Audit scrutiny in two ADMG Offices³³ revealed that mining rights were transferred from original lessee to another entity due to change in ownership of lease or due to transfer of rights of mining operations in three cases as explained in the following points:

2.3.1.1 In Office of ADMG Anantapur, a mining lease for Iron ore covering 6.5 ha was given to a partnership firm with two partners in July 2006 with retrospective effect from August 2003. Two original partners of the firm retired within a span of three days in July 2005 and two new partners took over ownership of the firm. Thus, there was an outright transfer of mining rights in favour of the new partners which required prior consent of Government in absence of which lease was liable to be cancelled for transfer of rights. Government did not take any steps towards cancellation of mining rights for breach of the implied conditions.

Government replied (May 2013) that retiring of the original partners and induction of new partners took place in accordance with the Indian Partnership Act, 1932. However, the fact remains that induction of new partners or change of partners is governed by Indian Partnership Act, but mining rights were given to original partners under MCR which could not be transferred without prior consent of the Government under Rule 37 (i)(b) of MCR.

2.3.1.2 In Anantapur, mining lease for iron ore covering 4.17 ha was given (June 2007) to a partnership firm consisting of three partners. Lease was executed in September 2007. Out of three partners, two partners retired on 30 April 2008 and on the same date four new partners were inducted into partnership with their substantial share of 95 *per cent* and the remaining partner was left with five *per cent* share. Thus the original lessee firm had entered into an arrangement/agreement whereby the finances of the firm were substantially controlled by the persons newly inducted. Prior consent of Government was not obtained for this arrangement. This was in contravention of Rule 37(1) (b) of MCR and lease was liable for cancellation under Rule 27(5) of MCR, but Government did not take any action for breach of the implied conditions.

Government replied (May 2013) that Partnership deed was entered into between lease holder and other partners of the firm and that the firm had filed application for transfer of mining lease in the name of the new partner and the same could be disposed as per rules.

³³ Anantapur and Hyderabad.

However, induction of four new partners who had substantial control over the firm with 95 per cent share without prior consent of the Government was in violation of extant rules.

2.3.1.3 In Office of ADMG Hyderabad, mining lease for quartz and feldspar covering an area of 2.04 ha was given to a lessee in December 1997 for 20 years. In August 2004, lessee had entered into an agreement of sale of leased area along with mining rights with a company for carrying out mining operations on its behalf. Mining rights were transferred to that company without prior consent of Government which was required under Rule 37 of MCR and hence lease was liable for cancellation, but Government did not take any steps towards the same.

Government did not give any specific reply to the audit observation.

2.3.2 Transfer of lease without payment of dues

Rule 37 (1-A) stipulates that State Government shall not give its consent to transfer of mining lease unless transferee has accepted all conditions and liabilities which the transferor was having in respect of such mining lease.

An application for transfer of ML for iron ore over an extent of 17.00 acres in Appalanarasimhapuram village of Khammam district held by a lessee in favour of a firm was submitted in March 2009. Before case could be finalised, penalty of ₹ 24.03 lakh was imposed on the lessee by Regional Vigilance and Enforcement Department in June 2009 for transporting excess quantity of iron ore. At the request of the lessee, Government stayed (July 2009) collection of penalty of ₹ 24.03 lakh. After obtaining assurance from lessee that he would pay the mineral revenue dues, if any, Government issued orders (December 2009)³⁴ for transfer of mining lease for the unexpired portion of lease period up to April 2023. Transfer of lease without clearance of dues or obtaining consent from transferee regarding acceptance of liabilities as provided in Rule 37 (1-A) was not in order.

Government replied (February 2014) that department would take action as per rules in force for recovery of dues payable by the firm. However, request for transfer of lease should not have been considered till the amount of penalty was paid.

2.4 Lapse and Renewal of Leases

2.4.1 Delay in lapse of mining / quarry leases

As per Rule 28(1) of MCR 1960 and Rule 17(1) of APMMC Rules 1966, where mining / quarrying operations have not been conducted within a period of two years / six months from the date of execution of lease deed or have been discontinued for a continuous period of two years / six months after commencement of such operations, the State Government / DDMG shall, by an order, declare the mine/quarry lease as lapsed. As per Rule 28-A(1) of MCR,

³⁴ G.O.Ms.No.244 Dt. 4 December 2009.

1960, where a lessee is unable to commence mining operations within the specified period, he may submit an application to State Government explaining reasons within six months from the date of its lapse, provided that the lease has not been revived under this provision more than twice during the entire period of lease.

(i) Audit noticed that there were no mining operations for a period ranging from two to five years in respect of 387 out of 1,147 mining leases over a total extent of 13,433.215 ha in 17 ADMG offices³⁵. There were no quarrying operations for more than six months in respect of 492 out of 2,365 quarry leases over a total extent of 1,639.818 ha in seven ADMG offices³⁶. However, no action was initiated to declare these leases as lapsed leases as per rule.

Government accepted the audit observation and stated (February 2014) that action had been initiated in 306 mining leases and 382 quarry leases. Delay in action on part of Department had, however, resulted in blockage of mineral bearing areas.

(ii) It was observed in ADMG, Banaganapalle and Dachepalli that four MLs for Limestone (Cement Grade) were granted³⁷ to three lessees for 30 year periods between June 1999 and February 2002, with a condition to establish cement factories within two to three years from date of grant of lease. Companies neither established cement plants nor commenced mining activities even after extensions granted by Government ranging from five to nine years (Annexure). Non-establishment of cement plants resulted in blocking of the lease areas (4,061.300 Ha).

Government replied (May 2013) that on being satisfied about adequacy and genuineness of reasons for non-commencement of mining operations or discontinuance thereof, it had passed orders extending periods of these leases to the lessees. However, grant of extension more than twice was not covered under the rules.

2.4.2 Renewal of inoperative mining lease

In Kurnool district, a mining lease for iron ore³⁸ was granted³⁹ to a lessee for a period of 30 years in August 1974. Lease covered an area of 31.16 ha. As per approved mining plan, reserves available in the lease area amounted to 3.99 lakh MTs out of which only 23,234 MTs were mined till 1988 after which no mining activity took place for 14 years till 2001-02. No proposal was sent to Government by Department at any time during this period for lapsing the

³⁵ Anantapur, Banaganapalle, Dachepalli, Eluru, Hyderabad, Karimnagar, Kurnool, Miryalaguda, Nandigama, Ongole, Rajahmundry, Srikakulam, Tadipatri, Tandur, Vijayawada, Yerraguntla and YSR Kadapa.

³⁶ Banaganapalle, Dachepalli, Guntur, Hyderabad, Kurnool, Tandur and Vijayawada.

³⁷ G.O.Ms.No.182 I&C (M-II) Dept. Dt. 09 June 1999, G.O.Ms.No.594 I&C (M-II) Dept. Dt. 30 November 2000, G.O.Ms No.136 to 139 I&C (M-I) Dept. dt. 15 February 2000 & G.O.Ms.No.60 I&C (M-I) Dept. Dt. 05 February 2002.

³⁸ In Sy. No. Compartment No. 77 of Emboy Reserve Forest of Kurnool district.

³⁹ G.O.Ms.No.595 Ind. & Com. (Mines-III) Department, Dt. 01 June 1974.

lease. Lessee, however, had restarted mining operations and mined only 730 MTs of ore in 2002-03, after which there was no mining till 2009-10.

In the meantime, lessee had applied (March 2004) for renewal of lease. Since land belonged to the Forest Department, Government renewed ⁴⁰(July 2010) the lease for another 20 years with effect from August 2004 after the Forest clearance was received⁴¹ (February 2010). Renewal was granted despite the fact that the holder had not operated the mine for most of the original lease period.

Government replied (May 2013) that mine was kept idle for 14 years due to objections of Forest Department. Lease was renewed as renewal application was filed in time. However, instead of renewal, lease was liable to be determined for lapse under Rule 28(1) of MCR as the leaseholder had not operated the mine during most of the lease period. Further details of objections raised by Forest Department were not furnished by the Government.

2.4.3 Non-notification of areas covered by expired / lapsed leases for re-grant

In 11 ADMG offices⁴², audit noticed that 230 mining leases expired/ lapsed, in or after 1983⁴³. None of these had been notified for re-granting of leases and reasons were not forthcoming from the files.

After audit observations were raised, ADsMG had notified the areas in 143 cases and had sent proposals to District Collectors concerned for notifying same in official Gazette, as noticed from their replies (between July 2013 and November 2013). Five other cases were notified in District Gazette in the month of October, 2012 and 22 cases could not be notified as the area was covered under forest land (two cases) or because of untraceable documents (20 cases). Remaining 60 cases have not been notified.

Thus, delay in re-notification resulted in possible loss of revenue to the Government in the shape of Dead Rent / Royalty.

2.4.4 Non-disposal of renewal applications for mining /quarry Leases

In terms of Rule 24 (9) of MCR, 1960, if renewal applications for mining leases are made within time prescribed, period of the lease shall be deemed to have been extended till State Government passes orders thereon.

Audit scrutiny revealed that in four ADMG offices⁴⁴ leaseholders had applied for renewal within the prescribed time limit for 38 mining and five quarry leases which expired between 1992 and 2012. These applications were neither

⁴⁰ G.O.Ms.No.67 Ind. & Com. (Mines-III) Department, Dt.08 July 2010.

⁴¹ G.O.Ms.No.44 EFST(For-I) Department, Dt. 25 February 2010.

⁴² Anantapur, Banaganapalle, Dachehalli, Hyderabad, Kurnool, Miryalaguda, Nandigama, Ongole, Tadipatri, Vijayawada and YSR Kadapa.

⁴³ In respect of the remaining 20 leases in ADMG, Anantapur, the extent of the area was not made available to audit.

⁴⁴ Banaganapalle, Kurnool, Miryalaguda and Yerraguntla.

renewed nor rejected by State Government/DMG (May 2013). There is no time limit prescribed in the rules within which the renewals are to be granted by the Government, in the absence of which interest of the Department/Government may not be adequately protected.

CHAPTER III

MANAGEMENT OF SAND LEASES

Ordinary sand is classified as a ‘minor mineral’ under MMDR Act. Sand is widely available in the coastal zone in West Godavari, East Godavari, SPSR Nellore, Guntur, Khammam, Krishna and Srikakulam districts.

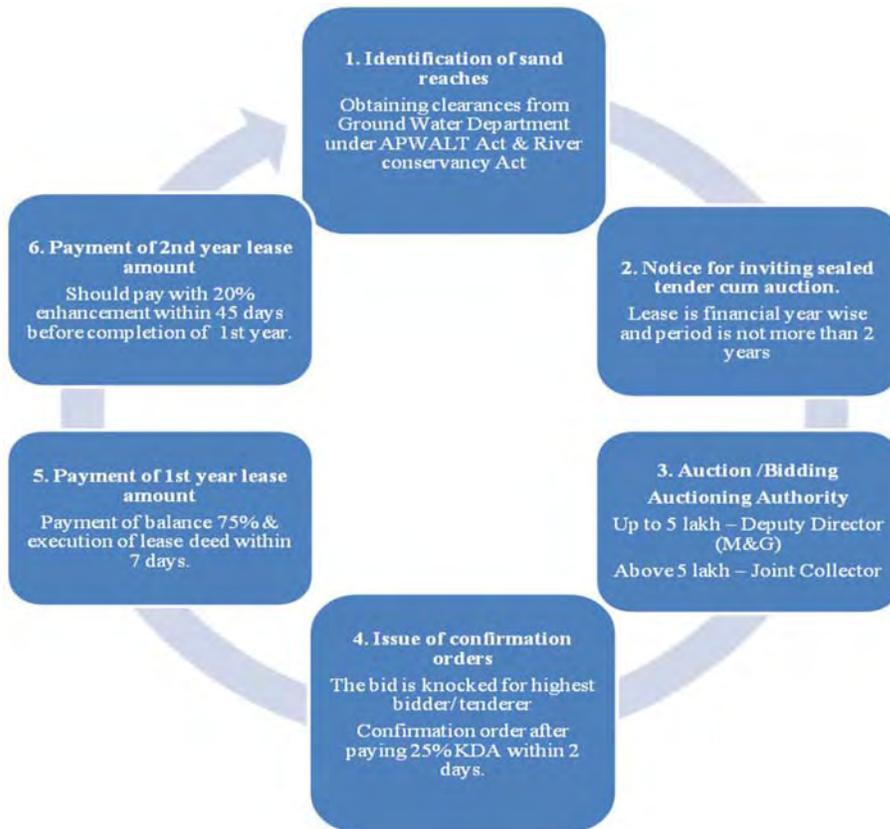
Till 1999, “auctioning of sand” was vested with Industries and Commerce (Mines) Department. In November 1999, GoAP transferred “auctioning of sand” to Panchayat Raj & Rural Development (PR&RD) Department, so that Gram Panchayats could enhance their income. In February 2007, GoAP again withdrew the subject “auctioning of sand” from PR&RD Department and transferred it back to Industries and Commerce Department⁴⁵. In March 2012, DMG instructed⁴⁶ all the DDsMG and ADsMG to implement the orders of AP High Court which had restrained the respondents (DMG) from giving any sand mining/sand quarrying lease to any person with effect from 1 April 2012. Subsequent to Supreme Court orders (May 2012), quarrying activities restarted and GoAP notified⁴⁷ new sand policy (October 2012) by making amendments in the APMMC Rules, 1966. The auctioning of sand reaches was again entrusted to PR&RD Department.

Rule 9 of APMMC Rules stipulates provisions relating to revenue aspects, auction procedures in management of sand quarrying in the State. Rule 23 of APWALT Rules, 2004 stipulate provisions relating to environmental aspects such as deciding area of sand reaches to be allowed for quarrying, quantity of sand to be extracted, conditions for quarrying of sand, etc. As per Rule 9-B of APMMC Rules, 1966, cyclic activity of sand quarrying starts with notification for auction after obtaining Ground Water Department (GWD) clearance. Lease is granted financial year wise, for not more than two years. Cycle is completed at the end of lease period. Periodic cyclic activity in the process of auctioning of sand reaches and follow-up action by Mines and Geology Department has been shown in the following flowchart:

⁴⁵ However, 95 *per cent* of the revenue collected would be transferred to the local bodies.

⁴⁶ File No. 12722/R8-1/SAND/2012-2 dt 31 March 2012.

⁴⁷ G.O.Ms No. 142 Ind. & Com (Mines-I) Dept., dt 13 October 2012.



In this Performance Audit out of the total 229 sand reaches, 116 sand reaches covering 160 leases were test checked.

3.1 Pre-auction activities

3.1.1 Non-obtaining of Ground Water Department (GWD) Clearance before notification of sand reach for auction

According to Rule 9-B (6) of APMMC Rules, 1966, District Level Committee (DLC) comprising Joint Collector as Chairman and DDMG, District Panchayat Officer, Deputy Director of GWD, Executive Engineer from Irrigation Department and ADMG as members is the competent authority to identify sand reaches to be leased out, for conduct of auction on proposals submitted by ADMG concerned, only after duly obtaining clearance regarding impact of sand mining from Director, Ground Water Department (GWD).

Audit noticed (January-April 2012) that in respect of 34 sand reaches⁴⁸ in four ADMG offices⁴⁹, auction notifications for auction period 2007-09 to 2009-11 were issued and auctions conducted without obtaining prior clearance from GWD. For 22 reaches out of these 34, lease deeds were entered into⁵⁰ and quarrying was done without obtaining GWD clearance defeating purpose of preserving ground water level.

Government replied (February 2014) that auction notifications were issued with prior approval of DLCs concerned, under the impression that clearance from GWD was not necessary for rivers like Godavari, Krishna, Penna etc. However, prior clearance from GWD was mandatory and the Department had in fact obtained GWD clearance in two other cases of SPSR Nellore District (November 2008) before notifying the sand reaches for auction.

3.1.2 Improper fixing of Minimum Bid Amounts (MBAs)

According to Rule 9(B)(6) of APMMC Rules, 1966, minimum bid amount (MBA) is to be fixed by DLC by taking the following points into consideration on proposals received from ADMG concerned:

1. Quantity of sand available;
2. Demand and supply of sand, prevailing concessions for transportation of sand by bullock carts, animals, and sand consumed by weaker section housing schemes; and
3. Average knocked down amount (KDA) i.e., the final bid amount on which the lease is granted, for the last three years.

Audit scrutiny revealed that in two ADMG offices⁵¹ in respect of auction of 12 direct ramp sand reaches⁵², MBAs were fixed without taking into account quantity of sand available, even though GWD clearance specifically furnished dimensions of sand pockets feasible for quarrying.

Department fixed MBAs as ₹ 89.45 lakh without considering quantity of sand as per the reports furnished by GWD. Because of fixing lower MBAs, department could generate only ₹ 1.47 crore as KDA. Based on dimensions furnished by GWD, audit quantified MBAs as ₹ 3.51 crore. Difference between KDAs and MBAs estimated by audit indicate the loss of at least ₹ 2.04 crore.

⁴⁸ **Eluru:**-Chidipi, Khandavalli, Koderu (2007-09), Polavaram, Pendyala-Kanuru, Pandalaparru, Teeparu, Sidhatam, Karugorumilli (2007-09 & 2009-11);

Guntur:-Kolipara (2008-10), Kolluru-Juvalapalem, Godavarru, Belamkonda (2007-09);

Rajahmundry:-Kulla-Kotipalli-Masakapalli, Gopalapuram (2008-10), Kothapeta-Kedarlanka, Ankampalem, Muggalla, Korumilli, Kapileswarapuram, Jonnada, Inavalli-Veeravallipalem (2007-09 & 2009-11);

SPSR Nellore:-Mudivarthypalem, Sangam, Viruvuru, PadamatiKambampadu, Pottapalem, Apparaopalem, Mohmadapuram, Mulumudi, KalluruRajupalem, Devarayapalli, Telugurayapuram and Timmayapalem (2009-11).

⁴⁹ Eluru, Guntur, Rajahmundry, SPSR Nellore.

⁵⁰ ADMG offices Eluru, Guntur, Rajahmundry.

⁵¹ Ongole and Srikakulam.

⁵² Ongole (Mugachintala (2009-11), Ramayapalem (2010-12)); Srikakulam (Muddadapeta, Yeragam, Allena, Pedasavalapuram, Kimmi, Nimmathoralavada, Bonthalakoduru, Batteru, Vasudevapatnam and Korada (2007-09)).

Government replied (February 2014) that due to absence of specific information on quantity of sand available, MBAs were fixed on the basis of information provided by District Panchayat Officers who dealt with the subject prior to 2007. However, information on dimensions of sand pockets, from which the amount of sand available for quarrying can be calculated, was available in GWD clearance reports of reaches.

3.2 Auction of sand reaches

3.2.1 Short collection of statutory dues

As per Rule 9-I (1), the successful bidder should remit, in two working days, 25 *per cent* KDA in addition to EMD. Bidder should also pay remaining 75 *per cent* along with Security deposit (10 *per cent* of the KDA subject to the minimum of ₹ one lakh or equal to MBA, whichever is less) and execute lease deed within seven days of confirmation order (Rule 9-I). Lease deed should be registered (Section 17(1) (c) of the Registration Act 1908) and is chargeable with stamp duty at five *per cent* (Article 31 (b) of Schedule I-A to the Indian Stamp Act 1899).

Audit observed following compliance deficiencies at ADMG offices:

Audit observation	No. of cases	Short Collection (₹ in lakh)
Security Deposit (SD): In three ADMG Offices ⁵³ , in four cases, SD was collected proportionate to the period of lease in the first year as the lease period commenced in the middle of the financial year which was against the rules. Further, in another case of sand reach ⁵⁴ , the Department collected SD of ₹ one lakh only, against the prescribed amount of ₹ 1.76 lakh on the lease amount.	5	70.96
Earnest Money Deposit: The department adjusted EMD amount towards initial payment of 25 <i>per cent</i> amount, in contravention to Rule 9-I(1) in three offices ⁵⁵ .	9	208.69

⁵³ Eluru, Nandigama and Rajahmundry.

⁵⁴ YV Lanka sand reach.

⁵⁵ Eluru, Guntur, Vijayawada.

Audit observation	No. of cases	Short Collection (₹ in lakh)
<p>Stamp duty: Section 17 of Registration Act provides for compulsory registration of lease deeds. Rule 9-I (2) of APMMC Rules, 1966 stipulate that a sand lease holder shall execute the lease deed for two year lease period with the ADMG concerned on stamp paper as per the provisions of Registration and Stamp Act. Audit noticed in 11 sand lease agreements, the lease holders executed lease deeds after payment of stamp duty on first year premium only, instead of on the total lease premium for two years, resulting in short payment of stamp duty. In respect of six other agreements, stamp duty was paid at a lesser rates resulting in short payment of stamp duty. Thus, the Mines department did not ensure correct remittance of stamp duty as stipulated in APMMC Rules, 1966. Besides, these lease deeds were not registered and registration fee also was foregone as the Mines department did not insist on registration of lease deeds.</p>	17	212.19

Government replied that (May 2013) short collection of SD was due to misinterpretation of rules and oversight by ADsMG concerned. Regarding incorrect adjustment of EMD and short collection of stamp duty, it was replied that there was no provision in the APMMC Rules specifying the due date for refund of EMD. ADsMG had collected lease amounts in four instalments and the EMD was considered as the first instalment. Stamp duty was collected on the first year lease amount since the lease was not continued for the second year.

However, (i) the EMD was adjusted as first instalment in contravention of Rules, (ii) as per provisions of Indian Stamp Act, stamp duty is payable at time of entering into lease agreement for which lease period is two years and there was no provision for payment of stamp duty in yearly instalments.

3.3 Operation of sand leases

3.3.1 Undue benefit to leaseholders due to incorrect reckoning of lease period

According to Rule 9-B (1) of APMMC Rules read with Andhra Pradesh Government clarification⁵⁶ (June 2008) irrespective of the date of auction, period of lease of first year would cease by 31 March of that financial year, with the second year coinciding with the subsequent financial year. Further, as per Rule 9-P(a), the lessee should pay second year lease amount with 20 per cent enhancement on or before 45 days of the expiry of the first year lease period.

⁵⁶ Government Memo No. 4919/SPIU & Sand/2008-2 Dt. 13 June 2008.

In four ADMG offices⁵⁷, in respect of 24 sand leases for lease period 2007-09, the Department incorrectly reckoned the first year lease period for 365 days from the date of execution of lease deed, instead of restricting the same up to 31 March 2008. As a result, lease amount was not enhanced by 20 *per cent* for the lease period starting from 1 April of the subsequent financial year (2008-09). This resulted in undue benefit of ₹ 56.05 lakh to the lessees.

Government replied (May 2013) that by the time they had issued clarification regarding tenure of a lease period, the sand auctions for 2007-09 were already finalized. ADMG, Guntur recovered an amount of ₹ 7.32 lakh from the sand lease holder. The same could not be collected in respect of other lease holders as lease period had expired and some of the leases were not operational in the second year. However, corrective measures could have been taken earlier in 2008 itself.

3.4 Grant of relaxations by State Government

Audit scrutiny revealed following deficiencies in 80 cases of relaxations given by Government during the period 2007-2012:

3.4.1 Incorrect condoning of delay in payment of second year lease amounts

Rule 9-P of APMMC Rules provides that lessee shall pay KDA along with 20 *per cent* enhancement towards second year lease amount before 45 days of date of expiry of the first year lease period. DMG may condone delay in payment on a request before the expiry of first year lease period. If lessee fails to make payment before date of expiry of first year, Government may condone the delay in genuine cases if the request is received within 15 days after date of expiry of first year lease period. If no such payment is received, lease period gets expired by the first year ending itself and security deposit gets forfeited to the Government. The ADMG shall make necessary arrangements for leasing out the area through auction.

Under Rule 9-K(3), the Government shall have power to issue orders/clarifications, if any, not specifically mentioned in implementation of these rules.

Audit noticed in two cases⁵⁸ in two ADMG offices⁵⁹ and in one case⁶⁰ in AP Secretariat that Government irregularly condoned delay in payment of second year lease amount after expiry of due date for condoning. While the first year lease period of the sand reaches in these cases expired on 31 March 2008, lessees did not pay the second year lease amount within the stipulated time and represented to the Government between May 2008 and June 2009, with delays ranging from 21 to 421 days from the stipulated last date (15 April 2008). These late applications should have been rejected as invalid and the department should

⁵⁷ Dachepalli, Eluru, Guntur and Srikakulam.

⁵⁸ Lankapally sand reach, Vemunur-Madiryal sand reach.

⁵⁹ Karimnagar, Vijayawada.

⁶⁰ Murmur - Goliwada sand reach.

have forfeited the security deposits and made arrangements for re-auction of these sand reaches. But this was not done.

Government replied (February 2014) that as per proviso to Rule 9-P, it is vested with power to condone the delay in payment of second year amount subject to conditions specified therein. They also stated that as per Rule 9-K(2), the Government has the power to condone the delay in the issue of confirmation orders, execution of lease deeds, etc., for valid reasons which were to be recorded. Also, as per 9-K(3), Government can issue orders/ clarifications if any, not specifically mentioned in the implementation of APMMC Rules.

However, Rule 9-P specifically stipulated the time schedule for payment of second year lease amount and request for condoning delay and action of the Government in the cases pointed out by audit was in contravention of these provisions. Rule 9-K(3) was also not applicable as all the cases pertained to specific rules. The action of the Government to use a general rule to override a specific rule was not in order.

3.4.2 Irregular grant of permission to pay Koncked Down Amount (KDA) in instalments

As per Rule 9-I of APMMC Rules, successful tenderer or bidder shall remit 25 *per cent* of the KDA within two working days from date of auction and remit the remaining 75 *per cent* of KDA and execute lease deed within seven days of the order of confirmation, while as per Rule 9-P, the lessee shall pay the second year lease amount on or before 45 days of expiry of the first year lease period. Under Rule 9-C, Registered Boatmen co-operative societies are allowed to pay KDA in four equal instalments.

Audit scrutiny of files in the AP Secretariat revealed that the Government granted permission to pay KDA in instalments in 30 cases during lease periods 2007-09 to 2010-12 for reasons preferred by applicants such as financial problems, business loss, recession in the economy, ill health etc., and in some cases, without assigning reasons too. Such relaxation for payment by instalments was not only against provisions but also vitiated the sanctity of the auction process which did not permit payment in instalments in these cases.

Government replied (February 2014) that they had in exercise of the powers conferred under Rule 9-K(3), allowed the bidders to pay the bid amounts in instalments. But Rule 9-K(3) extends the power to issue orders/clarifications, if any, not specifically mentioned in implementation of APMMC Rules but did not empower the Government to contravene the provisions of Rules 9-I and 9-P.

3.4.3 Irregular extension of lease period

Rules 9-B (1) and 9-L of APMMC Rules stipulate that sand lease period shall not be for more than two years, and that successful tenderer or bidder shall have no claims for any compensation due to floods or heavy rains or any other situation and extension of the lease period shall not be granted under any circumstances.

Audit scrutiny of files in Secretariat revealed that in 34 cases, Government irregularly granted extension which ranged from 23 to 317 days for the lease periods 2000-01 to 2009-11. Further, in six cases⁶¹, extensions were granted between April 2008 and May 2009 to leases that had expired between September 2002 and September 2005. Irregular extension on these sand reaches resulted in undue favour to lessees.

In contrast, in similar cases⁶², Government had rejected (April 2009 and September 2009) the representations of three lessees for extension on the ground that there was no provision in Rule 9-L to extend the lease period.

Government's reply (February 2014) that extension of lease period was allowed on a case to case basis was not tenable as there was no such provision in the rules. Hence, not only was extension of lease period granted by the Government irregular, but the differential treatment of applicants was also indicative of arbitrariness and lack of transparency.

3.4.4 Irregular grant of refunds

As per Rule 9-P (a), lessee should pay second year KDA along with 20 *per cent* enhancement on or before 45 days of the expiry of the first year lease period. If no such payment is received, lease period gets expired by first year ending itself and the security deposit gets forfeited to the Government.

Audit scrutiny revealed in ADMG, Rajahmundry and in AP Secretariat that Government granted in 13 cases (between April 2009 and December 2011) (i) refund of EMD /proportionate KDAs in four sand reaches⁶³, (ii) refund of security deposits in nine other sand reaches⁶⁴. The details of refunds are shown in the following table.

Sl. No.	Name of the sand reach	Nature of refund	Amount of refund (₹)	Reasons for refund / Audit observation
1	Package No.1 Rajahmundry-Dowlaiswaram, East Godavari District	Refund of proportionate KDA.	47,85,274	Refunds for the non-operational period of the lease duration. Such refunds were in contravention to Rule 9-L.
2	Vemagiri – Kadiyapulanka	Refund of EMD and 25 <i>per cent</i> of KDA.	1,83,60,250	Non-payment of 75 <i>per cent</i> of KDA and lack of interest of the bidder in getting the lease. This refund was in contravention of Rule 9-I (4).

⁶¹ Kanneveedu Sand reach (Nandigama), Reach No.12-Vykuntapuram (Guntur), Reach No.4-Godavarru (Guntur), Vedadri (Krishna District), Kistapur (Nizamabad) and Dharmora (Nizamabad).

⁶² Memo No. 3374/SPIU&SAND/2009-1 Dt 17 April 2009, Memo No. 7760/SPIU& SAND/2009-1 Dt 22 September 2009, Memo No. 12223/SPIU&SAND/2009-1 Dt 23 September 2009.

⁶³ Package No.1 Rajahmundry-Dowlaiswaram, Vemagiri – Kadiyapulanka, Kolachanakota (Prakasam District) and Alamuru.

⁶⁴ Ankampalem, Bodaskurru, Jonnada, Kapileswaram, Kondakuduru, Korumilli, Kothapeta-Kedarlanka, Muggalla and Pallamkurru.

Sl. No.	Name of the sand reach	Nature of refund	Amount of refund (₹)	Reasons for refund / Audit observation
3	Alamuru sand reach	Refund of proportionate KDA.	32,70,000	Non-operation of sand reach for three months and 17 days though alternate ramp point was provided by the department. This was in contravention to Rule 9-L.
4	Kolachanakota sand reach, Maddipadu Mandal, Prakasam District	Refund of KDA	50,70,000	The bidder had requested the Government to refund the amounts paid by him since he was unable to run quarry due to ill health. The refund was made in contravention of Rule 9-L.
5	Nine sand reaches ⁶⁴ in Rajahmundry	Refund of Security deposit	1,04,66,205	The lessees did not pay second year lease amount and had voluntarily withdrawn from leases. Refund of security deposit was in contravention to Rule 9-P (a).
			4,19,51,729	

The refunds in 13 cases amounted to ₹ 4.19 crore. In contrast, in a similar case of request for refund of KDA in case of Madanuru and Ethamukkala sand reach of Prakasam District, Government had rejected (September 2009) the representation of a lessee on the ground that there was no provision to refund the amount as per rule 9-L. This indicates differential treatment of lessees by the Government.

Government replied (February 2014) that they had ordered for refunds in exercise of their power under Rule 9-K(3). However, Rule 9-K(3) did not empower the Government to contravene the existing rules.

3.4.5 Delay in disposal of cases by Government

There is no time limit in the Rules within which the applications/ representations of the lease holders/bidders/general public are to be disposed of by the Government. In 52 cases, Audit observed delay in disposal of cases/ applications at Government level, ranging from two to 468 days, besides loss of revenue. Illustrative cases of undue delay at Government level are summarised as follows:

Date of application/date of disposal/delay	Remarks
02 April 2008/ 13 May 2009/ 13 months	A lessee who was given lease of Viloachavaram Sand reach, Karimnagar district for the lease period 22 August 2007 to 31 March 2009 failed to pay the second year amount on the due date (15 February 2008) and approached the Government vide application dated 2 April 2008 to reckon the first year lease period from 22 August 2007 to 21 August 2008. Such reckoning is against Rule 9-B (1) of APMMC Rules. The lessee stopped quarrying from 1 April 2008. Though the necessary reports were

	received from the DMG in April 2008, the Government disposed of the application only in May 2009 after a delay of 13 months. Till that time, the reach was not quarried. The lessee was given extension of lease period in contravention of Rule 9-L of APMMC Rules for one year up to 31 March 2010 which has been commented upon in para 3.4.3 <i>ibid</i> . Delay in disposal of the application by the Government resulted in loss of revenue of at least ₹ 130.21 lakh ⁶⁵ due to non-re-auction of the reach for 13 months during the period from 01 April 2008 to 13 May 2009.
15 October 2008/ Not disposed (March 2012)/ 20 months	<p>Krishna Country Canal Boat Works LCC Society appealed (Oct 2008) to the Government to stay the auction of Gollapudi Sand reach, Krishna district proposed to be conducted on 03 November 2008 in view of a writ petition (WP 13885/2007) pending in AP High Court relating to sand quarrying in that reach. The Government ordered (18 October 2008) stay of auction process until further orders and requested DMG to send a detailed report on the matter. Meanwhile, the writ petition was dismissed by the High Court on 15 June 2010. The Government did not dispose the appeal (March 2012) in spite of receiving reports (August 2010) from the officials concerned.</p> <p>Thus, due to non disposal of the application the reach remained un-auctioned and such delay had resulted in loss of revenue of ₹ 1.77 crore⁶⁶.</p>

Government admitted (May 2013) that delay on the part of the Government in these cases was mainly due to administrative reasons.

3.5 Other points of interest

3.5.1 Cancellation of sand reach auction resulting in undue benefit to a cement company

As per Rule 9-M(2) of the APMMC Rules, due to any exigency and with the approval of State Government, DMG may order for issue of temporary permits (TPs) in any area on nomination basis through Andhra Pradesh Mineral Development Corporation (APMDC), pending finalization of auctions. Such TPs shall be issued for a period not exceeding 60 days.

During audit scrutiny it was noticed that notification (17 December 2007) for auction of sand in Shiva Sagar submergence area⁶⁷ was issued by the ADMG, Tandur, Rangareddy district. The auction was scheduled to be held on 7 January 2008; 22 tenders were received, out of which 21 bidders had paid EMDs.

Meanwhile DMG recommended (20 December 2007) to the Government for issuance of TPs to APMDC for a cement manufacturing company for lifting

⁶⁵ Calculated at ₹ 1,00,16,000 (KDA) with 20 per cent enhancement for 13 months.

⁶⁶ Worked out at the minimum bid amount of ₹ 1.06 crore p.a. fixed by the DLC during the year 2008-09 for the period from August 2010 to March 2012 (20 months).

⁶⁷ Over an extent of 1,200 metres length, 50 metres width and two meters depth with an MBA of ₹ 30 Lakh.

sand quantity of 30,000 cu. m. from the notified sand reach, for construction of their cement plant at Belkatur village of Tandur Mandal. Just before the scheduled auction of the sand reach, Government permitted⁶⁸ (3 January 2008) TPs for a period of 60 days to lift 30,000 cu. m of ordinary sand in favour of APMDC. Before issuing the TPs, the DMG instructed (16 January 2008) the ADMG, Tandur, Rangareddy district for refunding EMDs to the bidders, although the auction was not formally cancelled by the Government. TPs were issued on 23 April 2008 for a period of 60 days i.e. up to 30 June 2008.

However, on completion of the term of TPs, Government extended⁶⁹ (18 July 2008) the validity period for another 60 days as the cement company could lift only 20,000 out of 30,000 cu. m in the first 60 days. Contravening provisions of Rule 9-M(2) of APMMC Rules which provides that TPs should be issued pending finalization of auctions, Government cancelled (18 February 2008) the auction notification dated 17 December 2007 itself and also ratified action of the DMG in refunding the EMDs to the bidders. The cancellation of auction and extension of TP rendered undue benefit to the cement company. Government's action resulted in loss of revenue of at least ₹ 30 lakh (minimum bid amount as mentioned in the auction notification).

Government (February 2014) replied that District Level Committee requested Government to cancel the auction notification and that grant of TPs to the cement company was done on the recommendations of DMG. Action of Government in cancelling the auction notification was in contravention to Rule 9-M(2) of APMMC Rules as per which TPs can be issued only for 60 days, pending finalization of auction and not by cancelling the auction itself.

⁶⁸ Memo No.19457/SPIU & SAND/2007-1 Dt.3 January 2008.

⁶⁹ Memo No.9023/SPIU & SAND/2008-1 Dt.18 July 2008.

CHAPTER IV

ISSUES RELATING TO ENVIRONMENT

Mining, especially mining of sand, can cause severe environmental degradation if not done scientifically. While MMDR Act, MCR, APWALTA and APMMCR have sufficient safeguards built into their provisions to ensure protection of the environment, audit came across a number of such issues which have been briefly mentioned in this Chapter.

4.1 Quarrying of sand beyond the limits fixed by Ground Water Department (GWD)

As per Rule 9(B)(6) of the APMMC Rules, proposals for leasing of sand reaches are to be made by ADMG concerned after duly obtaining necessary reports/clearances from the Conservator of River and the Director, GWD. Further, Rule 23(10)(2) of the APWALT Rules provides that GWD shall take up joint inspection along with officials of Department of Mines and Geology and other departments concerned to study impact of sand mining in an area and give its recommendations.

Audit scrutiny revealed that in five ADMG offices⁷⁰, while notifying ten sand reaches⁷¹ for auction, the ADsMG did not specifically indicate the dimensions of sand reaches, as communicated in GWD reports, in the notifications. Also, the Department issued way bills for transportation of sand for quantities beyond the dimensions indicated by GWD. Lack of specification of dimensions for sand quarrying encouraged bidders to carry on unlimited quarrying without restrictions.

Further, audit observed that lessees quarried and dispatched 38.86 lakh cu.m of sand against quantity of 5.50 lakh cu.m prescribed by the GWD during the lease periods 2008-10 to 2010-12. Lessees quarried and despatched sand ranging from 1.15 times to 13.95 times the permitted quantity yield as per GWD feasible dimensions.

Non-inclusion of the limit of the quantity of sand in the notifications and issuance of way bills for transportation without taking into consideration the three dimensional area cleared by GWD resulted in quarrying beyond limits. Consequently, the very objective of preservation of ground water levels was defeated.

The Government replied (May 2013) that the ADsMG had issued dispatch permits to sand lease holders based on the feasibility report of GWD. It was, further replied that once a bid was knocked down, it was for the bidder to extract sand within the area specified and there could not be a limit on the quantity of

⁷⁰ Anantapur, Nandigama, SPSR Nellore, Tadipatri, and Yerraguntla.

⁷¹ Rachumarri, Srirangapuram (Anantapur), Malkapuram (Nandigama), Viruvur, Sangam, Pottapalem, Mohamadapuram (SPSR Nellore), Nagalapuram (Tadipatri) and VenkaiahKalva Reach-I, Animala Sand Reach (Yerraguntla).

sand quarried. Estimates of GWD could not therefore be considered in terms of availability of sand but only considered to fix boundaries.

However, sand quarrying was to be done to the extent of the dimensions (which includes the area and depth) and quantity recommended by GWD with reference to Rule 23 of APWALT Rules.

4.2 Use of machinery for digging/ loading of sand affecting the environment

The APWALT Rules, 2004 restrict sand mining to a depth of one or two metres (depending on the thickness of sand deposition). Use of machinery leads to extraction of sand beyond this depth. According to Rule 9 (x) (e) of APMMC Rules, 1966, the bidders shall not use proclains⁷² or any other machinery for the purpose of digging/loading. However, the rules are silent about the penal action to be taken in such cases.

Tahsildar, Pamidimukkala reported (January 2011) that three JCB proclains were found at the Lankapalli Sand reach loading sand. Further, Regional Vigilance and Enforcement Officer, Vijayawada seized four proclains on the same reach during May 2011, which were being used by the leaseholder to load the sand. Consequently, DDMG, Kakinada, requested (June 2011) the DMG to recommend cancelling the lease for repeated violation of Rule 9(x)(e). The lease was not cancelled by the Government in spite of DMG's recommendation in November 2011 and was allowed to continue the quarrying till the expiry of lease term (March 2012).

Government while accepting (May 2013/February 2014) the use of machinery by the lease holders stated that in spite of the terms and conditions in the lease deed, bidders were resorting to use of proclains and were being forced to pay penalties whenever noticed by the officials of the Department. It was also stated that the department effectively monitored sand quarrying as part of regulatory function. It had seized 69 proclains and collected penalty of ₹ 59.74 lakh. Further, in the case of Lankapally sand reach, the Department collected ₹ one lakh as penalty after seizing the proclains. They also stated that the departmental officials were conducting regular checks, seizing machinery and imposing penalties.

Imposition of penalties had not prevented indiscriminate sand quarrying beyond the depth prescribed; hence audit observed that more effective measures and vigilance was needed to curb such activities in future.

4.3 Financial assurance not/short obtained

As per the provisions under Rule 23 F(1) of Mineral Conservation & Development Rules, 1988, financial assurance at the rate of ₹ 25,000 for 'A' Category (fully mechanized) mines and ₹15,000 for 'B' Category (semi mechanized) mines per hectare of the mining lease area put to use for mining and allied activities (subject to a minimum of ₹ two lakh for 'A' Category and ₹ one lakh for 'B' Category) has to be furnished by every lease holder to IBM/

⁷² Heavy hydraulic powered excavation machine.

State Government to ensure that the protective measures including reclamation and rehabilitation works have been carried out in accordance with the approved mine closure plan.

Audit noticed in three offices⁷³ of ADsMG that financial assurance to the tune of ₹ 6.39 crore⁷⁴ was not obtained either partially or fully from 14 lessees of the mining leases granted between 2006 and 2012. Government (May 2013) replied that the lessees were paying financial assurance on the lease area put to use in the first five year period to the IBM/State Government and as such, there was no possibility for getting short collection of financial assurance.

However audit observation was based on the information/records made available by three ADsMG.

4.4 Results of field visit by Audit Teams

4.4.1 Non-adherence to rules / conditions of lease by lessees observed during visits of mines / quarries

During the audit of ADMG offices between January 2012 and April 2012, Audit along with the ADMG and other technical staff conducted physical inspection of 32 mining/quarry leases, 13 sand reaches and the violations observed are as detailed below.

Sl. No.	Nature of violation	Name of the ADMG Office	No. of cases
1.	Boundary Marks/Pillars are to be erected at mining area to demark the approved mining area from the areas restricted on environmental grounds etc. But boundary pillars were not found to be erected, which is in violation of rules. (As per Rule 27(g) of MCR, 1960 the lessee shall, at his own expense, erect and at all times maintain and keep in good, repair boundary marks and pillars necessary to indicate the demarcation shown in the plan annexed to the lease).	Banaganapalle	14
		Kurnool	1
		Ongole	5
		Six Offices ⁷⁵	13
2.	Proper disposal of mining waste and sub-grade material was not taken up to prevent environmental degradation. (As per Rule 33(2) of the MCDR, 1988, the dump shall be properly secured to prevent escape of material there from in harmful quantities which may cause degradation of environment).	Banaganapalle	14
		Hyderabad	2
3.	Barrier Zone not provided in the mining areas to keep the pollution under control. (As per Rule 37 of the MCDR, 1988, air pollution due to fire, dust, smoke or gaseous emissions during prospecting, mining, beneficiation or related activities shall be controlled and kept within permissible limits).	Ongole	5
		Hyderabad	2

⁷³ Dahchepalli, Kurnool and Miryalguda.

⁷⁴ Wherever the exact extent of land put to use for mining purpose is not known, the minimum financial assurance to be submitted is taken.

⁷⁵ Guntur, Nandigama, Nellore, Rajahmundry, Srikakulam and Vijayawada.

Sl. No.	Nature of violation	Name of the ADMG Office	No. of cases
4.	A granite lessee used the non working quarry for dumping the mining waste of four other leases held by the lessee. (As per Rule 22(2) of the Granite Conservation Rules, 1999, small non-saleable granite blocks suitable for possible use in manufacture of bricks as well as flooring or wall tiles shall be segregated from the dumps of granite rejects and stored separately for future use).	Ongole	1
5.	A mining lessee created the benches for mining with excess height than required and did not provide site services such as rest shelter, first aid room etc. (As per Section 4 of the MMDR Act, 1957, no person shall undertake any reconnaissance, prospecting or mining operations in any area, except under and in accordance with the terms and conditions of a reconnaissance permit or of a prospecting licence or, as the case may be, of a mining lease granted under this act and the rules made there under).	Hyderabad	3

Government replied (May 2013) that, the ADsMG concerned were taking measures to rectify breaches pointed out by audit.

4.4.2 Quarrying in violation of Andhra Pradesh Water, Land Trees Act (APWALTA) limits

As per Rule 23 of APWALT Rules 2004, the depth of removal of sand shall be restricted to one metre where the thickness of sand deposit is more than three metres and less than eight metres. However, sand quarrying may be extended to two metres where the thickness of sand is good (more than eight metres), but in no case beyond two metres.

During field visit to Lankapally Sand reach under the jurisdiction of ADMG, Vijayawada (January 2012), audit observed that the lease holder seemed to have quarried the sand into deep levels, which was in violation of the APWALT Rules. GWD had given clearance (April 2010) to quarry the sand in this reach up to a depth of two metres only.

During field visit to Mudivarthypalem under SPSR Nellore District (February 2012), audit observed that the lease holder seemed to have quarried the sand at depths greater than permitted whereas only one metre was cleared by GWD.



(Two photographs of Lankapally Sand reach, evidencing deep quarrying)

The Government, while admitting (February 2014) indiscriminate sand quarrying stated that though the rules restricted extraction of sand in terms of thickness depending upon availability of sand in the area, the same could not be implemented in view of the policy involving sealed tender-cum-public auctions having no restriction on the bid amounts.

4.4.3 Construction of unauthorized path for transportation of sand

During field visit to Chevitikallu sand reach under the jurisdiction of ADMG, Nandigama, Krishna District (March 2012), audit observed that the lease holder had constructed a path, with a width of 10 metres and a length of five to six kilometres across the river bed, for use as a ramp to transport sand. This extended up to the bank on the other side in Guntur District. The path constructed was inhibiting the free flow of river resulting in stagnant water on either side of the ramp, besides altering the natural course of the river.

The Government replied (May 2013) that the distance to the specified sand shoal/pocket identified for extraction was located far away. The Government further replied (February 2014) that since the double lane road work on Krishna Left Flood bank was being taken up, the ramps were permitted without affecting the progress of the work. A pipeline having two meters diameter was laid along the flow of the river over which way was made by gravel so as to facilitate the movement of vehicles for extraction of sand without violation to the River Conservancy Act while allowing smooth flow of water. The arrangement was made with the consent of Irrigation Department by the lease holder.

No document, however, was made available to audit regarding the consent of Irrigation Department.

During field visit to Mudivarthypalem reach in SPSR Nellore district, audit team observed that a long path was laid inside the river by the lease holder from the mouth of the ramp for free movement of lorries to places of sand deposit. The path was laid on the river without obtaining the permission of Penna River Conservatory Authority which monitored the river conservation.

The Government accepted (February 2014) the observation of audit and stated that the Department had noticed the violation in joint inspection by them in October 2011 and had issued demand notice for ₹ 4.27 crore towards the penalty of five times the Seigniorage fee in addition to normal Seigniorage fee on which lessee preferred an appeal before the Government. The appeal was still pending with the Government (February 2014).



(Photograph of obstructing pathway at Chevitikallu sand reach)



(Photograph of long path laid at Mudivarthipalem)

4.4.4 Illegal quarrying

Sand is a very important ground water recharge medium and in the absence of sand, rainfall would result in runoff. Illegal quarrying by way of over exploitation of sand has a negative impact on environment which not only results in reduced recharging of groundwater bodies but also affects the quality of groundwater. Timely recognition of over exploitation and organised action to counter it is the need of the hour.

During field visit to Godavarru sand reach of Guntur District (February 2012), audit observed that though the reach was non-working for the past nine months, there was evidence that sand was quarried and transported illegally at three places. During visit to Thulluru sand reach of Guntur District, it was observed that the reach was imprinted with the wet vehicle tyre tracks indicating illegal excavation and transportation of sand. This reach had not been auctioned since 2007. Large quantities were observed to have been quarried at many places. At some places huge heaps of sand were found, indicating probable illegal quarrying.



(Four photographs of Godavarru sand reach evidencing illegal quarrying)



(Photograph of Thulluru sand reach pointing to illegal quarrying)

Government stated (February 2014) that the departmental special vigilance squads/ regional mobile squads in addition to monitoring by the vigilance and enforcement department has taken all preventive steps to control illicit quarrying by making surprise checks and collecting penalties. However, such quarrying in the un-auctioned reach was continuing.

CHAPTER V

INTERNAL CONTROL, HUMAN RESOURCES AND OTHER ISSUES

5.1 Internal control

Internal controls ensure integrity and sustainability of any system over the long run.

5.1.1 Shortfall in inspection of mines and quarries

Assistant Directors, Assistant Geologists, Royalty Inspectors and Technical Assistants have the responsibility of inspecting of mines and quarries to prevent smuggling, illegal extraction and illegal transportation of minerals. As per Item No. 4.31 of Departmental Manual the number of inspections of mines/ quarries to be conducted in a month by ADMG is 15 and by the remaining officials 20.

In 18 ADMG offices⁷⁶, the ADsMG and other technical staff had not conducted inspections as prescribed during the period 2006-07 to 2011-12.

Inspecting official	Total number of inspections to be conducted from 06-07 to 11-12	Total number of inspections conducted from 06-07 to 11-12	Short fall	Percentage of short fall
Asst. Director	19,440	9,235	10,205	52.49
Asst. Geologist	25,920	8,259	17,661	68.14
Royalty Inspector	25,920	9,120	16,800	64.81
Technical Asst.	25,920	4,597	21,323	82.26

The shortfall was above 50 *per cent* at all levels. Further, the details of leased areas inspected, results of inspection and submission of inspection reports to higher authorities were not available on record. Shortfall in conduct of inspections by the departmental officials is indicative of poor monitoring of the mining activities.

Government replied (May 2013) that shortfall was due to manifold increases in workload, deployment of staff for other Government duties, vacancy in certain posts for years and non-increase in staff strength. However, ADsMG had issued instructions to their subordinate staff to conduct inspections as required under the rules.

5.1.2 Lack of monitoring of receipt of returns

As per Rule 28(3) of APMMC Rules, the lessee or the person to whom a permit is given shall keep true accounts of the quantity and other particulars of all minor minerals obtained and dispatched from the quarry. As per Sub Rule-iv

⁷⁶ Anantapur, Banaganapalle, Dachepalle, Guntur, Hyderabad, YSR Kadapa, Karimnagar, Kurnool, Miryalaguda, Nandigama, Ongole, SPSR Nellore, Rajahmundry, Srikakulam, Tadipatri, Tandur, Vijayawada and Yerraguntla.

under Rule 10-I of APMMC Rules, the authorised agent shall submit a monthly return to the Asst. Director/ Deputy Director concerned before sixth of the succeeding month.

Audit noticed that in 1,069 out of 3,298 quarry leases test checked for the period from 2006-07 to 2011-12, leaseholders and their agents had not submitted the quarterly/monthly returns. The ADsMG⁷⁷ concerned had also not watched their receipt.

Government accepted (May 2013) the audit observation and stated that district officers while inspecting the leased areas were directing the lease holders to submit the returns and issuing show cause notices to lessees.

The system of monitoring the receipt of the returns needs to be strengthened.

5.1.3 Issues relating to accounts

As per item no. 16.10 of the Mines and Geology Departmental Manual, 1980, after the MRAs have been finalized and after entries have been posted in Demand Collection and Balance (DCB) registers, statements of lease-wise demand, collection and balances for the previous financial year are to be sent by the ADsMG to DMG by 30 June of the subsequent year for compiling the consolidated DCB and submitting the same to the Government. This is to monitor the arrears and to pursue their recovery. As per instructions⁷⁸ of Government, various departmental officers of the works executing departments shall recover the seigniorage charges for the minerals consumed from bills of the contractors.

Audit scrutiny in 19 ADMG offices⁷⁹ revealed the following:

- **Delay in compilation of DCB statements:-** Fifteen ADsMG⁸⁰ submitted DCB statements with a delay ranging from one month to 11 months. ADMG, Kurnool had not submitted DCB for the year 2011-12 till April 2013. Delayed submission of DCBs resulted in delayed compilation of consolidated DCB and onward submission to Government.

Government replied (May 2013) that delay in compilation of DCBs was due to shortage of staff.

- **Variation in balances:-** In all test checked offices, closing balances of demands of the previous year were not tallying with opening balances of subsequent year. Because of this, the DCB register did not reflect the true and fair picture of the balances.

⁷⁷ Anantapur, Banaganapalle, Dachepalli, Hyderabad, Miryalaguda, Ongole, Tadipatri, Tandur and Yerraguntla.

⁷⁸ Memo No. 52387/Progs.IV/ASO/II/81-8 Dt.26 November 1982.

⁷⁹ Anantapur, Banaganapalle, Dachepalli, Eluru, Guntur, Hyderabad, Karimnagar, Kurnool, Miryalaguda, Nandigama, Ongole, SPSR Nellore, Rajahmundry, Srikakulam, Tadipatri, Tandur, Vijayawada, Yerraguntla and YSR Kadapa.

⁸⁰ Anantapur, Banaganapalle, Dachepalli, Hyderabad, Karimnagar, Kurnool, Miryalaguda, Nandigama, Ongole, Rajahmundry, Srikakulam, Tadipatri, Vijayawada, Yerraguntla and YSR Kadapa.

Government replied (May 2013) that the variations were due to advance payments and delayed submission of accounts by lessees due to which revisions in DCB registers became necessary.

- **Inadequate details for other departmental receipts:-** Officers of various Government departments executing works have to recover seigniorage fee from bills of the contractors for the work done. Seigniorage fee has to be calculated with reference to quantities of minerals used in works as per theoretical requirements at the rates prescribed in the APMMC Rules. Audit observed that the other departmental officers while sending the cheques/DDs for recoveries made by them were not furnishing full details viz. name of the minerals used, quantities of mineral consumed, the rate at which seigniorage fee was recovered, the amount of seigniorage fee recovered and balance, if any, to be recovered. In absence of these details, it is not possible for ADsMG to verify correctness of recovery of seigniorage fee and other dues.

5.1.4 Ineffective functioning of the Observation Check Points (OCP)

Five Observation Check Points (OCP) were sanctioned by Government in 2005 at Bethamcherla, Bugga, Gouthapur, Ibrahimpatnam and Piduguralla to check and collect penalties for excess transportation of minerals above the permitted quantities at the rates prescribed. Audit test checked three OCPs at Bugga in Kurnool District, Gouthapur in Rangareddy District and Piduguralla in Guntur District.

During audit of three ADMG offices⁸¹ it was noticed that two OCPs were manned by two persons each. Deployment of insufficient number of staff in the OCPs may affect their activity to check illegal transportation of minerals.

Location of the OCP	Royalty Inspector/Technical Assistant		Home guards	
	Sanctioned	Men-in-position	Sanctioned	Men-in-position
Bugga	3	2	3	0
Gouthapur	6	2	6	6
Piduguralla	*	2	*	0

Note: *The staff sanction particulars were not made available by the ADMG, Dachehalli.

Following systemic deficiencies in the working of OCPs were noticed:

- Penalties are to be levied on the quantity of minerals being transported in excess of the permit limit. No facilities or arrangements like weighbridges were provided to assess excess quantity.
- There were no instructions for maintaining basic records like register of penalties, register of vehicles checked and statement of amounts remitted to the treasury. In the absence of these records, performance of the OCP and correctness of the penalties levied and remitted to Government account could not be monitored. No provisions for sending

⁸¹ Banaganapalle, Dachehalli and Tandur.

returns to the controlling offices and reconciling the remittances of the OCPs were made.

Government replied (May 2013) that though orders for deputation of 14 Technical Assistants were issued (June 2012) by the DMG, the vacancies of Home Guards were due to unwillingness of the Police Department to spare their services. Non-installation of weighbridges was due to possibility of shifting the OCPs to other places. In respect of other observations, DMG issued instructions (October 2012) to the concerned officials for compliance.

5.2 Human Resources

5.2.1 Manpower

Audit noticed that on 31 March 2012, the Department had a working strength of 790 in different cadres as against sanctioned strength 967, with an overall shortage of 18 per cent. The cadres with major shortages are given below:

Cadre	Sanctioned Strength	Men-in-position	Shortfall (in percentage)
Zonal Joint Director	7	3	57
Deputy Director	9	2	78
Royalty Inspector	111	85	23
Draughtsman	3	0	100
Assistant Driller	7	4	43
Typist	36	24	33

Source: figures supplied by DMG

Shortages at key levels are likely to affect administration, approval of mining plans, grant of quarry leases and inspections of mining/quarry leases etc. Government itself admitted that basic accounting functions like maintenance of DCB registers and inspection of mines and quarries were neglected due to shortage of staff.

Government replied (May 2013) that, the vacancies of JDMGs were not filled due to non-availability of qualified and eligible persons and that the vacancies of DDsMG were filled in the month of September, 2012.

5.3 Other Points of Interest

5.3.1 Improper utilization of Development of Mineral Resources and Technological Upgradation Fund (DMRTUF)

Government constituted⁸² “Development of Mineral Resources and Technological Upgradation Fund” (DMRTUF) with the objectives of (i) collection of data related to availability, exploitation and management of mineral reserves (ii) identification and acquisition of latest technology and equipment for exploration of mineral resources and mineral based industries, (iii) computerization and creation of database for the entrepreneurs in the field

⁸² G.O.Rt.No.237 Ind. & Com. (Mines-II) Dept., Dt. 29 March 1997 and G.O.Ms.No. 32 Ind. & Com. (Mines-I) Dept., Dt. 06 February 1998.

of exploration of mineral resources etc. The committee that manages the Fund is headed by Principal Secretary in charge of mines department as Chairman, the DMG as Member Secretary and seven other members. The fund is constituted from 10 *per cent* of the sales turnover achieved by APMDC every year in lieu of exclusive rights of exploration of certain minerals. Government authorized DMG to accept the contribution from APMDC. DMG operates the fund through a Personal Deposit (PD) Account.

As seen from the accounts for the years 2006-07 to 2011-12, DMRTUF received ₹ 3.01 crore through contribution made by APMDC. Short contribution from APMDC amounted to ₹ 56.83 crore.

(₹ in lakh)

Year	Sales turnover of APMDC	10 per cent of the Sales turnover	Amount contributed	Short contribution
2006-07	10,411	1,041.10	39.23	1,001.87
2007-08	10,728	1,072.80	40.00	1,032.80
2008-09	15,613	1,561.30	40.00	1,521.30
2009-10	21,718	2,171.80	44.32	2,127.48
2010-11	*	-	66.47	0
2011-12	*	-	71.29	0
Total	58,470	5,847.00	301.31	5,683.45

* the accounts of APMDC for 2010-11 and 2011-12 were not finalised, hence the contribution due to DMRTUF could not be ascertained.

Audit observed (May 2012) the following deficiencies in utilisation of funds:

- Amounts from DMRTUF were diverted to meet expenditure not related to the activities under the mandate of the Fund. During years 2008-09 and 2009-10, ₹ 25.20 lakh was diverted towards payments to lawyers and the telephone charges of the office of the DMG.
- A pilot project at a cost of ₹ 1.65 crore in YSR Kadapa District for 'Design and Development of Online Application Processing System in the Department of Mines and Geology' was awarded⁸³ in February 2008 to the A.P. State Remote Sensing Application Centre (APSR SAC) to be completed within a year. Though 90 *per cent* of the project cost i.e., ₹ 1.49 crore was paid (March 2008) as advance from DMRTUF, the pilot project was not completed even after lapse of five years. No action was initiated by the DMG to get the pilot project completed in time.
- Scrutiny of the statement of projects undertaken by DMRTUF during the years 2009-10 to 2011-12 revealed that no activities were undertaken even after provision of resources by APMDC indicating non-utilisation of the Fund. Improper utilisation or non-utilisation of available resources defeated the purpose of constituting this fund.

Records relating to planning and processing of projects undertaken, meetings of executive committee and minutes thereof were not made available to audit.

⁸³ G.O.Ms.No.37 Ind. Com. (Mines.1) Dept. Dt. 05 February 2008.

Government replied (May 2013) that they are pursuing the matter of contribution of ten *per cent* of turnover with APMDC. It further stated that the desired objectives of DMRTUF could not be met due to non-availability of the project proposals. Regarding irregular expenditure of ₹ 25.20 lakh met out of the Fund, the DMRTUF had been regularly writing to department for refund of the same.

CHAPTER VI

CONCLUSION AND RECOMMENDATIONS

6.1 Conclusion

The Performance Audit of the functioning of the Directorate of Mines and Geology of the Andhra Pradesh Government revealed several deficiencies. There were instances of non-compliance with provisions of MMDR Act, 1957, rules and instructions issued by GOI and State Government, particularly with regard to grant, transfer and renewal of mining leases and deficiencies in operation of mining leases as well as monitoring by the Department. There were delays in disposal of Mineral Concession Applications. Leases were granted without obtaining mining plans. In some cases mining was not done according to the plans even where the mining plans were obtained. Mining rights in certain cases were transferred without consent of the Government. Non-working leases were not lapsed even after expiry of stipulated idle period which resulted in blockage of mineral bearing areas for re-grant. In absence of prescribed time limit in the rules, the applications for renewal of leases were neither considered for renewal nor rejected.

Management of sand quarrying leases also revealed several deficiencies. GWD clearances were not obtained for notification of sand reaches for auction. Minimum bid amounts were not fixed with reference to quantity of sand deposits available in the reach. There were also numerous shortcomings with regard to conduct of sealed-bid-cum-auctions of sand reaches. Decision making at Government level in extension of lease periods, granting of refunds and in condoning delay in payment of lease amounts seemed arbitrary at times.

On the issue of environment, there were several cases of excess quarrying of sand beyond the depth levels prescribed by GWD throwing the river beds to the potential risk of ground water depletion. Instances were noticed of heavy machinery like proclains employed for quarrying of sand though their usage was prohibited, leading to indiscriminate sand quarrying.

Monitoring of mining activities was not adequate. There was shortfall in conducting of mines/quarries inspections by the departmental officials. The ADsMG did not watch receipt of quarterly / monthly returns to be submitted by leaseholders. There were delays in submitting DCB statements by ADsMG hampering the preparation of consolidated DCB at State level.

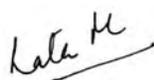
6.2 Recommendations

Audit recommends that the Government may consider

- Seeking separate reports, for specific purpose, from revenue authorities while issuing, renewing and re-granting different mineral concessions like reconnaissance permit, prospecting license, mining lease and quarry lease to the applicants. Such reports should state the duration for which the mineral concession is to be granted.

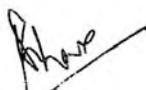
- Developing a system to ensure that mining leases are granted only after approval of the mining plans by the appropriate authorities and the mining activities take place as per approved plan.
- Making provisions for regular review of inoperative leases at fixed intervals for determining the leases which have been inoperative for more than the permissible time limit to prevent blockage of mining areas.
- Monitoring compliance of the extant provisions for fixing Minimum Bid Amount for auction of sand leases.
- Effective mechanism to ensure erection of boundary pillars and other identification marks may be put in place to avoid encroachment of leased area and to avoid indiscriminate quarrying from the areas restricted on environmental grounds.
- System be evolved for intensive vigilance on sand reaches to curb indiscriminate/illegal quarrying to protect the environment.

Hyderabad
The 28 April 2014


(Lata Mallikarjuna)
Accountant General
(Economic & Revenue Sector Audit)
Andhra Pradesh

Countersigned

New Delhi
The 30 April 2014


(Shashi Kant Sharma)
Comptroller and Auditor General of India

***ANNEXURE
AND
GLOSSARY***

ANNEXURE
[Ref. Paragraph 2.4.1 (ii)]

Sl. No.	Period of lease	Date of extension	No. of extensions granted	Period of extension
ADMG, Dachepalli				
1.	30 years from 15 October 1999	28 November 2001	I	1 year
		26 August 2002	II	1 ½ year
		26 February 2009	III	2 ½ years
Total period of extension				5 years
2.	30 years from 30 December 2000	16 July 2003	I	2 years
		26 February 2009	II	2 ½ years
Total period of extension				4½ years
ADMG, Banaganapalle				
1.	30 years from 15 February 2003	26 June 2003	I	2 years
		26 February 2005	II	4 years
		03 September 2010	III	3 years
Total period of extension				9 years
ADMG, Banaganapalle				
1.	30 years from 11 March 2003	13 March 2006	I	3 years
		18 November 2010	II	3 years
		11 November 2011	III	3 years
Total period of extension				9 years

GLOSSARY

ADMG	Assistant Director, Mines and Geology
AP	Andhra Pradesh
APMDC	Andhra Pradesh Mineral Development Corporation
APMMC Rules	Andhra Pradesh Minor Mineral Concession Rules 1966
APRR	Andhra Pradesh Revenue Recovery Act 1864
APWALTA	Andhra Pradesh Water, Land, Trees Act 2002
APWALTR	Andhra Pradesh Water, Land, Trees Rules 2004
CBI	Central Bureau of Investigation
DCB Register	Demand, Collection and Balance Register
DDMG	Deputy Director, Mines and Geology
DLC	District Level Committee
DMG	Director of Mines and Geology
DMRTUF	Development of Mineral Resources and Technological Upgradation Fund
EMD	Earnest Money Deposit
GCDR	Granite Conservation and Development Rules 1999
GO	Government Order
GoAP	Government of Andhra Pradesh
GOI	Government of India
GWD	Ground Water Department
IBM	Indian Bureau of Mines
JDMG	Joint Director, Mines and Geology
KDA	Knocked Down Amount
MBA	Minimum Bid Amount
MCR	Mineral Concession Rules, 1960
ML	Mining Lease
MMDR Act	Mines and Minerals (Development and Regulation) Act 1957
MRA	Mineral Revenue Assessment
MRO	Mandal Revenue Officer
MT	Metric Tonne
OCP	Observation Check Point
PL	Prospecting Licence
PR&RD	Panchayat Raj & Rural Development Department
QL	Quarry Lease
RP	Reconnaissance Permit
SD	Security Deposit
TP	Temporary Permits
ZJDMG	Zonal Joint Director, Mines and Geology

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