



**CHAPTER I**  
**Introduction**



*This chapter provides an introduction to the minor mineral resources of Odisha, the organisational structure for regulation of minor mineral resources and the trend of mining revenues. The Chapter also covers the objectives of this performance audit, the audit criteria referred to, scope of the audit, and the methodology adopted.*

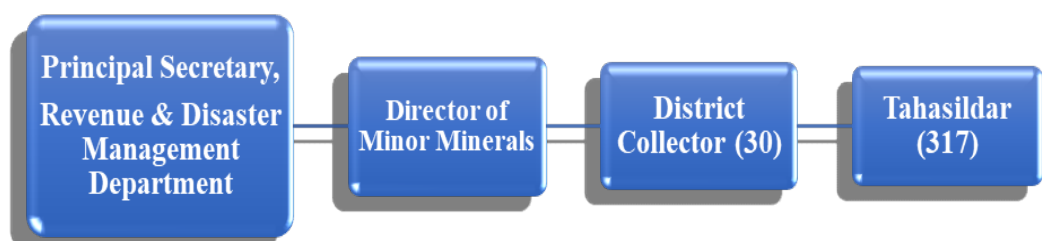
### 1.1 Minor Mineral Resources of Odisha

Odisha is a mineral rich state occupying a prominent place in the mineral map of the country. The State is endowed with vast reserves of minor minerals like decorative stone quartz, fireclay, ordinary clay, silt, *rehmatti*, ordinary sand, brick-earth, ordinary earth, moorum, laterite slabs, ordinary boulders, road metals including ballasts, chips, *bajri* and rock fines generated from stone crushers, gravels of ordinary stones and river shingles and pebbles.

Receipts from mining of minor minerals form a non-tax revenue of the State. The minor mineral receipts mainly consist of Royalty and Additional charge. The regulation of mines, and assessment and collection of minor mining revenues is governed by the Mines and Minerals (Development and Regulation) (MMDR) Act, 1957 (67 of 1957) enacted by the Central Government empowering the State Governments to make rules in respect of minor minerals. Minor Minerals are the gift of nature, which needs to be exploited scientifically through sustainable mining, without incurring damage to the environment. It is the primary responsibility of the State Government to ensure scientific mining and to maintain continuous supply of minor minerals to all developmental projects including infrastructure and welfare scheme projects and to private projects in a transparent manner in the supply chain from the source to end users.

### 1.2 Organisational Structure

The regulation of minor minerals is under the control of the Revenue & Disaster Management (R&DM) Department, Government of Odisha (GoO), through the Directorate of Minor Minerals. At the district level, District Collectors are responsible for the regulation of minor minerals and the assessment and collection of mineral receipts through field-level functionaries, *viz.* Tahasildars. The organisational setup for administration of minor minerals is as under:



### 1.3 Trend of Mining Revenues

The year-wise mining receipts, on account of major and minor minerals, during 2015-23, is shown in **Table 1.1**:

**Table 1.1: Trend of mining receipts**

(₹ in crore)

Financial Year	Mineral receipts		Total Mineral Receipts	Total Revenue Receipts of the State	Percentage of total Mineral Receipts to total Revenue Receipts of the State
	Major Minerals	Minor Minerals			
2015-16	5,337.32	461.64	5,798.96	68,941	8.41
2016-17	4,599.74	326.05	4,925.79	74,299	6.63
2017-18	5,760.71	370.28	6,130.99	85,204	7.20
2018-19	10,103.39	376.22	10,479.61	99,546	10.53
2019-20	10,664.78	355.24	11,020.02	1,01,568	10.85
2020-21	13,308.39	482.93	13,791.32	1,04,387	13.21
2021-22	48,045.36	596.39	48,641.75	1,53,059	31.78
2022-23	37,568.55	506.49	38,075.04	1,50,462	25.31

*Source: (Information furnished by the Department and State Finance Report)*

#### **Process for assessment and collection of mining revenues**

The prescribed mechanism, for assessment and collection of minor mineral revenues, is depicted in the following schematic Chart:

**Chart 1.1: Flow chart showing mechanism of assessment and collection of minor minerals revenue**



*Source: Provisions of OMMC Rules*

## 1.4 Audit Objectives

The Performance Audit was conducted to examine whether:

- i. grants of mining leases/ permits/ licences, for extraction of minerals, were in accordance with applicable laws, rules and policies;
- ii. mining activities were being regulated in compliance with statutory and other applicable provisions;
- iii. assessment and collection of mining revenues was being done in accordance with applicable laws and rules and
- iv. internal controls and monitoring mechanisms were functioning effectively, to prevent illegal mining and leakage of mining revenues.

## 1.5 Audit Criteria

The audit observations were benchmarked against criteria derived from the following:

### **Acts and Rules notified by Government of India:**

- Mineral Concession Rules, 1960.
- Forest Conservation Act, 1980.
- The Environment (Protection) Act, 1986.

### **Acts and Rules notified by Government of Odisha:**

- Odisha Minerals (Prevention of Theft, Smuggling & Illegal Mining and Regulation of Possession, Storage, Trading and Transportation) Rules, 2007.
- Odisha District Mineral Foundation Rules, 2015.
- Odisha Minor Mineral Concession Rules, 2004 and 2016.
- Odisha Specified Minor Minerals Auction Rules, 2019.
- Tahsil Accounts Manual of Government of Odisha.
- Circulars and other relevant notifications issued by State Government.

## 1.6 Scope and Methodology

Audit was conducted between July 2021 and March 2022. The Performance Audit covered the period 2015-22, and included coverage of prior/ post periods, wherever relevant or necessary.

Audit test-checked records in the Revenue & Disaster Management (R&DM) Department, the Directorate of Minor Minerals, nine districts<sup>2</sup> and 22 Tahasils<sup>3</sup> in these districts. The districts and Tahasils were selected using stratified random sampling, taking into consideration the collection of revenue by the districts.

<sup>2</sup> Bargarh, Balangir, Balasore, Dhenkanal, Jagatsinghpur, Jajpur, Ganjam, Sambalpur and Sundargarh districts

<sup>3</sup> Bargarh, Barpali, Kantabanji, Puintala, Balangir, Sambalpur Sadar, Jujumora, Jagatsinghpur, Dharmasala, Jajpur, Jaleswar, Dhenkanal, Parjang, Birmitrapur, Rourkela, Gurundia, Sundargarh, Bhanjanagar, Jagannathprasad, Patrapur, Chikiti and Chhatrapur Tahasils

The methodology of audit included scrutiny of physical and computerised records and joint physical inspection (JPI) of 88 minor mineral quarries, by the Audit team, in the presence of Tahasildars and/ or their representatives.

The Entry Conference was conducted on 12 April 2021, with the Principal Secretary and other officers of the R&DM Department, GoO, in which the audit objectives, criteria, scope and methodology, were discussed. The audit findings were discussed in the Exit Conference, held on 28 June 2023 and replies of the Government furnished in subsequent stages have been suitably incorporated in the Report.

## **1.7 Acknowledgement**

Audit acknowledges the cooperation extended by the R&DM Department, GoO, in providing necessary information and records to Audit, in the conduct of this Performance Audit. Audit records its appreciation to the officers and staff of the departments, for their efforts in providing the necessary information and replies to the Audit observations.