

**CHAPTER V**  
**Conclusion and**  
**Recommendations**



# 5

## Conclusion and Recommendations

*This chapter contains conclusions and recommendations of audit findings as per audit objective-wise as discussed in Chapter II, III and IV.*

### 5.1 Conclusion

Receipts from mining of minor minerals form a source of non-tax revenue of the State. During the financial year 2021-22, the total revenue from minor minerals was ₹ 596.39 crore. The regulation of mines, and assessment and collection of minor mineral revenues, is governed primarily by Odisha Minor Mineral Concession Rules, 2016. The Revenue and Disaster Management Department is responsible for regulation of the minor mining sector in the State.

The Performance Audit on “Systems and Controls in Assessment and Collection of Minor Mineral Receipts” was conducted between August 2021 and September 2022. The audit covered the period 2015-22, with a focus on examining issues relating to grant of mining leases/ permits/ licences for extraction of minerals; regulation of mining activities in compliance with statutory and other provisions; assessment and collection of mining revenues; and effectiveness of internal controls and monitoring mechanisms.

In the test-checked 22 Tahasils, out of the existing 520 minor mineral sources, 147 sources (28.27 per cent) had been operational, while 373 sources (71.73 per cent) had remained non-operational, as on 31 March 2022 due to non-participation of bidders, non-submission of mining plans and Environmental Clearance certificates, cases being sub-judice in courts of law, and the sources having been proposed for extinction etc.

Audit noticed that there was no provision of penalty for quitting lease after being selected, as the highest bidder, which resulted in non-securing of the best competitive prices, in the bidding process, for the sources leased out.

Further, quarry lease had been granted to second highest bidder as the highest bidder expressed unwillingness, Tahasildars had not brought these facts of unwillingness of the highest bidders after their selection and the unusually low prices quoted by the second highest bidders, to the notice of the Controlling Authority for taking final decision. Selection of ineligible bidders led to cancellation of leases midway, and non-realisation of Government dues. Eligible bids were rejected on extraneous conditions like non-submission of sales tax clearance certificate which resulted in avoidable revenue loss of ₹6.21 crore.

The Tahasildars, Jaleswar, Gurundia and Jagatsinghpur Tahasils had not applied for EC, immediately after approval of Mining Plan, and before inviting bids. As a result, the bidding process could not be completed before

expiry of the existing lease periods for which the sources remained non-operational and resulted in loss of revenue of ₹20.10 crore.

Mineral dues of ₹ 92.28 lakh, along with interest had not been collected from 10 lessees. Had five Tahasildars taken effective steps for auction of the sources, well in advance of the financial year, revenue of ₹44.86 lakh could have been realised.

Failure in assessment of royalty, Surface Rent and additional charges, at revised rates, led to under assessment and non-realisation of mining dues, together with interest, amounting to ₹ 8.40 crore by the Tahasildar, Dharmasala.

The lessees continued quarrying operation without execution of lease deed and obtaining the Environment Clearance for which the lessees were liable to pay ₹4.38 crore being the price of mineral for the unlawful quarrying. Allowing unauthorised quarrying activities, without obtaining environment clearance, defeated the purpose of having monitoring mechanism for environment conservation.

Quarrying of 4,76,527.50 cum of stone from forest land, without prior permission of GoI, in violation of condition of the lease deed, attracted punishment under the provisions of Forest (Conservation) Act, and OMMC Rules, and constituted unlawful extraction of minerals. Hence, the price of ₹ 51.69 crore of these minor minerals was recoverable from the lessee.

The lease holders in 11 Tahasils had operated 52 minor mineral sources (25 stone and 27 sand), during June 2016 to March 2022, without obtaining CTO from OSPCB. The lease holders had quarried 6,31,645.42 cum of minor minerals valuing ₹ 17.95 crore. However, neither had OSPCB taken any legal action against the lease holders for violation of provisions of relevant Acts, nor had the Tahasildars insisted for compliance to the instructions of R&DM Department (July 2016).

The Joint Physical Inspection conducted by Audit, in the presence of Tahasildar, Dhenkanal (23 December 2021), revealed evidence of extraction and transportation of sand from the quarry area during non-lease period of Gengutia Barada Sand Quarry. Since the lease was cancelled in September 2021, any extraction of sand from the quarry area during non-lease period was illegal. Thus, the Tahasildar had failed to ensure prevention of illegal mining of minor minerals.

Three Tahasildars did not cross check the quantity approved in the MPs with the quantity declared in the quarterly returns/ quantity transported through transit passes, which led to extraction and transportation of excess quantity causing revenue loss ₹ 9.66 crore to the State exchequer.

In Rahadpur Black Stone Quarry No. 5 under Dharmasala Tahasil, 99,638 cum of stone had been illegally extracted beyond the approved quantity without any prior permission/ authority, on which mining dues of ₹ 11.52 crore were to be realised from the lessee.

As per the joint enquiry conducted by a team comprising of Deputy Director, Geology, Balangir, representative of the permit holder, M/S USML Ltd., Bhubaneswar; the Revenue Inspector, Lathor Circle; and other supporting

Revenue staff of the Khaprakhhol Tahasil, the permit holder had extracted 1,03,684 cum from both the quarries, against the permitted quantity of 5,500 cum. Thus, the agency had extracted 98,184 cum of stone, in excess of the approved quantity, without lawful authority and violated the provisions of the OMMC Rules. As such, the agency was liable for payment of royalty, rent and price of minerals, amounting to ₹12.32 crore.

Joint physical inspections of five stone quarries under three Tahasils namely Dharmasala, Rourkela and Sambalpur were conducted, along with the Tahasildar/ Additional Tahasildar and RI, and revealed that the permit holders had extracted stones beyond the permissible depth of six meter, with the actual depths of quarrying ranging from 8 meters to 26 meters from the ground level. As such, the possibility of extraction in excess of the approved quantities could not be ruled out.

The Tahasildar, Jujomura instead of charging the price of the stone and other levies *i.e.*, additional charges, DMF and EMF, had raised demand (November 2020) of ₹50.06 lakh towards royalty and penalty only against the lessee of Barloi Stone quarry No. 04. This had non-realisation of mineral dues of ₹ 4.13 crore, resulting in extension of undue financial benefit to the lessee.

Owing to lackadaisical attitude of the department, the excess quantity extracted in Dankari black stone quarry under Dharmasala Tahasil could not be reassessed and fresh orders could not be passed as per the directions of the Hon'ble High Court, resulting in non-recovery of mineral revenue of ₹ 58.63 crore.

Joint Physical Inspections were conducted by Audit, with the Additional Tahasildar, Dharmasala, with the Revenue Supervisor, Jajpur and Revenue Supervisor, Chhatrapur Tahasil. It was observed that sand quarrying operations were being carried out, in the river bed below the water level, with the help of mechanised excavators, from Brahmani River Sand bed, in the Brundadeipur, Raichhanda villages of the Dharmasala Tahasil and in the sand bed of the Rushikulya river, at Hansapur, even after it had been disallowed by Government of Odisha and the previous lease periods of the Brundadeipur sand source, and the Raichhanda sand source having expired in March 2020 and March 2021 respectively.

Non-measurement of the quarry before commencement of quarrying operations as well as after closure of the lease, led to excess and illegal extraction of road metal, leaving no scope for the district administration to identify the defaulter(s). No accountability was fixed on the official(s) responsible for the failure to prevent the illegal extraction and theft of road metal, which had resulted in loss of revenue to Government.

Additional charge, DMF and EMF on royalty of ₹4,624.58 crore, an amount of ₹ 885.70 crore, was to be realised in the State, during 2016-22. However, the authorities in-charge of public projects in 14 districts had realised only ₹21.25 crore, against ₹399.91 crore, while the authorities in-charge of public projects in the remaining 16 districts had not collected any additional charge, DMF and EMF of ₹485.79 crore, collectable on royalty deducted from the bills of contractors. This had resulted in short/ non-collection of mineral revenue of ₹864.45 crore, in the State. Thus, with the knowledge of the Government,

minor minerals, with a royalty amount of ₹ 4,624.58 crore, had been extracted unlawfully and used in public projects, during 2015-22.

It was revealed in the selected Tahasils that Tahasildars had received funds of ₹1.22 crore towards pillar posting on the perimeter of sources, Differential Global Positioning System surveys, web-based monitoring of sources, setting up of weigh bridges/ check gates, installation of CCTV cameras, real-time monitoring of transport vehicles *etc.*, during 2018-22. The Tahasildars had incurred an expenditure of ₹ 67.89 lakh (56 *per cent*), leaving balance of ₹54.11 lakh (44 *per cent*) unutilised. Despite availability of funds at the District and Tahasil levels, the activities prescribed under the scheme had not been taken up.

Joint Physical Inspections of 88 mineral sources, under selected Tahasils, were conducted (between August 2021 and March 2022), by Audit, with the Tahasildars, Revenue Supervisors and RIs. It was revealed that Pillar posting had not been done in 73 sources, due to which it was not possible for the authorities to ascertain whether quarrying was being done within or beyond the lease area. Contact numbers of Tahasildars were not available on 62 signboards. Thus, the public did not have ready information for making any complaints regarding illegal quarrying.

In addition, Audit also observed non-adoption of satellite-based monitoring of mining activities through the Odisha Space Application Centre; tardy implementation of the scheme for “prevention of theft of minor minerals and eviction activities”; and a weak and ineffective inspection and monitoring mechanism for preventing illegal quarrying and theft of minor minerals in the State.

To ensure better management of minor minerals in 144 mineral-rich Tahasils identified in the State, GoO decided (November 2019) to create 144 Enforcement Cells, 144 additional posts of RI and 144 posts of Amin, to be deployed in those Tahasils, for better management of mineral resources and augmentation of revenue from these sources. It was revealed that enforcement cells had not been constituted in any of the 12 mineral rich Tahasils, as on the date of Audit (September 2022).

## **5.2 Recommendations**

**Government may consider:**

- 1. ensuring integrity of the tendering process, and checking for vitiation of tenders, by imposing penalties in the eventuality of backing out of the highest bidders.**
- 2. making penal provisions, (similar to the provisions in Note below Para 3.5.14 of Odisha Public Works Department Code Vol. I) for default by the winning bidders, like debarring such bidders from participation in future bids for quarry leases for three years and conducting negotiations with the second highest bidder to match the highest bid.**
- 3. fixing responsibility for non-compliance with provisions of OMMC Rules for selection of bidders by Tahasildars leading to loss of revenue to the State exchequer.**

4. preparing and obtaining approval of Mining Plans and ECs, before invitation of bids, by the Competent Authorities to avoid delays in the operationalisation of sources, as well as to avoid loss of mineral revenue.
5. insisting on production of valid transit passes, along with bills, in support of procurement of minor minerals from authorised sources/ licensees, to curb unlawful quarrying and lifting of minor minerals.
6. putting in place a system of assessment/ measurement of the quantities of the minor minerals, extracted by the lessees, after expiry of the lease periods, in order to check unlawful excess extraction, beyond the permitted quantities.
7. adopting a satellite-based monitoring system, through ORSAC, at the earliest and implementing all activities, prescribed in the scheme for “prevention of theft of minor minerals and eviction activities”.
8. putting in place a robust monitoring mechanism and grievance redressal mechanism, to detect the unlawful extraction and transportation of minor minerals.

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