

## EXECUTIVE SUMMARY

*Receipts from mining of minor minerals form a source of non-tax revenue of the State. During the financial years 2015-22, the total revenue from minor minerals was ₹ 2968.75 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; reporting of mineral despatch and sales by leaseholders; 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.*

*Audit noticed irregularities in the finalisation of bidders, in the event of unwillingness of the first highest bidders, resulting in avoidable revenue loss of ₹6.21 crore.*

*Minor mineral sources<sup>1</sup> could not be made operational due to non-completion of the pre-requisite formalities before invitation of bids, resulting in non-accrual of mineral revenue of ₹20.10 crore.*

*Application of pre-revised rates of rents and royalty, in the assessment of mineral revenue, after revision by Government of Odisha, resulted in revenue loss of ₹8.40 crore. Outstanding mineral dues, together with interest, amounting to ₹92.28 lakh was not realised.*

*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.*

*Quarrying operations in District Level Committee Forest land were allowed without prior approval of the Central Government, and there was non-realisation of ₹51.69 crore, towards the price of 4.77 lakh cum minor minerals quarried without lawful authority.*

*Quarrying of mineral by the lessees in excess of approved mining plan and non-verification of ‘Y’ forms by the Tahasildars resulted in unlawful*

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<sup>1</sup> A place from which minerals originate or can be obtained

*production of stone of 80,721.40 cum for which the lessees were liable to pay ₹33.50 crore being the price of mineral.*

*Non-conduct of joint enquiry and non-issuance of fresh demand for differential dues, even after the order of the Hon'ble High Court, resulted in non-realisation of differential dues of ₹58.63 crore, from a lessee.*

*Non-adoption of a system of taking measurements of the sources before commencement of quarrying and after closure of the lease periods resulted in theft of 8.50 lakh cum of black stone and loss of mineral revenue of ₹98.30 crore.*

*Incorporation of provisions in the Odisha Minor Mineral Concession Rules, 2016 for deduction of royalty without other charges, from the bills of contractors, in the event of non-production of transit pass in support of procurement of minor minerals from authorised sources/ agencies, resulted in leakage of mineral revenue of ₹864.45 crore.*

*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.*

**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.