

**CHAPTER II**  
**Management of**  
**Leases of Minor**  
**Mineral Resources**



## 2

## Management of Leases of Minor Mineral Resources

*This chapter contains findings relating to management of leases of minor mineral resources. Significant audit observations include operationalisation of minor mineral sources; irregular selection of bidders in grant of quarry leases; grant of quarry leases without approval of mining plans/environmental clearances; and quarrying without execution of lease deeds.*

### 2.1 Introduction

As per information furnished by the R&DM Department, there were 4,106 minor mineral sources existing in the State and 1,837 minor mineral sources existing in the sampled districts. Out of these, 1,618 sources in the State and 688 sources in the sampled districts, were operational, as of 31 March, 2022. The year-wise status of the minor mineral sources in the State, as well as in the sampled districts, during 2015-22, was as shown in **Table 2.1**.

**Table 2.1: Minor mineral sources - existing, operationalised and non-operational (as on 31 March, 2022)**

Financial Year	Status of sources in the State				Status of sources in the sampled districts			
	No. of sources existing	No. of sources made operational	Percentage of operationalisation	No. of sources that remained non-operational	No. of sources existing	No. of sources made operational	Percentage of operationalisation	No. of sources that remained non-operational
1	2	3	4	5	6	7	8	9
2015-16	4,346	1,174	27.01	3,172	1,748	663	37.93	1,085
2016-17	4,570	1,522	33.30	3,048	2,048	727	35.50	1,321
2017-18	4,479	1,828	40.81	2,651	2,073	878	42.35	1,195
2018-19	4,146	1,978	47.71	2,168	1,792	956	53.35	836
2019-20	4,274	1,910	44.69	2,364	1,980	895	45.16	1,087
2020-21	4,437	1,696	38.21	2,741	2,017	774	38.37	1,243
2021-22	4,106	1,618	39.41	2,488	1,837	688	37.45	1,149

*(Source: Information furnished by the R&DM Department)*

The year-wise progress, in operationalisation of sources, ranged between 27.01 to 47.71 per cent, in the State, and 35.50 to 53.35 per cent, in the sampled districts. For the purpose of this Performance Audit, records of the Revenue & Disaster Management (R&DM) Department, the Directorate of Minor Minerals, nine districts<sup>4</sup> and 22 Tahasils<sup>5</sup> in these districts were test checked.

Audit observations, relating to the assessment and collection of minor mineral receipts, are discussed in this chapter.

<sup>4</sup> Bargarh, Balangir, Balasore, Dhenkanal, Jagatsinghpur, Jajpur, Ganjam, Sambalpur and Sundargarh districts

<sup>5</sup> Bargarh, Barpali, Kantabanji, Puintala, Balangir, Sambalpur Sadar, Jujomura, Jagatsinghpur, Dharmasala, Jajpur, Jaleswar, Dhenkanal, Parjang, Birmitrapur, Rourkela, Gurundia, Sundargarh, Bhanjanagar, Jagannathprasad, Patrapur, Chikiti and Chhatrapur Tahasils

## 2.2 Operationalisation of minor mineral sources

As per Rule-109 of the Tahasil Account Manual (TAM), the Tahasildar should review, at frequent intervals, whether all the sources available for settlement<sup>6</sup>, had been settled during the year and should ensure that no source remains undisposed of, without sufficient reasons.

Scrutiny of lease records, in all the selected 22 Tahasils revealed that, out of the existing 520 minor mineral sources, 147 sources had been operational, while 373 sources had remained non-operational, as on 31 March 2022, as detailed in **Appendix - I**. Reasons for non-operationalisation of the minor mineral sources included 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<sup>7</sup> etc. As such, only 28.27 per cent sources were in operation, leaving 71.73 per cent non-operational in the test-checked Tahasils as of March 2022, which indicated inaction on the part of Tahasildars for settlement of revenue potential sources of minor minerals.

In reply, the Government stated (March 2024) that minor mineral sources are being monitored through i4MS system and factual position of the sources like source details, lessee details, statutory clearance details are being monitored on real time basis. The OMMC Rules have been amended and steps are being taken to auction all the potential non-operational sources in a phased manner. However, the fact remains that 71.73 per cent sources had not been operationalised in the test-checked 22 Tahasils as of March 2022.

## 2.3 Grant of quarry leases

### 2.3.1 Irregular selection of bidders

As per provisions under Rule 27 (2) of the Odisha Minor Mineral Concession (OMMC) Rules, 2016, notices inviting applications for grant of quarry leases are to be issued by the Competent Authorities<sup>8</sup>. As per Rules 27 (4) (iii) (iv) and (5) of the Rules *ibid*, the intending applicant may apply to the Competent Authority, in a sealed cover, for grant of quarry lease, accompanied, *inter alia*, by a solvency certificate or bank guarantee, valid for a period of eighteen months, for an amount not less than the amount of additional charge offered and the royalty payable for the minimum guaranteed quantity (MGQ)<sup>9</sup>, for one whole year, and a list of immovable properties (such as agricultural land,

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<sup>6</sup> Settlement means granting of lease of quarry through public auction

<sup>7</sup> Extinction means declaration of closing of an existing source/ quarry by the Competent Authorities, on account of (i) non-fetching of income for a continuous period of three years, (ii) the source being of historical, archaeological or scientific importance

<sup>8</sup> Concerned Tahasildar is the Competent Authority as per Schedule IV of OMMC Rules, 2016

<sup>9</sup> In respect of sources for which the mining plan has been approved, minimum guaranteed quantity means the quantity of extraction approved for a year as per the mining plan and in respect of sources for which mining plan has not been prepared and approved, such extractable quantity as may be assessed by the Competent Authority with approval of the Controlling Authority

homestead land, building *etc.*) from the Revenue Authority (RA). Quarry leases are to be granted in favour of the applicants who have quoted the highest rates of additional charge. In this regard, Audit noticed certain irregularities in the selection of bidders, as discussed below:

### 2.3.1.1 Non-provision of penalty for quitting lease after selection

Audit noticed (December 2021) that one<sup>10</sup> Tahasildar had failed to promote competition in granting the quarry leases of two sand sources<sup>11</sup> and one stone source<sup>12</sup>. In all the three sources, the first and second highest bidders were relatives of each other, as revealed from their personal details and residential addresses. The Tahasildar selected the highest bidders, in all these cases, and issued them letters of intimation, to convey their acceptance within 15 days. The highest bidders, in all these cases, expressed their unwillingness. Consequently, the Tahasildar selected the second highest bidders, at their quoted rates and hence the second highest bidder managed to secure the leases granted in their favour under Rule 27 (9) of the OMMC Rules, 2016 at a lesser price as shown in **Table 2.2**.

**Table 2.2: Comparison between price quoted by the highest bidders and second highest bidders**

Sl. No.	Source/ Lease period	Highest bidder	Rate of royalty/ Addl. Charge (₹/cum)	Name of second highest bidder	Rate of royalty/ Addl. Charge (₹/ cum)	Price difference (₹/ cum)	Quantity of minor minerals on which mineral dues were assessed and demanded (upto 03/2022) (in cum)	Amount of mineral revenue involved (in ₹) (7x8)
1	2	3	4	5	6	7	8	9
1	Brahmani River Sand, Jenapur/ 2015-16 to 2019-20	Nabaghana Jena, S/o-Sendha Jena, Vill/PO- Marjitapur, Jajpur	300.00	Jayant Ku Jena, S/o-Nabaghana Jena, Vill/PO- Marjitapur, Jajpur	200.00	100.00	11,220	11,22,000
2	Brahmani River Sand, Brunda-deipur/ 2017-18 to 2021-22	Nabaghana Jena, S/o-Sendha Jena, Vill/PO- Marjitapur, Jajpur	300.00	Jayant Ku Jena, S/o- Nabaghana Jena, Vill/ PO - Marjitapur, Jajpur	200.00	100.00	12,133	12,13,300
3	Barada BSQ No.2/ 2017-18 to 2021-22	Amit Kumar Sahoo, S/o-Late Gokulananda Sahoo, PO- Nihalprasad, Dhenkanal	297.26	Apurba Kumar Sahoo, S/o-Late Gokulananda Sahoo, PO- Nihalprasad, Dhenkanal	105.27	191.99	49,400	94,84,306
	<b>Total</b>						<b>72,753</b>	<b>1,18,19,606</b>

(Source: Records of Tahasildar, Dharmasala)

From the above Table it is evident that the highest bidders were related to the 2<sup>nd</sup> highest bidders; hence, after being confirmed from the bidding list that their unwillingness would result in selection of the 2<sup>nd</sup> highest bidders at lower rate of royalty, expressed their unwillingness.

<sup>10</sup> Tahasildar, Dharmasala, of Jajpur district

<sup>11</sup> Brahmani River Sand, Jenapur and Brahmani River Sand, Brundadeipur

<sup>12</sup> Barada Black Stone Quarry (BSQ) No. 2

Thus, the objective of promoting competition and securing the best competitive prices for the sources leased out was defeated as the bidders had ensured grant of leases, in their favour, at lower prices.

Further, there was no provision of penalty for quitting a 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.

This resulted in loss of potential revenue, amounting to ₹1.18 crore for extraction of 72,753 cum of minor minerals during the lease period of five years.

Accepting the observation of Audit, in reply, the Government stated (March 2024) that the provision has been made in the rules to deposit EMD at the time of application for bidding. Revised SoP for bidding process in respect of minor minerals issued during July 2023 and the lessee shall furnish an affidavit stating that none other than him/ her in the family is participating in the bidding process of the particular source and if contrary is observed, the sales if any, shall be rendered infructuous forfeiting the deposits without affording any further scope and the said bidder shall be debarred from participating in auction sale of any minor minerals source of the State for a period of three years. However, the fact remains that non provision of penalty for quitting a lease, after being selected as the highest bidder, resulted in loss of ₹1.18 crore to the State exchequer.

### **2.3.1.2 Irregular grant of quarry lease to second highest bidders**

As per provisions under Rule 27 (9) and (10) of the OMMC Rules, 2016, a quarry lease is to be granted in favour of the applicant who has quoted the highest rate of additional charge. In the event of default by the selected bidder, the Competent Authority may issue an intimation to the next highest bidder, who shall then be required to convey his acceptance and make payment of the security deposit. If the second highest bidder has quoted an unusually low price, in comparison to the highest bidder of the same source or other sources in the vicinity<sup>13</sup>, the Competent Authority may bring it to the notice of the Controlling Authority<sup>14</sup>, who, after proper verification, and with due justification, may cancel the bid and direct to conduct a fresh auction.

Audit noticed (September 2022) that, in two sampled Tahasils<sup>15</sup> the Tahasildars had selected the second highest bidders for lease of three minor mineral sources (two stones and one sand)<sup>16</sup> as the highest bidders expressed their unwillingness. A comparison of the prices quoted by the highest and the second highest bidders, revealed that the prices quoted by the second highest bidders were unusually low. The differences in prices ranged between ₹140 and ₹1,045 per cum (25 to 87 per cent lower than the highest bids) as detailed

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<sup>13</sup> Comparison with the price quoted by the highest bidder of the same source or the price at which lease of the nearby source was granted

<sup>14</sup> Collector of the district is the Controlling Authority

<sup>15</sup> Dharmasala and Jajpur Tahasils of Jajpur district

<sup>16</sup> (1) Barada BSQ No.2 (2) Aruha BSQ No.1 of Dharmasala Tahasil and (3) Budha river sand bed, Bhagatpur, of Jajpur Tahasil

in **Table 2.3**. However, the 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 in the matter as required under Rule 27 (10) *ibid*. Thus, grant of quarry leases to the second highest bidders at unusually low prices was irregular. This had resulted in loss of potential revenue of ₹ two crore to the State exchequer, as detailed in **Table 2.3**.

**Table 2.3: Comparison between price quoted by the highest bidders and 2<sup>nd</sup> highest bidders**

(Amounts in ₹)

Sl. No.	District/ Tahasil	Source/ Lease period	Highest price bid (₹/cum)	Second highest price bid (₹/cum)	Price difference (₹/ cum) (4-5)	Difference in per cent, with reference to the highest bid	Total quantity of mineral assessed in cum (up to March 2022)	Loss of revenue (6x8) (₹)
1	2	3	4	5	6	7	8	9
1	Jajpur/ Dharmasala	Aruha Black Stone Quarry No.1/ 2017-18 to 2021-22	₹220	₹80	140	64% less	68,212	95,49,680
2	Jajpur/ Dharmasala	Barada Black Stone Quarry No.1/ 2018-19 to 2022-23	₹1,195	₹150	1,045	87% less	7,344	76,74,480
3	Jajpur/ Jajpur	Budha sand riverbed, Bhagatpur/ 2018-19 to 2022-23	₹2,101	₹1,575	526	25% less	5,258	27,65,708
<b>Total</b>								<b>1,99,89,868</b>

(Source: Records of the Tahasildars)

Accepting the observation of Audit, in reply, the Government stated (March 2024) that amendment has been made to the OMMC Rules, 2016. As per Rule 27(9) of OMMC (Amendment) Rules, 2023, in the event of default by the selected bidder, the competent authority may issue intimation as specified in sub-rule (6) to the next highest bidder to meet the highest additional charge offered by highest bidder, who shall then be required to convey his acceptance and make the security deposit within seven days. However, the fact remains that the Tahasildars had not brought the facts of unwillingness of the selected highest bidders and the unusually low prices quoted by the second highest bidders, to the notice of the Controlling Authority for taking final decision in the matter as required under Rule 27 (10) *ibid*, which resulted in loss of ₹ two crore to the State exchequer.

### 2.3.1.3 Blockage of revenue, due to selection of ineligible bidders

As per Rules 27 (4) (iii) (iv) and (5) of the Rules *ibid*, the intending applicant may apply to the Competent Authority, in a sealed cover, for grant of quarry lease, accompanied, *inter alia*, by a solvency certificate or bank guarantee, valid for a period of eighteen months, for an amount not less than the amount

of additional charge offered and the royalty payable for the minimum guaranteed quantity (MGQ), for one whole year, and a list of immovable properties. Further, Rule 47 of OMMC Rules, 2016 provides that, if the holder of prospecting license-cum-mining lease or mining lease or quarry lease fails to make payment of royalty, rent, fee or any sum payable by him under these rules within the due time, simple interest at the rate of twenty four *per centum* per annum on such dues shall be charged until payment of such dues is made.

Scrutiny of records of Tahasildar, Dharmasala Tahasil of Jajpur District, revealed that applications, for lease of the Rahadpur Black Stone Query (BSQ) No.9/5, were invited (February 2017) for five years (2016-21). Out of four bidders, the highest quoting bidder<sup>17</sup> had submitted a photocopy of the Bank Guarantee (BG) instead of the original BG. Although the application of that bidder was liable to be rejected, the Tahasildar finalised the lease in favour of him and issued (April 2017) an intimation, with instructions to deposit the security deposit and also submit the original BG. The bidder conveyed (April 2017) his acceptance of the terms and conditions of the lease, without submitting the original BG. Consequently, without insisting on the original BG, the Tahasildar requested (June 2017) the bidder to deposit Government dues, amounting to ₹1.13 crore, for the financial year 2017-18. After repeated correspondence<sup>18</sup>, the bidder deposited (November 2017) only ₹43.97 lakh, executed the lease deed in December 2017 and operated the quarry. As the lessee did not deposit the balance dues, the Tahasildar cancelled (August 2018) the lease midway. Further, as the original BG was not deposited, the Tahasildar could not encash the BG and the dues of ₹69.27 lakh (₹113.24 lakh – ₹43.97 lakh) remained unrealised, till the date of Audit (September 2022). On the above outstanding dues, interest amounting to ₹79.67 lakh<sup>19</sup>, calculated for the period from date of execution of lease to the date of audit, became recoverable. Thus, the bidder was liable to pay ₹1.49 crore (₹69.27 lakh + ₹79.67 lakh), towards the outstanding dues, along with interest. No step was, however, taken by the Tahasildar, to realise these outstanding dues.

Similarly, in case of another lessee<sup>20</sup>, the lease deed had been executed (23 May 2016) without submission of a solvency certificate by the lessee, even though it was liable for rejection. Subsequently, the lessee extracted the minerals and the Tahasildar assessed ₹79.40 lakh, towards royalty, rent, DMF *etc.*, for FY 2016-18. Out of this amount, the lessee deposited (March and October 2017) only ₹60.56 lakh and did not deposit the balance amount, despite repeated reminders. Subsequently, the Tahasildar cancelled the lease in August 2018. As such, the balance outstanding dues of ₹18.84 lakh, along

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<sup>17</sup> M/s. ST Mineral Pvt. Ltd.

<sup>18</sup> Letter No. 2916 dated 7.6.2017 and No. 3449 dated.31.7.2017, of the Tahasildar, Dharmasala

<sup>19</sup> ₹69,27,429 X 24/100 X 1,749/365

<sup>20</sup> M/s. Dibyajyoti Mines and Infrastructure Pvt. Ltd., for the quarry lease of Rahadapur BSQ No. 8



with interest of ₹28.63 lakh<sup>21</sup> calculated from the date of execution of lease deed to date of audit, (total amount ₹ 47.47 lakh) remained unrealised.

Thus, selection of ineligible bidders led to cancellation of leases midway, and non-realisation of Government dues of ₹1.96 crore (₹1.49 crore + ₹47.47 lakh), including interest.

In reply, the Government stated (March 2024) that Rule 27 4A to 4F have been inserted to Rule 27(4) of OMMC Rules, 2016 detailing the guidelines for conduct of e-auction in OMMC (Amendment) Rules, 2023. Further, the Government stated that the Tahasildar, Dharmasala has raised the demand and informed the ex-lessee to deposit ₹19,24,147 in respect of BSQ No.8 and ₹69,27,375 in respect of Rahadpur BSQ No.9/5. The reply is not acceptable as the Government failed to realise ₹1.96 crore from the selected ineligible bidders.

#### 2.3.1.4 Avoidable loss due to rejection of eligible bids on extraneous conditions

Scrutiny of records, in the Jaleswar Tahasil of Balasore District, revealed that the bids of the first and second highest bidders, of the Chalanti Sand Source, had been rejected (March 2015) on ground of non-submission of Sales Tax clearance certificates and the bids of the third highest bidder had been accepted. However, as per Rule 27 of the OMMC (Amendment) Rules, 2014, submission of Sales Tax clearance certificates by applicants, with their bids for lease of minor mineral sources, was not required.

Being aggrieved with the decision of the Tahasildar, the highest bidder filed (June 2015) a writ petition in the Hon'ble High Court of Odisha. Consequently, the Collector, Balasore, cancelled (November 2015) the auction process. A fresh tender was invited (March 2016) and the lease deed agreement was executed in February 2018, for five years. Cancellation of the highest offer, on the ground of non-submission of Sales Tax clearance certificate, resulted in non-operationalisation of the sand source during 2015-18. As sand is replenishable after extraction every year, non-operationalisation of the source resulted in avoidable loss of ₹84.61 lakh<sup>22</sup>.

Similarly, the offer of the highest bid for the Sikharpur Sand Source, was also rejected (March 2015) on the same ground and the bid of the second highest bidder was selected (March 2015), in contravention of the Rules, resulting in loss of ₹19.63 lakh<sup>23</sup>. Thus, rejection of the highest bids, on extraneous

<sup>21</sup> ₹18.84 lakh X 24/100 X 2,311/365

<sup>22</sup> Royalty: ₹73.57 lakh (39,986 cum {(Annual agreed quantity of extraction during the lease period i.e., 15,000 cum) / 365 x 973 days (Period of delays from 25-06-2015 (after three months from the date of intimation issued by the Tahasildar to the applicant being selected for grant of quarry lease) to 22-02-2018 i.e., date of execution of lease deed of fresh auction)} x ₹184 per cum (Rate of royalty quoted in the irregularly rejected bid)} + DMF: ₹7.36 lakh (10 per cent of royalty) + EMF: ₹3.68 lakh (five per cent of royalty)

<sup>23</sup> Royalty: ₹17.07 lakh (44,931 Cum (Annual Agreed quantity of extraction, during the lease period from 17.10.2015 to 16.10.2020) x differential rate ₹38 per cum (₹98 – ₹60) + DMF: ₹1.71 lakh (10 per cent of royalty) + EMF: ₹0.85 lakh (five per cent of royalty)

conditions, resulted in loss of mineral revenue of ₹1.04 crore (₹84.61 lakh + ₹19.63 lakh).

Accepting the observation of Audit, in reply, the Government stated (March 2024) that OMMC Rules have been amended and revised SoP for bidding process has been issued for conduct of e-auction in a fair and transparent manner for better clarity of the field officers during evaluation of tenders. However, the reply did not address the instant matter wherein the Tahasildar had rejected the offers of eligible bidders on the ground of non-submission of Sales Tax clearance certificates, which was not a criteria for rejection.

### **2.3.2 Grant of quarry lease without approval of mining plan/ environmental clearance**

Rule 109 of the Tahasil Account Manual (TAM) stipulates that the Tahasildar should review, at frequent intervals, whether all the sources available for settlement, have been settled during the year and should ensure that no source remains undisposed of, without sufficient reasons. As per provisions under Rule 55 of the TAM and instructions (January 2011) of the R&DM Department, all the minor mineral sources should be auctioned well in advance of the financial year and the bidding should, ordinarily be completed, prior to one month of the commencement of the next financial year.

The Ministry of Environment, Forest and Climate Change (MoEF&CC), GoI, memorandum (May 2012) stipulates that all mining projects of minor minerals, including their renewal, irrespective of the size of the lease, would, henceforth, require prior Environmental Clearance (EC). In a meeting held (December 2014) under the Chairmanship of the Chief Secretary, Odisha, it was reiterated that: (i) no quarry operation could be undertaken without EC from State Level Environment Impact Assessment Authority (SEIAA) and (ii) SEIAA required approved MP for grant of EC.

Rule 28 (2) read with Rule 27 (3) of the OMMC, Rules, 2016 provide that the Competent Authority may cause the mining plan to be prepared and approved and the cost thereof to be recovered from the selected bidder later. Rule 28 (3) provides that in case the approval under sub-rule (2) has not been obtained by the Competent Authority, the selected bidder shall cause a mining plan to be prepared from a recognized person and approved by the authorised officer having jurisdiction.

Further, Rule 27 (13) of OMMC Rules, 2016 stipulates that the selected bidder shall be required to execute quarry lease within three weeks from the date of intimation of his selection, if the approval of the mining plan and EC had been obtained before auction, and in other cases, three months from the date of intimation, failing which, the intimation shall stand cancelled and the security deposit shall stand forfeited.

Audit observed various deviations from the provisions of Acts/ Rules and instructions of Government, in the test-checked Tahasils, as discussed in the subsequent paragraphs.

**2.3.2.1** Scrutiny of records (September 2022) of Tahasildar, Jaleswar, in Balasore District, revealed that the Tahasildar had obtained approval for the MP of the Rajnagar Sand Source in November 2018 with the MGQ of 40,002 cum per annum and invited (June 2019) bids for lease of the source, for a period of five years *i.e.*, 2018-23, without obtaining the EC. The Tahasildar selected one bidder, who had quoted the highest rate of additional charge at ₹357 per cum. The Tahasildar forwarded (July 2019) the documents to the Sub-Collector, Balasore for confirmation of sale price of sand, which was returned (September 2019) to the Tahasildar by stating that the Tahasildar was the competent authority for settlement of the source. The Tahasildar submitted (December 2019) the documents received from the lessee to SEIAA for obtaining EC, after lapse of about five months from the date of selection of bidder. Subsequently, the selected bidder applied (September 2020) to SEIAA, Odisha for issue of Terms of Reference (ToR) for the purpose of preparing environment impact assessment report and environment management for obtaining EC. SEIAA supplied the standard ToR and prescribed for public hearing to be held on 28 September 2021 in the locality of the sand bed with copies endorsed to the ADM, Balasore and Tahasildar, Jaleswar to hear the grievances on behalf of the Collector. ADM, Balasore requested (September 2021) the Regional Officer, SPCB, Balasore to make necessary arrangements for the public hearing in consultation with the Tahasildar, Jaleswar. However, neither was the public hearing conducted nor approval of EC was obtained even after a lapse of more than two years and nine months from the date of submission of application for EC, without any further reasons on record, due to which the source remained non-operational till the date of audit (September 2022).

A cause analysis for delay, on the basis of available records, revealed that the Tahasildar deviated from the prescribed provisions and instructions of Government in: (i) applying for EC, immediately after approval of MP, before inviting bids, and (ii) unnecessarily sending bid documents to Sub-Collector for confirmation of sale price of sand, in which considerable time of over seven months (November 2018 to September 2019) was wasted. Further, due to lack of coordinated and effective steps on the part of the SPCB and the ADM, Balasore/ Tahsildar, Jaleswar, the public hearing could not be conducted and EC could not be obtained. Consequently, the source, required to be operationalised from 19 October (three months after issue of letter of intimation, *i.e.*, 19 July 2019) remained non-operational as of 26 September 2022 (1,073 days).

This resulted in loss of royalty, DMF and EMF, amounting to ₹4.67 crore as detailed in **Table 2.4**:

**Table 2.4: Details of loss of mineral revenue (Jaleswar Tahasil)**

<i>Sl. No.</i>	<i>Item</i>	<i>Amount (in ₹)</i>
1	2	3
1	Royalty at the rate of ₹ 35.00 per cum for the extractable quantity of 1,17,594.92 cum (i.e., 40,002 cum /365x1,073days)	41,15,822
2	Additional charge at the rate of ₹357 per cum on the extractable quantity of 1,17,594.92 cum	4,19,81,386
3	District Mineral Foundation: 10 per cent of royalty	4,11,582
4	Environment Management Fund: 5 per cent of royalty	2,05,791
	<b>Total</b>	<b>4,67,14,581</b>

(Source: Worked out by audit from the records of Tahasildar)

In reply, the Government stated (March 2024) that OMMC Rules have been amended and field officers have been asked to verify the potential of the sources and to conduct DGPS survey. Simultaneously, they will fix MGQ and minimum amount of additional charge (MAC) and submit for e-auction. Also, preparation of mining plan and application of EC will be made for the potential and feasible of non-operational sources. The reply was not acceptable, as despite provisions in pre-revised OMMC Rules and orders of the R&DM Department, the Tahasildar had failed to apply for and obtain EC before invitation of bids. He also failed to take effective steps for conduct of public hearing required for grant of EC.

**2.3.2.2** Scrutiny of records at the Gurundia Tahasil of the Sundargarh District revealed that the lease period of Narendra Sand Bed-2, (commencement date: 8 February 2016) expired on 8 February 2021. As required under the provisions of TAM and instructions of the R&DM Department (January 2011), the Tahasildar was to apply for and obtain approval of MP and EC before issue of auction notice and complete the auction process one month before expiry of existing lease period. The Tahasildar, however, applied (23 April 2021) for preparation and approval of MP for the source after expiry of existing lease period of the source and issued notice inviting applications for lease of the source in May 2021. The Tahasildar selected (June 2021) the bidder, who had quoted the highest additional charge of ₹762.97 per cum. As the MP with MGQ of 65,000 cum per annum had been approved (July 2021) in the meantime, the Tahasildar asked the bidder to obtain EC and execute agreement within three months from the date of intimation. Only after repeated reminders issued by the Tahasildar, the bidder submitted application with requisite documents for approval of EC to the Tahasildar and the Tahasildar forwarded (December 2021) the same to the SEIAA. Further, after a gap of about six months without any reasons on record, the Tahasildar submitted (June 2022) EIA/ EMP Report and Executive Summary on receipt of standard ToR and Additional ToR from SEIAA, to the SPCB to conduct public hearing. There was nothing on record to ascertain as to whether the public hearing was conducted and the required documents submitted to the SEIAA. However, EC had not been obtained and the source had not been made operational till the date of audit (September 2022).

Thus, failure in obtaining EC before invitation of bid, completion of bidding process before expiry of the existing lease period followed by belated submission of application for grant of EC and non-conduct of public hearing led to non-operation of the source till the date of audit (September 2022), which resulted in non-extraction of 60,904 cum of sand and consequential avoidable loss of revenue of ₹4.89 crore as detailed in **Table 2.5**, below:

**Table 2.5: Details of loss of mineral revenue (Gurundia Tahasil)**

<i>Sl. No.</i>	<i>Item</i>	<i>Amount (in ₹)</i>
<i>1</i>	<i>2</i>	<i>3</i>
1	Royalty at the rate of ₹ 35.00 per cum for the extractable quantity of 60,904 cum [ <i>i.e.</i> , 65,000 cum /365x 342 days, <i>i.e.</i> , from 1 October 2021 ( <i>i.e.</i> , three months after issue of intimation of to the selected bidder) to 8 September 2022]	21,31,640
2	Additional charge at the rate of ₹762.97 per cum on the extractable quantity of 60,904 cum	4,64,67,925
3	District Mineral Foundation: 10 <i>per cent</i> of royalty	2,13,164
4	Environment Management Fund: 5 <i>per cent</i> of royalty	1,06,582
	<b>Total</b>	<b>4,89,19,311</b>

(Source: *Worked out by audit from the records of Tahasildar*)

In reply, the Government stated (March 2024) that preparation of mining plan and application of EC will be made for the potential and feasible of non-operational sources. The DDM and MOs have been instructed to follow up with the lessees who failed to obtain EC in time. Also, necessary action as per rule will be initiated against the lessee where the lessee delays the process wilfully. The reply of the Government is not acceptable as the Tahasildar, Gurundia failed to obtain EC before invitation of bid, completion of bidding process before expiry of the existing lease period and non-conduct of public hearing led to non-operational of the source resulted in avoidable loss of revenue of ₹4.89 crore.

**2.3.2.3** Scrutiny of records of Jagatsinghpur Tahasil, revealed that the existing lease period of the Alipingal-Adhanga Devi Nadi Sand Quarry expired on 16 October 2020. The approval of MP and EC were to be obtained and the bidding was to be completed before one month of expiry of the existing lease period of the source as per provisions under TAM and instructions of the R&DM Department (January 2011). The Tahasildar, however, applied (November 2020) for approval of MP and invited (December 2020) bids for lease of the said source. As the approval of MP was obtained in December 2020, the Tahasildar issued (January 2021) letter of intimation to the selected bidder, who had quoted highest additional charge of ₹2,951 per cum and for the grant of lease for five years (2020-25) with the direction to obtain EC from the Competent Authority. The Tahasildar submitted (February 2021) the application for grant of EC received from the bidder to the SEIAA. Approval of the EC from the SEIAA, however, was awaited and the source remained non-operational till the date of audit (September 2022). There was no further correspondence available on record, regarding the reason for non-approval of EC by the SEIAA, Thus, failure of

the Tahasildar in obtaining EC before invitation of bids and completion of bidding process before expiry of the existing lease period, followed by non-obtaining of EC led to non-operationalisation of the source from 8 April 2021 (*i.e.*, three months after issue of intimation to the selected bidder) to the date of audit (17 September 2022), for 526 days, resulting in non-extraction of 31,704.11 cum of sand and consequential avoidable loss of revenue of ₹9.48 crore as detailed in **Table 2.6** below:

**Table 2.6: Details of loss of mineral revenue (Jagatsinghpur Tahasil)**

<i>Sl. No.</i>	<i>Item</i>	<i>Amount(in ₹)</i>
<i>1</i>	<i>2</i>	<i>3</i>
1	Royalty at the rate of ₹ 35.00 per cum for the extractable quantity of 31,704.11 cum ( <i>i.e.</i> , 22,000 cum /365 x 526 days)	11,09,644
2	Additional charge at the rate of ₹2,951 per cum on the extractable quantity of 31,704.11 cum	9,35,58,829
3	District Mineral Foundation: 10 <i>per cent</i> of royalty	1,10,964
4	Environment Management Fund: 5 <i>per cent</i> of royalty	55,482
	<b>Total</b>	<b>9,48,34,919</b>

(Source: Worked out by audit from the records of Tahasildar)

Similarly, the existing lease period of Mundilo Patenigaon Devi Nadi Sand Quarry in the Jagatsinghpur Tahasil, expired on 31 March 2020. The Tahasildar applied (November 2020) for preparation and approval of MP after lapse of 231 days from the date of expiry of the existing lease period. The MP was approved in December 2020 with the MGQ of 8,000 cum per annum. Instead of applying for the EC immediately, the Tahasildar issued auction notice in May 2021. The Tahasildar issued (25 June 2021) letter of intimation to the selected bidder, who had quoted the highest additional charge of ₹1,307.50 per cum, with instructions to obtain approval of EC and execute lease agreement for five years (2021-26). After lapse of more than eight months from the date of selection of bidder, the Tahasildar submitted (September 2021) the application for approval of EC. The EC was not received till date of audit (September 2022) without any reasons on record.

Thus, failure of the Tahasildar in obtaining EC before invitation of bids and completion of bidding process before expiry of the existing lease period, followed by non-obtaining of EC led to non-operationalisation of the source for 356 days leading to non-extraction of 7,803 cum of sand resulting in loss of revenue of ₹1.05 crore as detailed in **Table 2.7** below:

**Table 2.7: Details of loss of mineral revenue (Jagatsinghpur Tahasil)**

<i>Sl. No.</i>	<i>Item</i>	<i>Amount(in ₹)</i>
<i>1</i>	<i>2</i>	<i>3</i>
1	Royalty at the rate of ₹ 35.00 per cum for the extractable quantity of 7,803 cum ( <i>i.e.</i> , 8,000 cum /365x 356 days)	2,73,096
2	Additional charge at the rate of ₹1,307.50 per cum on the extractable quantity of 7,803 cum	1,02,02,423
3	District Mineral Foundation: 10 <i>per cent</i> of royalty	27,310
4	Environment Management Fund: 5 <i>per cent</i> of royalty	13,655
	<b>Total</b>	<b>1,05,16,484</b>

(Source: Worked out by audit from the records of Tahasildar)

The failure in completion of auction process before expiry of existing lease periods of the above two sand sources led to non-operationalisation of the sources and resulted in loss of revenue of ₹10.54 crore to the State exchequer.

In reply, the Government stated (March 2024) that Mining plans for Alipingal Adhanga Devi Nadi sand quarry and Mundilo Patenigaon Devi Nadi sand quarry have been applied by the Tahasildar, Jagatsinghpur immediately after the expiry of previous lease period in the year 2020 after preparation of District Survey Reports for Minor Minerals. The EC has been applied after finalisation of highest bidder through auction process. The delay in operationalization of sources is due to the delay of approval of EC at SEIAA, Bhubaneswar as the area of both the sources are above 5 Ha which was coming under B2 category. The reply of the Government is not acceptable as the Tahasildar, Jagatsinghpur failed to obtain EC before invitation of bids and complete bidding process before expiry of the existing lease period, led to non-operationalisation of the source resulting in loss of revenue of ₹1.05 crore.

**2.3.2.4** Scrutiny of lease records, in five test-checked Tahasils<sup>24</sup>, revealed that the Tahasildars had invited (December 2014 to June 2018) bids for six sand sources, without obtaining approval of the MPs and ECs. After selection (April 2015 to July 2018) of bidders, the Tahasildars had instructed the bidders to obtain approval of the MPs and ECs and execute lease deeds. Following inordinate delays at various stages and at different levels, lease deeds were executed, between October 2015 and April 2019, after lapse of periods ranging from 7 to 13 months from the date of selection of the bidders to the dates of execution of the lease deeds. Thus, one lease year had elapsed in the process of obtaining approval of the MPs and ECs, during which 47,590.23 cum of sand could not be extracted, resulting in loss of revenue of ₹44.86 lakh, as detailed in *Appendix – II*. Had the 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.

In reply, the Government stated (March 2024) that after taking over of the sources from R&DM Department and as per the amendment of OMMC Rules, 2016, sources are being allowed for operation by scrupulously adhering to the OMMC Rules and no sources are allowed to operate prior to obtaining of all statutory clearances including EC and CTO. Instructions have been issued to all DDMs and Mining Officers to verify all the non-operational sand sources viable for e-auction. However, the Government should take appropriate timely action to obtain the ECs to make the sources operational.

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<sup>24</sup> Rourkela, Sundargarh, Jagatsinghpur, Parjang and Dhenkanal

