
Executive Summary

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This Report contains a Performance Audit Report on “Sand mining with special emphasis on initiatives taken to curb illegal mining” (Industries and Commerce Department), one Compliance Audit Report on Hyderabad Metro Rail Project (Municipal Administration and Urban Development) and one Compliance Audit paragraph relating to loss of revenue (Energy Department).

Performance Audit on Sand Mining

In Telangana, river sand is available from three sources *namely* (i) riverbed and streams which are categorised into I to V order streams depending upon quantum of sand available, (ii) de-siltation of irrigation projects and (iii) de-casting of private *patta* lands. Government of Telangana (GoTS) introduced (December 2014) the New Sand Mining Policy, 2014 (NSM Policy) and framed (January 2015) the Telangana State Sand Mining Rules, 2015 (TSSM Rules) to ensure availability of adequate quantity of the right quality of sand at a reasonable price to the people of the State. Under the NSM Policy and TSSM Rules, the responsibility for excavation, regulation and supply of sand was entrusted to the Telangana State Mineral Development Corporation Limited (TSMDCCL) which functioned under the supervision and control of the Director of Mines and Geology (DM&G), Industries and Commerce Department.

This is the first Performance Audit of sand mining operations since the formation of Telangana State and it covered the five-year period from 2016-17 to 2020-21. The audit Sample included three (out of eight) selected Project Offices (POs) of TSMDCCL *namely*, Jayashankar Bhupalapally, Bhadradi Kothagudem and Karimnagar. Audit also test checked and reviewed the records of the offices of the Director of Mines and Geology, Assistant Director of Mines and Geology (ADM&G) and the offices under the control of the District Collectors falling under the jurisdiction of the above POs.

The Performance Audit was conducted to ascertain whether excavation, transportation, storage and sale of sand was carried out efficiently; effective control mechanisms were put in place to detect and prevent illegal sand mining; and environmental concerns related to sand mining were appropriately addressed.

Significant audit findings and conclusions of the Performance Audit are given below.

- Audit noticed that TSMDCCL entered into sand raising contracts with the local registered tribal societies. These tribal societies in-turn engaged non-local or non-tribal third parties for excavation of sand although sub-letting was prohibited in the sand raising contract. Thus, the objective of eliminating exploitation of mineral resources available in the Scheduled Areas by non-locals or non-tribals as envisaged by the Panchayat Extension to Scheduled Areas (PESA) Act, 2002 and PESA Rules, 2011 was defeated. Audit also observed that the tribal societies appointed third parties without following any tender process and the undue benefit enjoyed by the third-party sub-contractors worked out to ₹11.61 crore.
- Audit observed that as against the stipulated time limit of four weeks from the receipt of the Inspection Report of the ADM&G for disposal of applications for grant of

permission to de-cast the *patta* lands, 31 applications received by the District Level Sand Committee (DLSC) Bhadradi Kothagudem during 2016-17 were still pending. This has resulted in non-removal of sand from *patta* lands thereby depriving *pattadars* (farmers) from cultivating their lands.

- Audit also observed instances of delay in excavation of sand due to reasons like non-receipt of clarification from the State Government on the rate payable to the sand raising contractors (tribals) at Dummugudem Anicut and lack of action plan on the part of TSMDCCL to excavate sand as per the timelines agreed with the *pattadars*. As a result, the State Government was deprived of revenue of ₹172.64 crore due to non-excavation of sand and consequent delay in commencement of sale.
- In the test checked POs, Audit observed that,
 - Closed Circuit Television Cameras and Weighbridges were installed at very few sand reaches and stock yards resulting in overloading of the vehicles at the time of their dispatch from the stockyard.
 - Vehicles transporting sand were not provided with Geo Positioning System and Radio Frequency Identification devices to enable their tracking and monitoring the sand dispatch and delivery operations.
 - TSMDCCL did not evolve an appropriate stock policy and Stock Registers, stock balances were not maintained/ recorded properly.

Thus, TSMDCCL's monitoring of sand reaches and stockyard operations was ineffective.

- Audit review of sand raising contracts awarded by the selected POs revealed that the ADM&Gs and TSMDCCL during their inspections noticed that the sand raising contractors excavated sand beyond the specified geo-coordinates, permitted depth and quantity. However, the DM&G did not levy the applicable penalty of ₹7.19 crore as per TSSM Rules. TSMDCCL pleaded unjustified excuses of payment of Seigniorage Fee (SF) and no revenue loss/ remittance of sale proceeds to Government Treasury to avoid levy and payment of penalty. Thus, the DM&G and TSMDCCL casually implemented NSM Policy and TSSM Rules which rendered them ineffective in curbing the illegal sand mining activities.
- In the PO of Bhadradi Kothagudem, Audit also observed that unauthorised and excess excavation and transportation of sand through the Sand Taxi Management System (*Mana Isuka Vahanam* or Sand Taxi) went unnoticed because the software did not provide for limiting the customer bookings once the permitted quantity gets exhausted for a particular sand reach. Thus, the objective of curtailing illegal transportation of sand through Sand Taxi for sand reaches of I, II and III order streams could not be ensured.
- TSMDCCL also excavated and dispatched sand without obtaining sand dispatch permits from the ADM&Gs and without paying SF and other additional fees amounting to ₹108.96 crore as of March 2022. Consequently, Government's revenue was blocked to that extent.

- Review of the mechanism put in place to protect the environment from the effects of sand mining revealed the following.
 - The District Survey Report meant to map the sand sources available in a district to enable excavation of sand in a systematic manner was not prepared for any of the districts under the selected POs up to January 2020.
 - Monitoring of the impact of sand mining through photographing of project sites and recording of changes in the ground water levels was not done.
 - TSMDCL did not incur the committed capital and revenue expenditure towards environmental protection measures as required under the conditions governing the Environmental Clearance.
 - The DLSC, Khammam permitted TSMDCL to de-cast sand from the *patta* lands located midst of the Godavari River before TSMDCL obtained necessary statutory clearances.
 - TSMDCL diverted 94.71 *per cent* (₹162.27 crore out of ₹171.32 crore) of Road Damage Charges collected during the period 2016-17 to 2020-21 for other than the specified purposes.

Thus, the recommended action for sustainable sand mining was not taken/ ensured.

- Audit observed that the State Government did not relax the condition of 100 *per cent* M-Sand production to avail the incentives proposed under NSM Policy, as requested by the M-Sand Manufacturing Industry Association. The DLSCs also did not promote the manufacture and use of M-Sand. Further, TSMDCL did not establish a crusher for manufacturing M-Sand even though the lease period was due to expire in November 2023. Thus, State Government did not properly address the concerns of M-Sand industry.

Audit Recommendations:

- *District Level Sand Committees may ensure processing of the pattadar applications within the stipulated timelines and TSMDCL may prepare an action plan to de-cast sand within the timelines stipulated in the agreements with the pattadars.*
- *District Level Sand Committees may consider allotting sand mining licenses in the Scheduled Areas to tribal societies and TSMDCL may consider appointing the sand raising contractors on behalf of the tribal societies duly following open tender process.*
- *Government may fix the responsibility of the officials concerned for allowing excess payments to the pattadars.*
- *Government may ensure that TSMDCL puts proper monitoring mechanism in place namely, installation of CCTV cameras, Weighbridges and maintenance of Stock Registers at sand reaches and stockyards.*

- *Department of Mines & Geology may consider using Remote Sensing Mapping or Drone enabled (Intelligent Video Surveillance) technology to monitor and regulate the sand excavations effectively.*
- *Government may consider incorporating suitable provisions in the NSM Policy and the TSSM Rules to bring sand raising contractors and pattadars under the ambit of penalty provisions for breach of any contractual obligations.*
- *Government may direct TSMDCCL to comply with the conditions governing Environmental Clearance, the SSMM Guidelines and the TSSM Rules.*
- *Government may consider framing suitable guidelines for extending the benefits envisaged under the NSM Policy and TSSM Rules to the M-Sand manufacturers.*

Compliance Audit Observations

Compliance Audit of the Hyderabad Metro Rail Project revealed that delays in finalisation of metro corridors and acquisition of land for Miyapur Depot delayed the operationalisation of the Project and also resulted in cost escalation. Six stations between MG Bus Station and Falaknuma on Corridor - II involving 5.12 KMs were still incomplete. Consequently, the project cost was bound to escalate. The stations, parking and circulation areas were not developed as envisaged. As a result, the Concessionaire was unduly benefitted by ₹227.19 crore. The Project could achieve only 22 per cent of the expected ridership. The effect of insufficient parking spaces on the ability of the Project to operate at full potential in future cannot be ruled out.

The Concessionaire was allowed to fix higher fares than those envisaged under the Concession Agreement. Audit observed that by fixing higher fares, the Concessionaire had collected excess fare of ₹213.77 crore during the period from November 2017 to March 2020. The Company could not enforce CA provisions relating to urban rejuvenation works and prohibition of sub-leasing of Project assets before the COD of the Project. The Company did not recover fair rent of the lands leased to Concessionaire and waived administrative charges. The Company also did not utilise the Putlibowli Commercial Complex, constructed at a cost of ₹11.68 crore, effectively for a period of five years.

Audit recommendations:

- *Government may prepare an action plan to complete Corridor - II of the Project at the earliest. Otherwise, ridership will remain low.*
- *Government may fix the responsibility of the officials concerned for allowing unauthorised deviations in the construction of station boxes.*
- *Government may take steps to provide sufficient Parking and Circulation areas to improve the ridership.*
- *Government may constitute a fare fixation committee at the earliest to review the fare structure.*
- *Government may enforce the Concession Agreement conditions and contractual provisions to realise its dues from the Concessionaire.*

Northern Power Distribution Company of Telangana Limited incurred loss of ₹50.37 crore during June 2014 to July 2018 due to continuance of power supply to M/s. Sirpur Paper Mills Limited despite non-payment of dues.

