CHAPTER – V

MINING & GEOLOGY DEPARTMENT

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MINING & GEOLOGY DEPARTMENT

5.1 Administration

The Mining and Geology Department (MGD) Meghalaya is entrusted with management and regulatory tasks for mining and mineral development in the State, conservation of resources and environment, safety and health of workers, restoration of mine degraded areas and rehabilitation of affected people. Coal and limestone are the major minerals of the State. The major source of mining receipts is collected from mining of these minerals in the form of royalty, application fee, dead rent, fines/penalties, *etc*., from the lessees. The collection of tax is governed by the Mines & Minerals (Development & Regulation) Act, 1957, the Mineral Concession Rules, 1960 and the Meghalaya Minerals Cess Act, 1988.

The Principal Secretary to the Government of Meghalaya, MGD is in overall charge of the Department at the Government level. The Director of Mineral Resources (DMR) is the administrative head of the Department. At the district level, the Divisional Mining Officers (DMOs) have been entrusted with the collection of royalty and cess on minerals and issuing of permits. The collection of tax is governed by the Mines & Minerals (Development & Regulation) Act, 1957, the Mineral Concession Rules, 1960 and the Meghalaya Minerals Cess Act, 1988.

5.2 Results of Audit

No Compliance Audit was planned for Mining & Geology Department during 2023-24 and no recoveries made during the year from cases held under objection from years preceding 2023-24. A Subject Specific Compliance Audit on District Mineral Foundation (DMF) Fund in Meghalaya was conducted during 2023-24. The audit findings are discussed in the succeeding paragraphs.

5.3 SSCA on District Mineral Foundation (DMF) Fund in Meghalaya

AUDIT SNAPSHOT

Why Did We Do This Audit?

- To assess whether DMF collections followed prescribed rules.
- To evaluate if DMF schemes followed MDMF Rules & PMKKKY guidelines.
- To determine if schemes benefited mining-affected communities.

What Did We Find?

- ₹ 35.84 crore shortfall in DMF collections (2019-24) due to unverified leaseholder contributions.
- ₹ 22.56 crore discrepancy between reported and actual banked funds.
- ₹ 25.66 crore remained unallocated as of March 2023.
- ₹ 107.73 crore of DMF dues not realised and ₹ 2.05 crore not realised in unpaid interest.
- No Master/Annual Plans or Budgets prepared; audit & annual reports not published.
- Governing Councils failed to hold required quarterly meetings.
- ₹ 3.36 crore diverted to non-priority projects (Community halls, parking lots) and ₹ 1.23 crore spent outside mining areas.
- List of mining-affected areas not updated in violation of DMF Rules.
- ₹ 4.40 crore worth of infrastructure (skill centres, offices) left unused for 2-3 years.
- Vehicles worth ₹ 0.52 crore purchased irregularly for office use.

Number of DMFTs in the State

Six

Total DMF Fund collected

₹ 126.90 crore

Total allocation

₹ 114.48 crore

Sampled DMFTs

Two

Expenditure incurred in the sampled DMFTs

₹ 79.00 crore

What Do We Recommend?

Improve Verification & Accountability of DMF collection

- Require complete receipts with district-wise data.
- Reject or suspend payments with incomplete details.
- Hold DMR/DFO officials accountable.

Ensure Transparency & Reconciliation

- Conduct quarterly reconciliation of reported vs. actual collections.
- Reallocate ₹ 22.56 crore to correct districts.
- Redistribute ₹ 25.66 crore unallocated funds by district needs.

Enforce Rule-based Fund Allocation

- Implement formula linked to collections and needs.
- Link future releases to DMFT performance.
- Submit audited accounts by 30 June annually.

Strengthen Governance

- Issue clear SOPs defining roles/responsibilities.
- Ensure regular Governing Council meetings.
- Monitor project execution and outcomes.

Adopt Technology & Public Transparency

- Develop digital dashboard to track dues, challans, defaults.
- Upload beneficiary lists and plans on DMF websites.

Update Mining-Affected Area Lists

- Identify and update lists every 2 years.
- Ensure Governing Council approval and publish reports online.

5.3.1 Introduction

The Government of India (GoI) amended (March 2015) the Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act), incorporating a new clause under Section 9B which empowered State Governments to establish Trusts, known as District Mineral Foundation Trust (DMFT) in each district, which derives their legal status from sub-Section 4 of Section 15, Section 15A, and Section 21 read with Section 9B of the MMDR Act, 1957 and MMDR Amendment Act, 2015.

The Government of Meghalaya (GoM), in accordance with the powers conferred under the Act *ibid*, notified the District Mineral Foundation Rules, 2017 on 08 December 2017. The Rules provided the framework for utilisation of the contributions from mining operations (i) for the interest and benefit of persons and areas affected by mining related operations; (ii) for implementation of various developmental and welfare projects/ programmes; (iii) to minimise or mitigate the adverse impacts during and after mining, on the environment, health and socio-economics of people in mining districts; and, (iv) to ensure long term sustainable livelihoods for the affected people in the mining areas.

As envisaged in Rule 8 of the District Mineral Foundation (DMF) Rules, 2017, the projects/ schemes undertaken from the DMF Fund were to align with the guidelines of Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY) launched by GoI in September 2015.

In Meghalaya, District Mineral Foundation Trusts (DMFTs) have been formed in six out of 12 districts where mining operations are being carried out[114]. Mining activities in these six districts are for both major mineral (limestone[115]) and minor minerals (limestone and boulder stone). Mining leases are issued for limestone and boulder stone based on the lessees' applications and approved mining plans. For major minerals (excluding coal, lignite, and atomic minerals) and minor minerals, the maximum lease period is 50 years[116] and 30 years[117] respectively.

5.3.2 Organisational Setup

The Directorate of Mineral Resources (DMR), Mining & Geology Department is the nodal Department for collection of the District Mineral Foundation Fund. The Governing Council of the District Mineral Foundation Trusts (DMFTs) at the District Level has overall control over the management and day to day functioning of the Trusts. The administrative structure of the Trust is shown in **Chart 5.3.1**.

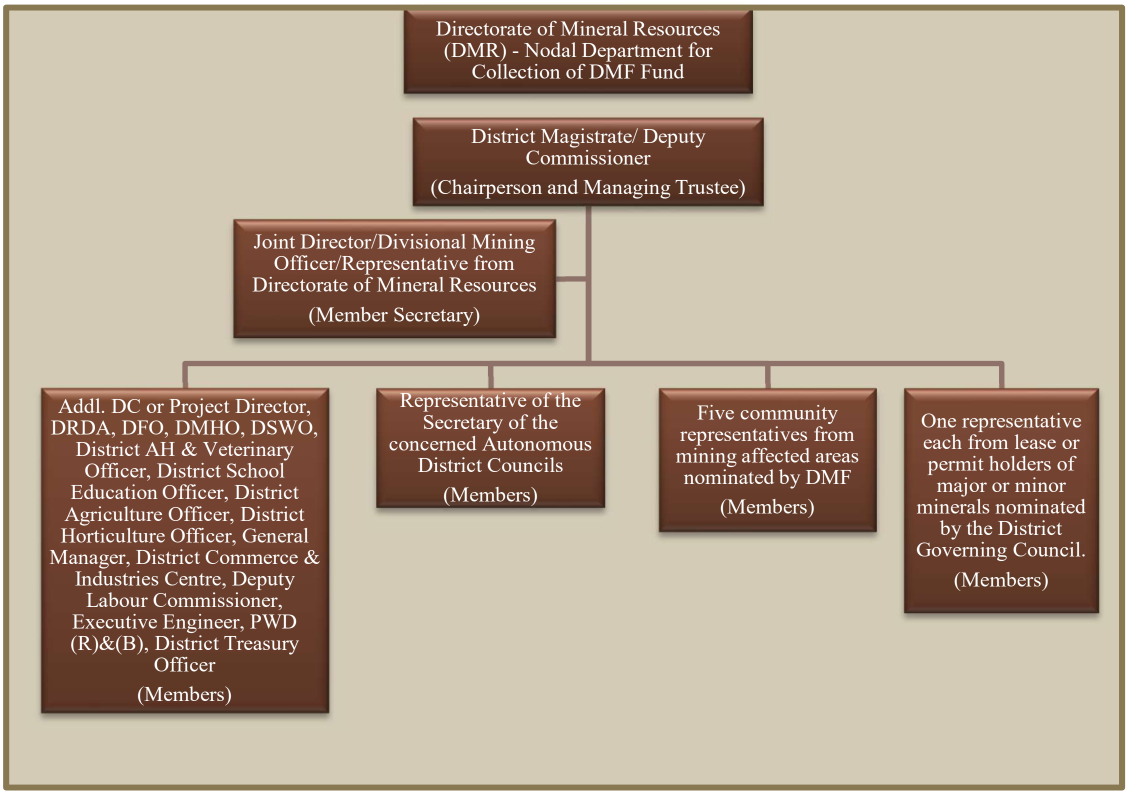
[114] (a) Major Mineral (Limestone for industrial use): (i) East Khasi Hills, and (ii) East Jaintia Hills, and (b) Minor Minerals (Limestone for other than industrial use and Boulder stone): (i) East Garo Hills, (ii) East Khasi Hills, (iii) West Jaintia Hills, (iv) East Jaintia Hills, (v) Southwest Khasi Hills, and (vi) Ri-Bhoi District.

[115] In Meghalaya, limestone is treated both as Major and Minor mineral depending on end use of the mineral. Limestone extracted as Major Mineral: for use in cement manufacturing and extraction being carried out by cement companies under mining lease issued by Department of Mining & Geology. Limestone extracted as Minor Mineral: for use in brick kilns, limestone kiln for manufacturing of lime used in building material construction. Extraction being carried out by private individuals and being administered by the Forest Department.

[116] As per Section 8A of the MMDR Act, 1957.

[117] As per Rule 17 of the MMMC Rules, 2016.

Chart 5.3.1: Administrative Structure



Source: The Meghalaya District Mineral Foundation Rules, 2017

From August 2022 onwards, the State Government included the MP/MLA of the area as a member of the District Mineral Foundation.

5.3.3 Audit Objectives

The Compliance Audit (SSCA) was carried out with a view to assess whether the:

(i) collection of DMF Fund was carried out as per prescribed rules and regulations;

(ii) utilisation of DMF fund and implementation of schemes was carried out in accordance with the provisions of MDMF Rules/PMKKKY guidelines and whether the schemes/projects executed were effective in helping derive the intended benefits.

5.3.4 Scope of audit and Methodology

The Compliance Audit covering the period from 01 April 2018 to 31 March 2023 was conducted during 22 November 2023 to 19 February 2024. Audit examined the following two main aspects of the Fund:

(i) Collection of DMF funds

The records of the Mining & Geology Department, Directorate of Mineral Resources (DMR) which is the nodal Department responsible for collection of DMF from the mining leaseholders and issue of mining lease in respect of major minerals were scrutinised.

Records on mining leases and transportation data of major mineral were examined in the office of the Divisional Mining Officer, Jowai. Additionally, information on minor minerals transported by mining leaseholders was also examined from the records of the three out of six Divisional Forest Officers (DFOs)[118], as responsibility for issue of mining lease and collection of royalty on minor minerals was entrusted to the Forests and Environment Department.

(ii) Utilisation of DMF funds and implementation of Schemes/Projects

Records maintained in the offices of the Deputy Commissioners of two selected districts *viz.*, East Khasi Hills District and East Jaintia Hills District, which were responsible for utilisation and implementation of DMF funds were scrutinised.

Joint Physical Verification of eight schemes/projects executed in East Khasi Hills and East Jaintia Hills Districts under DMF was conducted in January 2024 and February 2024 respectively.

Audit commenced with an Entry Conference (08 December 2023) held with the Director of Mineral Resources, Shillong wherein the audit objectives, criteria and methodology of the Compliance Audit were discussed. Audit findings were reported to the Government in March 2024 and written responses received during the Exit Conference (24 April 2024) were suitably incorporated in the Report.

5.3.5 Audit Criteria

The audit criteria have been derived from the following:

(i) Mines and Minerals (Development and Regulation) Act, 1957;

(ii) Mines and Minerals (Development and Regulation) Amendment Act, 2015;

(iii) Mines and Minerals (Contribution to District Mineral Foundation) Rules, 2015;

(iv) Meghalaya DMF Rules, 2017;

(v) Guidelines of Pradhan Mantri Khanij Kshetra Kalyan Yojana;

(vi) Relevant notifications and circulars issued by the Central/State Government.

5.3.6 Audit Sampling

(i) Collection of DMF funds: The Directorate of Mining and Geology, Shillong, which was solely responsible for issuing mining leases for major minerals and for collecting the DMF Fund was selected for audit. For minor minerals, as mining leases are issued by the Forests & Environment Department, the records of the Divisional Forest Officers in Shillong, Jowai, and Tura, out of six DFOs in the State, were selected for detailed examination.

(ii) Utilisation of DMF funds and implementation of Schemes/Projects: Two out of six DMFTs, v*iz.,* (i) DMFT, East Khasi Hills[119], and (ii) DMFT, East Jaintia Hills[120] (33 *per cent*) were selected using Simple Random Sampling without Replacement (SRSWOR)[121] method

[118] (i) DFO (T), East Khasi Hills who is in charge of East Khasi Hills and Ri-bhoi Districts, (ii) DFO (T), Jowai who is in charge of East and West Jaintia Hills, and (iii) DFO (T), Tura, in charge of West Garo Hills and Southwest Garo Hills Districts.

[119] DMFT in East Khasi Hills was constituted on 02 July 2018.

[120] DMFT in East Jaintia Hills was constituted on 25 September 2018.

[121] It is a method where a fixed number of samples are randomly selected from a population, ensuring each sample can only be chosen once and each sample has an equal chance of being selected.

with size measure being the collection of DMF funds during the period from 2018-19 to 2022-23, to examine the utilisation of funds for implementation of schemes/projects.

5.3.7 Acknowledgement

The office of the Principal Accountant General (Audit), Meghalaya, Shillong acknowledges the co-operation extended by the Commissioner & Secretary of the Mining & Geology Department, the Directorate of Mineral Resources, the Divisional Mining Officer, Jowai, DMFs of East Khasi Hills and East Jaintia Hills, and the Divisional Forest Officers (Territorial), of Shillong, Jowai and Tura during the conduct of the SSCA.

Audit Findings

5.3.8 Operational inefficiencies

5.3.8.1 Lack of clarity in duties and responsibilities

Rules are made to provide a clear framework for orderly and efficient operation of processes, ensuring consistency and accountability. They define roles, responsibilities and procedures to promote transparency and mitigate risks while guiding compliance with established standards.

To evaluate the comprehensiveness of Meghalaya DMF Rules, 2017, a comparison was made with the Assam District Mineral Foundation Trust (ADMFT) Rules, 2020. The ADMFT Rules explicitly outline the Governing Council's powers, including approving key documents such as the Annual Plan, Budgets and project proposals. Additionally, they mandate the formation of a Managing Committee responsible for day-to-day administration, including collecting DMF contributions, preparing Annual Plans and Budgets, and overseeing project implementation under the Governing Council's supervision.

A notable deficiency in Meghalaya DMF Rules, 2017, was the lack of clarity regarding the duties assigned for preparation and submission of essential documents such as Annual Plan, Budgets, project proposals, *etc*. to the Governing Council.

Thus, this lack of clear guidance on the delineation of duties in the DMF Rules, 2017 may hinder effective functioning and pose operational inefficiencies in the day-to-day administration of the Trusts. It could lead to delays in preparing and approving essential documents such as Annual Plans, Budgets and project proposals, ultimately weakening the Trusts' capacity for effective planning and implementation. This is discussed in detail in the following paragraph.

5.3.8.2 Non-compliance issues

Issues related to non-compliance with the DMF Rules, 2017 and operational gaps noticed during the audit of the two sampled districts, *viz.,* (i) East Khasi Hills, and (ii) East Jaintia Hills are discussed in **Table 5.3.1.**

Table 5.3.1: Non-compliance issues with the DMF Rules, 2017 in the two samples DMFTs

<table>
<tr><th>Areas</th><th>Audit observations</th><th>Department's Replies</th></tr>
<tr><td rowspan="2">As per Rule 4(1)(xvi) & (xvii) of the DMF Rules, 2017, the Governing Council should consist of five community representatives from mining-affected areas and one representative each from major and minor mineral leaseholders.</td><td>The DMFT, East Khasi Hills District while notifying the members of the Governing Council (July 2018) did not include representatives from areas affected by mining and representatives from mining leaseholders.</td><td>The Addl. DC, i/c East Khasi Hills stated (April 2024) that inclusion of members from areas affected by mining and from mining leaseholders would be taken up in due course.</td></tr>
<tr><td>In the case of DMFT, East Jaintia Hills District while notifying the members of the Governing Council (September 2018), no representative from mining leaseholders of minor minerals was included.</td><td>The DC, Khliehriat stated (April 2024) that members from mining leaseholders of minor minerals would be accommodated.</td></tr>
<tr><td>The Board of Trustees of the DMF Trust had not prepared the required Master Plan, Vision document, Annual Plan, or Annual Budget as mandated by paragraph 6 of the DMF Trust Deed (Form A).</td><td>The Board of Trustees in both the sampled Districts had neither prepared Master Plan/Vision document nor the Annual Plan/Annual Budget since their registration (October 2018 in respect of East Khasi Hills, and November 2018 in respect of East Jaintia Hills).</td><td>The Addl. DC, i/c East Khasi Hills stated (April 2024) that preparation of Master Plan/Vision Document etc, will be taken up in due course. The DC, Khliehriat stated (April 2024) that no plan has been prepared as the instruction regarding preparation of Annual plan has been received only in January 2024.</td></tr>
<tr><td>As per Rule 4(1)(5) of the DMF Rules, 2017, the Governing Council at the State and District levels shall meet once every quarter in a financial year.</td><td>The number of meetings held by the Governing Council at the State and the sampled District levels were as under:
<table>
<tr><th rowspan="2">Year</th><th rowspan="2">No. of Meetings to be held at the State/ District Level</th><th rowspan="2">No. of meetings held at the State Level.</th><th colspan="2">No. of Meetings held in the selected Districts</th></tr>
<tr><th>EKH</th><th>EJH</th></tr>
<tr><td>2018-19</td><td>4</td><td>Nil</td><td>3</td><td>2</td></tr>
<tr><td>2019-20</td><td>4</td><td>Nil</td><td>2</td><td>5</td></tr>
<tr><td>2020-21</td><td>4</td><td>Nil</td><td>2</td><td>3</td></tr>
<tr><td>2021-22</td><td>4</td><td>Nil</td><td>1</td><td>2</td></tr>
<tr><td>2022-23</td><td>4</td><td>Nil</td><td>0</td><td>3</td></tr>
<tr><td>Total</td><td>20</td><td>0</td><td>8</td><td>15</td></tr>
</table>
There was a shortfall in holding of Governing Council meetings at both State and District levels.</td><td>The DMR during exit conference stated (April 2024) that henceforth the meeting would be held regularly.</td></tr>
<tr><td>Rule 11 of the MDMF Rules, 2017 mandates annual audits of DMF accounts by a Chartered Accountant, and the report should be placed in public domain alongside the Annual Report.</td><td>In DMFT, East Khasi Hills District, the accounts of the Foundation were audited only for the years 2018-19 to 2020-21, whereas in DMFT, East Jaintia Hills Districts, the accounts for the years 2018-19 to 2022-23 were audited by the chartered accountant.
Both the sampled Districts did not place their Audit Reports in the public domain.</td><td>The Addl DC, i/c Shillong stated (April 2024) that the accounts would be audited every year and the matter of uploading of Annual Report in the public domain would be taken up with National Informatic Centre (NIC).
The DC, Khliehriat stated (April 2024) stated that the Audit Reports were not placed in public domain due to non-creation of website.</td></tr>
<tr><td>Rule 12 of the MDMF Rules, 2017 requires DMFs to prepare an Annual Report within three months of the end of a financial year, submit it to the Government. The Annual Report will also be hosted on the website of the DMF and presented it to the State Legislative Assembly.</td><td>In DMFT, East Khasi Hills District, the District Mineral Foundation did not prepare the Annual Reports.
In East Jaintia Hills District, the Annual Report for 2022-23 was prepared since its registration in November 2018. No report was submitted to the State Government till the date of audit (February 2024).</td><td>The Addl. DC, i/c East Khasi Hills stated (April 2024) that the Annual Report would be prepared in due course.
The DC, Khliehriat stated (April 2024) that no official letter was received from the Government for submission of the Annual Report.</td></tr>
</table>

The audit revealed significant and persistent non-compliance with key provisions of the Meghalaya District Mineral Foundation (DMF) Rules, 2017 in both East Khasi Hills and East Jaintia Hills districts. Critical governance requirements such as inclusion of mandated representatives in the Governing Councils, regular conduct of quarterly meetings, timely preparation of Master Plans, Annual Plans, Budgets and Annual Reports, as well as proper disclosure of audited accounts in the public domain were not adhered to. These lapses indicate critical weaknesses in institutional accountability, undermining the DMFs' intended role in planning, prioritising and transparently implementing development works in mining-affected areas.

Recommendation: *The State Government may consider formulating a SOP clearly defining the roles and responsibilities for each functionary within the Trusts for effective performance of entrusted duties provided in the Rules. The DMR may also ensure compliance to the provisions of the Rules at the State level and in the districts to reduce the systemic deficiencies in the functioning of DMFTs in the State.*

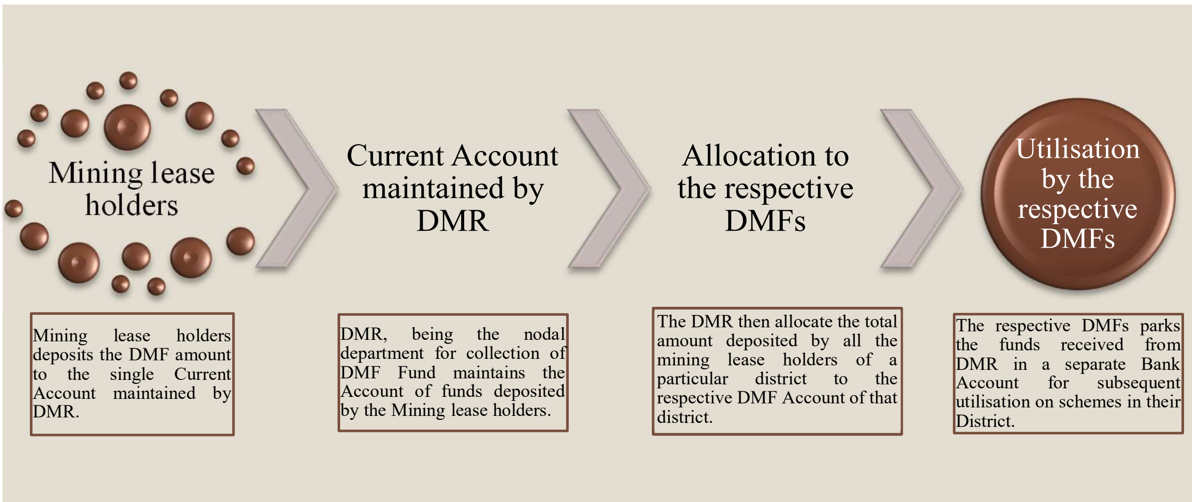
Audit Objective 1: *Whether the collection of DMF Funds was carried out as per prescribed rules and regulations?*

5.3.9 Overview of the DMF Fund

5.3.9.1 Fund flow of DMF Fund

As per circular issued by the Directorate of Mineral Resources (DMR) on 11 January 2018, all contributions to DMF shall be deposited in the Current Account of Director of Mineral Resources (DMR) maintained in the State Bank of India. A statement showing the details of the name of the mine, mineral, mine code, District, period and quantity for which the deposit relates to shall be furnished to DMR, along with the proof of payment. The mining leaseholders from all the mining districts deposit the contributions to the Current Account. A flow chart of the DMF Fund is presented in **Chart 5.3.2**.

Chart 5.3.2: Flow chart of the DMF Fund



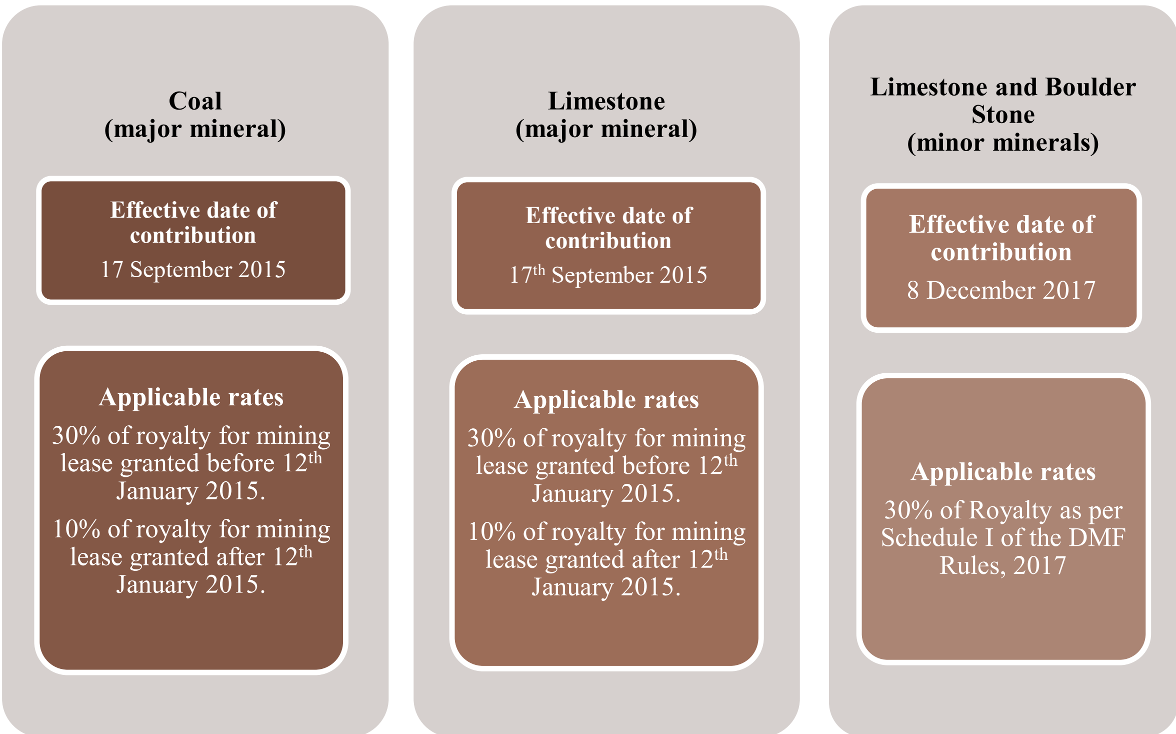
5.3.9.2 Position of DMF Fund

(i) Royalty collected and the corresponding DMF contribution

Rule 7 of the DMF Rules, 2017, specifies the sources of contributions to the DMF Fund, including (i) amounts received under Section 9B (5) and (6) of the MMDR Act, 1957, *i.e.,* from mining lease or prospecting licence holders of major minerals, and (ii) amounts received under Section 15 (4) (C) of the MMDR Act, 1957, *i.e.,* from concessional holders of minor minerals. Additionally, the fund comprises of revenue from Trust properties, other income which may accrue in the working of institution controlled by the Trust, and Grants and aid received from the State or Central Government.

As per Government of Meghalaya circular dated January 2018, the rates of contribution to the DMF is detailed in **Chart 5.3.3**.

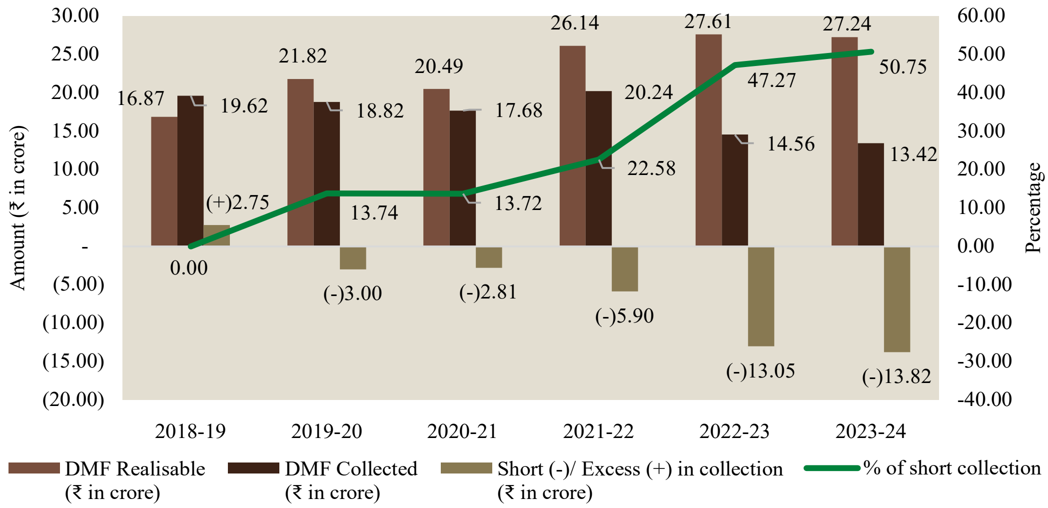
Chart 5.3.3: Rates of Contribution to the DMF



Source: Government of Meghalaya Circular dated January 2018.

The DMF contributions made by the mining lease holders during the years 2018-19 to 2023-24 as per information furnished by DMR, was as given in **Chart 5.3.4**.

Chart 5.3.4: Collection of DMF contribution



Source: Records of the DMR, Shillong, DMO, Jowai and Forests & Environment Department.

From **Chart 5.3.4**, it may be seen that there was a persistent shortfall which increased progressively and significantly over the five years under review, in the collection of the DMF Funds by DMR during 2019-20 to 2023-24 ranging between 13.72 *per cent* and 50.75 *per cent*. The total shortfall during 2018-19 to 2023-24 amounted to ₹ 35.84 crore, representing a 25.57 *per cent* deficit against the realisable DMF collections. The details of the royalty and DMF collection for the years 2018-19 to 2023-24 are provided in **Appendix 5.3.1**.

This indicated a substantial gap between the total royalty collected and the corresponding DMF realised. The shortfall indicated an urgent requirement for strengthening collection and contribution mechanism to minimise the shortfall in realisation of DMF collection.

In reply, DMR stated (April 2024) that decrease in collection of the funds was due to COVID-19 and a decrease in number of mining leases. The decrease in collection during 2022-23 was due to the High Court's Judgement of November 2022[122] directing the State Government not to allow export of limestone mined or quarried by persons with minor minerals licenses.

Thus, Audit observed that the DMR accepted DMF contributions from the mining lease holders without verifying the accuracy of the amounts contributed. The DMR/DFOs neither assessed short/non-payment nor levied the DMF contribution from non-complying leaseholders. There was no mechanism in place to identify or address non-compliance by other leaseholders. Thus, the decreasing trend in contribution of the funds may be seen in the context of a lack of an enforcement mechanism. Additionally, the DMR did not maintain an up-to-date database of all mining leaseholders of minor minerals for monitoring of deposit of contribution to DMF Fund, thereby restricting the scope of any effort to streamline collection of funds.

[122] The Court in PIL No. 18 of 2019 directed the State to not allow the export of limestone mined under minor mineral licenses by obtaining and verifying end-use certificates from licensees and submitting annual reports for cross-verification by the Accountant-General under the Comptroller and Auditor-General of India. This process will continue for 10 years unless overruled by a competent court.

Audit observed that during 2019-20 to 2023-24, there was a persistent and increasing shortfall in DMF collections, ranging from 13.72 *per cent* to 50.75 *per cent*, totaling ₹ 35.84 crore. This was attributable to the Department of Mining and Geology (DMR)'s failure to verify contributions made by leaseholders, despite DMF contributions being mandated under Rule 7 of the DMF Rules, 2017.

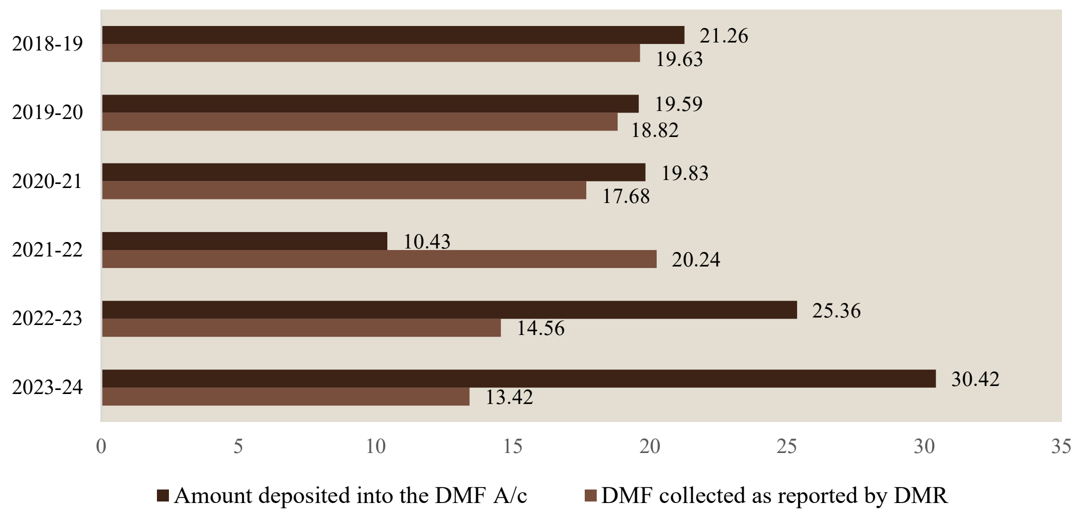
No system existed to assess non-payment or short payment, nor was any penal action initiated. Further, DMR and Divisional Forest Officers (DFOs) lacked a comprehensive, up-to-date register of leaseholders, hampering effective monitoring. The Department relied on self-declared contributions without cross-verification, increasing the risk of evasion.

While DMR attributed lower collections to COVID-19 disruptions and judicial orders, these do not explain the absence of enforcement and monitoring mechanisms. This indicates a systemic governance gap in terms of: (1) the means of safeguarding the integrity of DMF collections, and (2) of making sure that the intended benefits reach the mining-affected communities.

(ii) Discrepancies noticed in DMF collection as reported by DMR

To check the accuracy of the DMF collection reported by DMR for the years 2018-19 to 2023-24, the Bank Statement of the DMF Current Account during the period was verified. The status of fund flow into the Account as per the bank statement of DMR is as summarised in **Chart 5.3.5.**

Chart 5.3.5: DMF collection reported vs Actual Bank fund flow (₹ in crore)



Source: Bank Statements and information furnished by DMR.

From **Chart 5.3.5**, it may be seen that there were discrepancies between the DMF collection reported by DMR, totalling to ₹ 104.34 crore and the amount actually deposited into the DMF Bank Account, totalling to ₹ 126.90 crore during 2018-19 to 2023-24. While the total DMF collection as reflected from the bank statement of the DMF Account was ₹ 126.90 crore, DMR reported only ₹ 104.34 crore for the same period, indicating a discrepancy to the extent of ₹ 22.56 crore. Moreover, ₹ 25.66 crore of the fund was unspent as of March 2023, as detailed in **Appendix 5.3.2**.

When this was pointed out by Audit (January 2025), the Director, DMR stated (March 2025) that some lessees particularly those holding minor mineral leases failed to provide the necessary information which would enable DMR to determine the specific district from which the DMF contribution originated, hence the contributions were not reflected in the DMF collection statement submitted to Audit.

The Department failed to account for contributions received from several lessees, particularly those holding minor mineral leases, on the grounds that district-level details were not provided. This is indicative of weak internal controls and a lack of a verification protocol.

Accepting contributions without source verification not only violates the principles of fund traceability but also undermines the core purpose of DMF, ensuring funds are used for the development of the specific mining-affected districts from which they originated. The Department should have instituted a mandatory reporting requirement for lessees to specify district of origin before accepting DMF contributions and refused unverified deposits.

Recommendations

DMR and the Forests & Environment Department should:

(i) mandate that all DMF contributions be accompanied by complete receipts including district-wise breakup, mineral type, and leaseholder details. Contributions without this information should be rejected or kept in suspense,

(ii) institute a quarterly reconciliation process between reported collections and funds received in the bank accounts,

(iii) issue directions holding DMR officers and DFOs accountable for lapses in verification and district-level tagging,

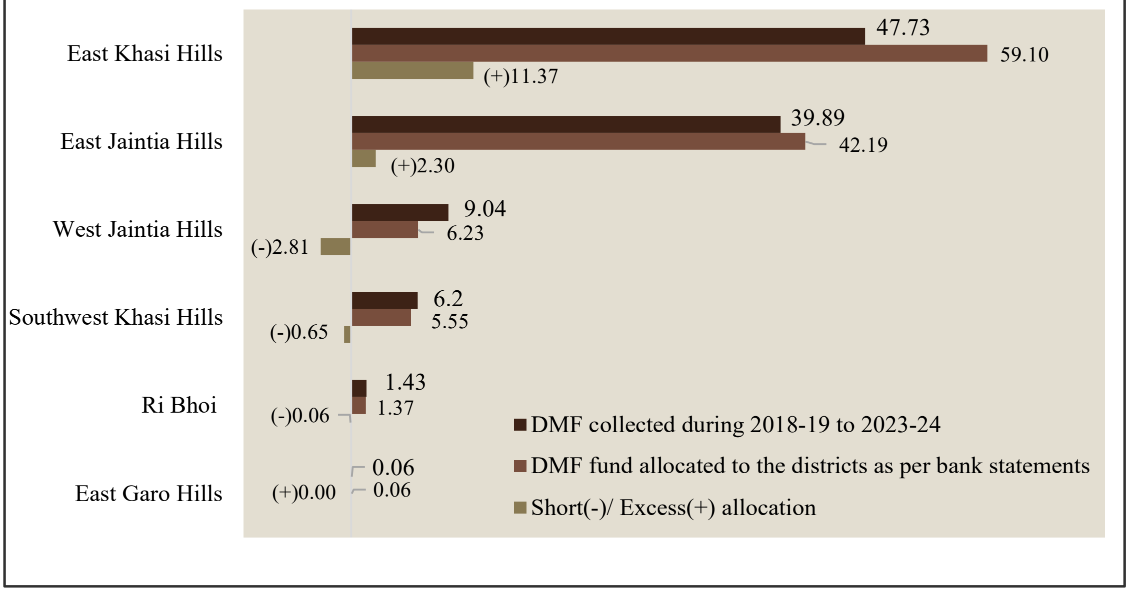
(iv) retrospectively identify the originating districts for the ₹ 22.56 crore discrepancy and allocate these funds to the correct DMFTs, and

(v) immediately reallocate the unspent ₹ 25.66 crore (up to 2022-23) based on verified district-level requirements.

5.3.9.3 Allocation of DMF Fund

The Directorate of Mineral Resources (DMR) allocates the fund annually to the respective District Mineral Foundation Trusts (DMFTs) in Meghalaya. The DMFTs deposit the funds received from DMR in the respective bank accounts of the Trust for subsequent utilisation. Details of DMF funds transferred by the DMR to the six DMFTs in Meghalaya are detailed in **Chart 5.3.6**.

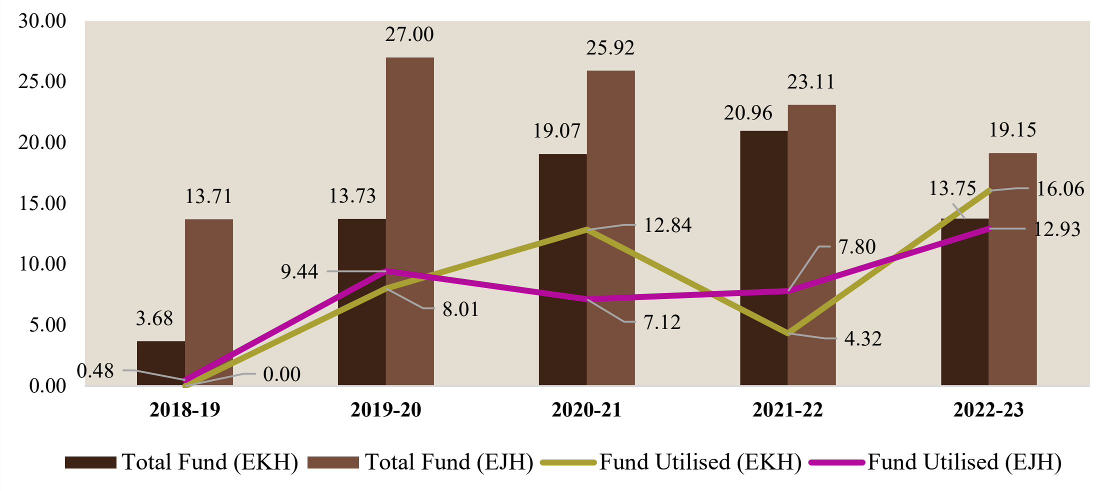
Chart 5.3.6: Funds allocated to six DMFTs in the State (₹ in crore)



Source: Bank Statement and information furnished by DMR for DMF collection.

The year-wise fund availability and utilisation for the two sampled DMFTs, *i.e.,* East Khasi Hills (EKH) and East Jaintia Hills (EJH) are given in **Chart 5.3.7.**

Chart 5.3.7: Year-wise fund availability *vis à vis* utilsation (₹ in crore)



Details of year-wise fund availability and utilisation for the two sampled DMFTs are provided in **Appendix 5.3.3**.

In the two sampled DMFTs, audit observed as follows:

(i) East Khasi Hills

- The allocation decreased from ₹ 13.43 crore in 2018-19 to ₹ 6.41 crore in 2020-21, which increased to ₹ 9.61 crore during 2021-22. The allocation in 2022-23 was nil.
- Against the DMF collection of ₹ 42.02 crore, the DMF Fund allocated to DMFT, East Khasi Hills by DMR during the five-year period (2018-19 to 2022-23) was ₹ 42.10 crore and the initial higher allocation against DMF collected was a temporary phase which got equalised at the end of 2022-23.

- Utilisation of funds was 30 *per cent* in 2019-20, 50 *per cent* in 2020-21 and only 19 *per cent* in 2021-22. During 2022-23, the utilisation of fund was to the extent of 84 *per cent* with a closing balance of ₹ 3.09 crore only which was ₹ 18.79 crore during the previous year.

Thus, against total fund allocation of ₹ 44.32 crore including interest earned amounting to ₹ 2.22 crore, the utilisation was to the extent of ₹ 41.23 crore (93 *per cent*) during the five-year period. However, year wise utilisation did not correspond to the fund allocation against each year resulting in substantial year-end unspent balances ranging between ₹ 13.08 crore and ₹ 18.99 crore during 2018-19 to 2020-21 which decreased to ₹ 3.09 crore only in 2022-23.

In reply, while agreeing with the audit observation, the Additional Deputy Commissioner, Shillong stated (April 2024) that non-utilisation of the full amount of the DMF fund allocated yearly in East Khasi Hills District was due to delayed submission of UCs by the beneficiaries and there were times that the Schemes/ Projects had to be stopped due to unforeseen reasons such as weather, climate and topographical challenges.

(ii) East Jaintia Hills

- The allocation increased from ₹ 3.68 crore in 2018-19 to ₹ 14.39 crore in 2020-21, which decreased to ₹ 8.53 crore in 2021-22. The allocation in 2022-23 was nil, however, as per the Annual Accounts an amount of ₹ 0.35 crore was available. This is the DMF contribution deposited directly by a user agency in the bank account of DMFT, East Jaintia Hills.

- Against the DMF collection of ₹ 35.35 crore, the Fund allocated to DMFT, East Jaintia Hills by DMR during the five-year period (2018-19 to 2022-23) was ₹ 36.60 crore (excluding ₹ 0.35 crore) which was higher than the DMF collection by ₹ 1.25 crore. The initial higher allocation against DMF collected was a temporary phase which got equalised at the end of 2022-23.

- The utilisation of funds was 69 *per cent* in 2019-20. However, the utilisation rate declined to 37 *per cent* in both 2020-21 and 2021-22. During 2022-23, the district made a marked improvement, with 94 *per cent* utilisation rate.

- The unspent balance of fund ranged between ₹ 3.20 crore to ₹ 13.16 crore during 2018-19 to 2021-22. The closing balance of fund was reduced to ₹ 0.82 crore in 2022-23 from ₹ 13.16 crore in 2021-22.

In reply, the Deputy Commissioner, Khliehriat stated (April 2024) that the fund available in East Jaintia Hills District during the year 2018-19 and 2019-20 was utilised fully as per the need assessment and the remaining fund was maintained to implement any new projects. The DC further stated that delayed implementation of schemes/projects during the years 2020-21 and 2021-22 was due to the COVID-19 Pandemic.

Audit observed that the allocation of DMF funds was not commensurate with the actual collections made at the district level, resulting in under-allocation in certain mining-affected districts. The reconciliation of funds between the reported figures and actual bank balances was deficient, leading to an unexplained surplus of ₹ 0.41 crore in East Jaintia Hills, as on

31 March 2023. While the overall utilisation of DMF funds in the sampled districts was relatively high (93 to 98 *per cent*), the year-wise utilisation was marked by inconsistencies. This adversely impacted the timely execution of projects and led to accumulation of unspent balances, thereby defeating the objective of prompt and need-based development interventions in mining-affected areas.

Recommendations: *The DMR may:*

(i) establish a transparent, rule-based allocation formula linked to DMF collections and district needs,

(ii) conduct quarterly reconciliation of bank records and DMR statements,

(iii) monitor yearly utilisation and link future releases to performance, and

(iv) mandate annual submission of audited accounts by all DMFTs by 30 June of each year.

5.3.10 Collection of DMF Funds

5.3.10.1 Non-levy of DMF from limestone extracted as incidental by cement companies

Incidental mining has been defined as the unintended extraction of minor minerals which arises out of non-mining activities such as construction of roads or other major infrastructural projects as per Rule 2 of the Meghalaya Minor Minerals Concession (Amendment) Rules, 2018.

As per Section 15 sub-section 4 (C) of the MMDR Act, 1957, as amended, the amount of payment to be made to the DMF Fund by concession holders of minor minerals should be as per Section 15A of the Act *ibid*, which states that the State Government may prescribe payment by all holders of concessions related to minor minerals of amounts to the DMF of the district in which the mining operations are carried on.

In exercise of the power conferred by Section 15 of the MMDR, Act 1957, the State Government amended Rule 3 of the Meghalaya Minor Minerals Concession Rules (MMMCR), 2016 in January 2021, which provides that incidentally mined minor minerals shall be permitted for commercial uses only after payment of Royalty[123] and Cess[124] to the State Government.

Further, Rule 30 of the MMMCR, 2016 provides that the lessee or quarry permit holder shall deposit or make payment to the District Mineral Foundation Fund at the rate prescribed by the State Government for the benefit of the persons and areas affected by mining and quarrying.

Scrutiny of records for the period from April 2018 to March 2023 showed that seven cement companies under DMO, Jowai extracted limestone during various non-mining activities. The Government approved the commercial utilisation of the extracted limestone, subject to the payment of royalty in accordance with the rates prescribed for minor minerals under Schedule IV of the MMMCR, 2016 dated September 2016 @80 per tonne and Government Notification

[123] Rate of royalty on Limestone: @80 per MT up to 23 January 2019 and @100 per MT *w.e.f.* 24 January 2019.
[124] Rate of Cess on limestone: @60 per MT *w.e.f.* 21 March 2016.

dated January 2019[125] @100 per tonne. The details are as under:

Table 5.3.2 (A): Government Approvals for Utilisation of Incidentally Mined Limestone (2018-2023).

Sl. No.	Name of Cement Company	Status of Mining Lease	Activity Leading to Incidental Mining	Quantity Approved (MT)	Approval Date
1	Green Valley Ind. Ltd.	Not operational	Activities not mentioned	22,67,315	23.01.2020
			Arising out of non-mining activities	19,76,737	18.11.2022
2	Star Cement Meghalaya Ltd.	No Mining Lease	Activities not mentioned	9,21,839	23.01.2020
			Developmental work on playground, road, *etc.*	9,40,862	04.12.2020
			Arising out of non-mining activities in the cement plant	7,00,000	13.10.2021
			Arising out of non-mining activities	11,74,487	17.12.2021
3	Hills Cement Ltd.	Suspended	Activities not mentioned	10,22,702	23.01.2020
4	Amrit Cement Ltd.	No mining lease	Activities not mentioned	10,66,716	23.01.2020
			Development work in the factory	12,75,400	24.03.2022
				12,75,400	24.03.2022
5	Goldstone Cement Ltd.	No Mining Lease	While developing plant site, captive power plant area, labour colony area and other plant development work	14,19,022	17.05.2018
			While developing plant area, new labour colony, other plant site in due course of excavation for civil foundation works.	15,89,922	19.04.2022
			Activities not mentioned.	23,39,298	23.01.2020
6	Star Cement Ltd.	Operational	Activities not mentioned	2,21,392	23.01.2020
			Activities not mentioned.	1,77,505	04.12.2020
			While widening of approach road, making of parking yards, siding points for giving pass to tippers, excavators, bulldozers.	1,89,723	13.10.2021
Total		**-**	**-**	**1,85,58,320**	**-**

Source: Records and information furnished by DMO, Jowai

Table 5.3.2 (B): Royalty and DMF Payable on Approved Limestone Extraction

Sl. No.	Name of Cement Company	Quantity Utilised (MT)	Royalty Paid (₹ crore)	Rate of Royalty (₹/MT)	DMF Payable (₹ crore)
1	Green Valley Ind. Ltd.	22,67,315	22.67	100	6.80
		5,00,000	5.00	100	1.50
2	Star Cement Meghalaya Ltd.	9,21,839	9.22	100	2.77
		9,40,862	9.41	100	2.82
		7,00,000	7.00	100	2.10
		11,74,487	11.74	100	3.52
3	Hills Cement Ltd.	10,22,702	10.23	100	3.07
4	Amrit Cement Ltd.	10,66,716	10.67	100	3.20
		12,75,400	12.75	100	3.83
		12,75,400	12.75	100	3.83
5	Goldstone Cement Ltd.	14,19,022	11.35	80	3.41
		2,84,163	2.84	100	0.85
		1497718	14.98	100	4.49
6	Star Cement Ltd.	2,21,392	2.21	100	0.66
		1,77,505	1.78	100	0.53
		1,89,723	1.90	100	0.57
Total:		**1,49,34,244**	**146.50**	**-**	**43.95**

Source: Records and information furnished by DMO, Jowai.

[125] Notification No. MG.49/2011/Pt-I/56 dated 24 January 2019.

Further scrutiny in audit revealed that five out of six companies (Sl. No. 1 to 5), whose mining leases had been suspended/ were not operational or had no mining leases, had extracted limestone and thereafter obtained approval of the government to use the extracted mineral for commercial purposes. The DMR categorised these extractions as incidental in the inspection reports of all the cases where activities leading to incidental extraction was not available. The Government in turn approved utilisation of the extracted limestone by these private companies (with or without licenses) as incidental extraction.

As can be seen from **Table 5.3.2 (A)**, out of 1,85,58,320 MT incidentally mined limestone, only 41,39,529[126] MT had documented reasons of the specific activities leading to its excavation. The remaining 1,44,18,791 MT (78 *per cent*) lacked records of specific activities involved which led to the excavation of the mineral and for the granting of Government's approval for its usage. The condition for government approval of incidentally mined minerals from non-mining activities is required to be fulfilled to ensure transparency and accountability in the mining activities as five of the six cement companies involved in incidental mining either lacked mining leases or were operating with non-operational/suspended mining leases.

A comparison of the minerals mined by leaseholders *vis-à-vis* minerals mined as incidental, as per information furnished by the Department is as under:

Table 5.3.3 (A): Annual Limestone Production by Companies with Mining Leases (2018-2023)

Sl. No.	Company Name	Mining Lease Details (Ha)	Annual Production (MT)	Total Production (MT)	5-Year Average (MT)
1	Star Cement Ltd.	I (4.96 Ha)	247177, 264046, 105850, 94264, 64088	7,75,425	1,55,085
2	Star Cement Ltd.	II (4.70 Ha)	207155, 187895, 168185, 161659, 101549	8,26,443	1,65,289
3	Star Cement Ltd.	III (70.0 Ha)	898721, 899772, 899103, 899934, 1498195	50,95,725	10,19,145
4	Star Cement Ltd.	Wahpyn I (4.85 Ha)	342950, 288832, 139965, 0, 100	7,71,847	1,92,962
5	Star Cement Ltd.	Wahpyn II (13.58 Ha)	40632, 49142, 49086, 49246, 49096	2,37,202	47,440
6	Hills Cement Ltd.	Suspended from 2020	225870, 225240	4,51,110	2-year Avg: 2,25,555

Table 5.3.3 (B): Quantity of Limestone Claimed as "Incidental" by Companies without Mining Leases (2018-2023)

Sl. No.	Company Name	Status of Mining Lease	Quantity Claimed as Incidental (MT)	5-Year Average (MT)
1	Star Cement Megh. Ltd.	No lease / merged with Star Cement Ltd.	37,37,188	7,47,438
2	Goldstone Cement Ltd.	No lease	53,48,242	10,69,648
3	Green Valley India Ltd.	Not operational	42,44,052	8,48,810
4	Amrit Cement Ltd.	No lease	36,17,516	7,23,503

Audit observed that several cement companies without valid mining leases had extracted significant quantities of limestone during the period 2018-19 to 2022-23 by categorising the extraction as 'incidental'. The cumulative quantity extracted incidentally by five such companies exceeded 1.69 crore metric tonnes, with average annual extractions ranging from

[126] (i) Star Cement Meghalaya Ltd. = 9,40,862 MT, (ii) Goldstone Cement Ltd. = 14,19,022 MT and 15,89,922 MT, and (iii) Star Cement Ltd. = 1,89,723 MT.

7.23 lakh to over 10.69 lakh metric tonnes. In comparison, companies operating under legal mining leases had considerably lower annual production per lease area.

The scale and consistency of incidental extraction reported over multiple years raises concerns about the genuineness of such categorisation. These activities appear to circumvent statutory requirements related to mining leases, environmental clearances and DMF contributions. Moreover, the absence of annual production records for non-leaseholder companies, as stated by the Department, indicates weak regulatory oversight and lack of enforcement of mandatory reporting.

Thus, the use of the 'incidental' provision for substantial and recurring extraction appears irregular and warrants a thorough investigation to assess compliance with the Mines and Minerals (Development and Regulation) Act, 1957.

In reply, the Department stated (April 2024) that DMF was not realised since the limestone extracted was not from the mining lease areas.

The Department's response is not tenable. In the instant case, four private cement companies {**Table 5.3.3 (B)**} extracted a substantial quantity of minor minerals without leases or valid leases. They bypassed the provisions of the existing Act/rules for production of cement in their plants by payment of royalty but without payment of the associated DMF and other statutory dues[127] which are otherwise payable by regular mining leaseholders. Allowing such huge extractions for commercial purpose without mining leases by terming the extracted mineral as incidental, that too without defining the prime activity which led to incidental mining, not only suggests misuse of the provisions of the Act/rules but also would encourage unregulated and illegal mining activities in the State. The existing rules only allow mining operations by leaseholders and thus the current practice of allowing non-lease holders to carry out mining operations as incidental both violated the rules and facilitated non-payment of statutory dues by these companies.

Thus, despite huge extraction of limestone for commercial use by the private cement companies, the contention of the Department that DMF amounting to ₹ 43.95 crore had not been realised on the ground that the extraction was not from mining lease areas is not justified.

[127] For Minor minerals, dues to be paid are, (i) Royalty, (ii) Cess, (iii) MMMRF, and (iv) DMF.

Recommendations:

(i) The State Government may issue directions to ensure that extraction of minerals, including minor minerals such as limestone, is permitted strictly in accordance with valid mining leases granted under the Mines and Minerals (Development and Regulation) Act, 1957 and the relevant Mineral Concession Rules.

(ii) The Government may consider prescribing clear, quantitative thresholds and procedural safeguards to regulate the scope of incidental extraction, in line with the powers conferred by Clause 23C of the MMDR Act, 1957, which empowers the State Government to make rules to prevent illegal mining. Instances where the quantity of mineral extracted exceeds such prescribed limits should be mandatorily subjected to prior approval and brought under the ambit of a formal mining lease, in order to ensure compliance with statutory provisions and prevent misuse of the incidental extraction clause.

(iii) The Government may initiate a verification exercise to assess whether mineral extraction reported as incidental was appropriately accounted for and whether associated statutory dues such as royalty, District Mineral Foundation (DMF) contributions, Meghalaya Minor Mineral Reclamation Fund (MMMRF) levies, and other applicable charges were duly paid. In cases of non-compliance, recovery proceedings including imposition of penalties may be initiated.

(iv) The Department may consider developing an integrated digital platform to monitor all incidental extraction activities. The system should capture details such as extraction requests, approvals accorded, quantity extracted, and statutory dues deposited, with provisions for real-time integration with district mining offices to strengthen field-level oversight.

5.3.10.2 Non-levy of DMF from auctioned coal extracted from illegal mining operations

Rule 4 (1) of the MMDR Act, 1957, stipulates that no person shall undertake any reconnaissance, prospecting or mining operations in any area, except under and in accordance with the terms and conditions of a reconnaissance permit or of a prospecting licence or of a mining lease, granted under this Act and the rules made thereunder. Rule 4 (1A) of the Act *ibid* provides that no person shall transport or store or cause to be transported or stored any mineral otherwise than in accordance with the provisions of this Act and the rules made thereunder.

Further, Rule 9B (5) of the MMDR Amendment Act, 2015 provides that the holder of a mining lease or a prospecting licence-cum-mining lease, shall, in addition to the royalty, pay to the District Mineral Foundation of the district in which the mining operations are carried on, an amount which is equivalent to such percentage of the royalty paid in terms of the Second Schedule, not exceeding one-third of such royalty, as may be prescribed by the Central Government.

As per Circular No. DMR/MM/783/2016/2132 dated 11 January 2018 issued by DMR, the DMF contribution in respect of coal shall be made from 08 December 2017 and the rate shall be 30 *per cent* of the royalty for the mining lease granted before 12 January 2015 and 10 *per cent* of the royalty for the mining lease granted after 12 January 2015.

The National Green Tribunal (NGT) on 17 April 2014 banned rat-hole coal mining[128] in Meghalaya in view of the unregulated and unscientific practices associated with rat-hole mining causing severe environmental degradation and posing significant risks to human health. In a subsequent judgment dated 03 July 2019, the Hon'ble Supreme Court of India directed that all illegally extracted coal, totalling 32.57 lakh MT as assessed and identified by the State of Meghalaya, be handed over to Coal India Ltd. (CIL) for proper disposal and auction. The seized coal was handed to CIL on 12 March 2020.

Examination of records of DMR (February 2024) showed that between April 2018 to March 2023, Mineral Transportation Challan (MTC) was issued by the Department for transportation of 81,196 MT out of the above 32.57 lakh MT of seized coal extracted by rat-hole mining method by private individuals, which was handed over to CIL in March 2020 by the Department for auction. The details of the quantity transported and auctioned by CIL and the amount of royalty paid by the successful bidders are as given in **Table 5.3.4**:

Table 5.3.4: Statement showing transportation of seized coal after auction and payment of royalty as on March 2023 and DMF dues.

(₹ in lakh)

Sl. No.	Name of the successful bidders	Quantity of coal where MTC has been issued between April 2018 up to March 2023 to the successful bidders. (in MT)	Amount of Royalty paid	Minimum Applicable DMF *(@10 per cent of royalty)*[129]
1	Rina Mukhim	19,990	135.00	13.50
2	Ready Sutnga	16,464	111.24	11.12
3	Dominic Myrthong	3,510	23.69	2.37
4	Ruthina D Marak	25,632	173.21	17.32
5	Kenny D. Kharkongor	3,850	25.99	2.60
6	M/s Coal Traders	5,906	39.96	4.00
7	I. H. Ventures	2,400	33.75	3.38
8	George S Marak	2,400	24.23	2.42
9	Six Brother Enterprise	1,044	7.22	0.72
Total		**81,196**	**574.29**	**57.43**

Audit observed that royalty was paid for coal extracted illegally from non-mining lease areas even though there is no provision in the Act, however DMF amounting to ₹ 57.43 lakh, which is directly linked to royalty was not levied by the Department. This is important in the context of persistent mining operations going on in the State which can be seen from the newspaper reports dated July 2022 and January 2023.

In response (April 2024), the DMR stated that DMF on auctioned coal extracted illegally was not realised since coal was extracted from non-mining lease areas.

[128] In Meghalaya, coal is extracted by digging vertical shafts into the ground to access the coal seam. Once the seam is reached, horizontal tunnels are created to extract the coal, which is then transported to the surface using conical baskets or wheelbarrows. This method, known as rat hole mining, is highly dangerous and has resulted in numerous fatalities among miners.

[129] As the seized coal was extracted from non-mining lease areas, the dates of mining lease issuance are not available. Hence, DMF contribution rate has been calculated at the minimum rate of 10 *per cent* of royalty as per Circular dated 11 January 2018.

Audit observed that 81,196 MT of illegally extracted coal seized by the State and auctioned through Coal India Ltd. (CIL), resulted in the collection of ₹ 574.29 lakh towards royalty from successful bidders during April 2018 to March 2023. However, no District Mineral Foundation (DMF) contribution was recovered.

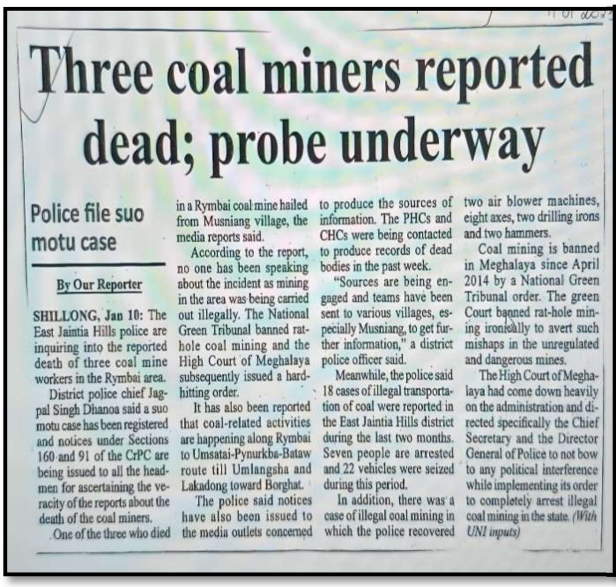
While Section 9B (5) of the MMDR Act, 1957, mandates DMF contributions by leaseholders, the Act is silent on applicability of DMF in cases where minerals are extracted illegally without a lease and subsequently auctioned by the State. The Department cited the absence of a mining lease as grounds for non-levy of DMF.

The non-levy of DMF on illegally extracted and subsequently auctioned coal presents multiple risks and adverse impacts. Legally, the absence of explicit provisions under the MMDR Act to apply DMF in such cases creates a statutory gap which weakens enforcement and dilutes the deterrence mechanism intended to prevent unauthorised mining. Financially, the non-realisation of ₹ 57.43 lakh in DMF contributions from the auctioned coal represents a direct revenue loss to the District Mineral Foundation, with potential for larger cumulative losses in similar cases.

This also raises concerns about equity, as mining leaseholders who comply with statutory obligations continue to bear DMF liabilities, while those benefiting from illegal extraction remain exempt, undermining the fairness of the regulatory framework. From a governance standpoint, the lack of a clear policy to address statutory dues on seized minerals reflects regulatory inattention and limits the ability of the administration to manage mineral resources effectively. Socially and environmentally, the failure to channel DMF funds to affected regions deprives communities of essential welfare and remediation support. This gap is particularly serious in Meghalaya, where mining-affected populations and ecologies remain vulnerable.

In the absence of clear statutory provision, the Department's interpretation may be legally tenable. However, considering the significant volume of illegal extraction and the statutory objective of DMF, to benefit mining-affected areas, Audit is of the view that the State Government may explore enabling provisions to levy DMF on illegally extracted minerals at the time of disposal.

Newspaper clippings on illegal coal mining activities



Three coal miners reported dead; probe underway

Police file suo motu case

By Our Reporter

SHILLONG, Jan 10: The East Jaintia Hills police are inquiring into the reported death of three coal mine workers in the Rymbai area.

District police chief Jagpal Singh Dhanoa said a suo motu case has been registered and notices under Sections 160 and 91 of the CrPC are being issued to all the headmen for ascertaining the veracity of the reports about the death of the coal miners.

One of the three who died in a Rymbai coal mine hailed from Musniang village, the media reports said.

According to the report, no one has been speaking about the incident as mining in the area was being carried out illegally. The National Green Tribunal banned rat-hole coal mining and the High Court of Meghalaya subsequently issued a hard-hitting order.

It has also been reported that coal-related activities are happening along Rymbai to Umsatai-Pynurkba-Bataw route till Umlangsha and Lakadong toward Borghat.

The police said notices have also been issued to the media outlets concerned to produce the sources of information. The PHCs and CHCs were being contacted to produce records of dead bodies in the past week.

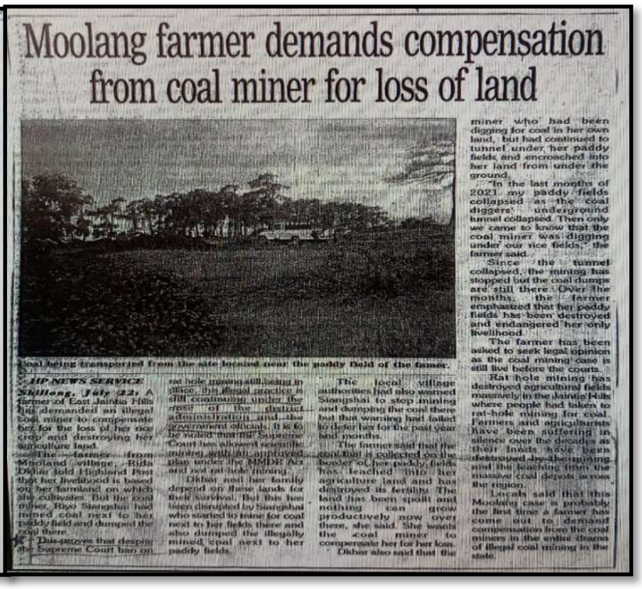
"Sources are being engaged and teams have been sent to various villages, especially Musniang, to get further information," a district police officer said.

Meanwhile, the police said 18 cases of illegal transportation of coal were reported in the East Jaintia Hills district during the last two months. Seven people are arrested and 22 vehicles were seized during this period.

In addition, there was a case of illegal coal mining in which the police recovered two air blower machines, eight axes, two drilling irons and two hammers.

Coal mining is banned in Meghalaya since April 2014 by a National Green Tribunal order. The green Court banned rat-hole mining ironically to avert such mishaps in the unregulated and dangerous mines.

The High Court of Meghalaya had come down heavily on the administration and directed specifically the Chief Secretary and the Director General of Police to not bow to any political interference while implementing its order to completely arrest illegal coal mining in the state. *(With UNI inputs)*



Moolang farmer demands compensation from coal miner for loss of land

Coal being transported from the site located near the paddy field of the famer.

HP NEWS SERVICE

Shillong, July 22: A farmer of East Jaintia Hills has demanded an illegal coal miner to compensate her for the loss of her rice crop and destroying her agriculture land.

The farmer from Moolang village, Rida Dkhar told Highland Post that her livelihood is based on her farmland on which she cultivates. But the coal miner, Riyo Siangshai had mined coal next to her paddy field and dumped the coal there.

This proves that despite the Supreme Court ban on rat hole mining still being in place, this illegal practice is still continuing under the nose of the district administration and the government officials. It is to be noted that the Supreme Court has allowed scientific mining with an approved plan under the MMDR Act and not rat-hole mining.

Dkhar and her family depend on these lands for their survival. But this has been disrupted by Siangshai who started to mine for coal next to her fields there and also dumped the illegally mined coal next to her paddy fields.

The local village authorities had also warned Siangshai to stop mining and dumping the coal there but that warning had failed to deter her for the past year and months.

The farmer said that the coal that is collected on the border of her paddy fields has leached into her agriculture land and has destroyed its fertility. The land has been spoilt and nothing can grow productively now over there, she said. She wants the coal miner to compensate her for her loss.

Dkhar also said that the miner who had been digging for coal in her own land, but had continued to tunnel under her paddy fields and encroached into her land from under the ground.

"In the last months of 2021 my paddy fields collapsed as the coal diggers' underground tunnel collapsed. Then only we came to know that the coal miner was digging under our rice fields," the farmer said.

Since the tunnel collapsed, the mining has stopped but the coal dumps are still there. Over the months, the farmer emphasized that her paddy fields has been destroyed and endangered her only livelihood.

The farmer has been asked to seek legal opinion as the coal mining case is still live before the courts.

Rat hole mining has destroyed agricultural fields massively in the Jaintia Hills where people had taken to rat-hole mining for coal. Farmers and agriculturists have been suffering in silence over the decades as their lands have been destroyed by the mining and the leaching from the massive coal depots across the region.

Locals said that this Moolang case is probably the first time a farmer has come out to demand compensation from the coal miners in the entire drama of illegal coal mining in the state.

Source: The Shillong Times article dated 11 January 2023 and Highland Post article dated 23 July 2022.

Recommendation: *The Department may consider levying DMF whenever royalty is charged on coal extracted from illegal mining operations in the State to safeguard the financial interest of the State. Further, the Department may take action as per Section 21 of the MMDR Act, 1957 against violators of Section 4 of the Act, ibid.*

5.3.10.3 Non/short payment of royalty and DMF including non-imposing of interest for non/delayed payment of DMF from mining leaseholders of major mineral

In line with the Hon'ble Supreme Court of India Judgement dated 13 October 2017, the Directorate of Mineral Resources, Meghalaya issued an Office Circular dated January 2018, with a direction that for major minerals other than coal & lignite, the DMF contribution shall be made from 17 September 2015 and the rate for DMF contribution shall be 30 *per cent* of the royalty for mining leases granted before 12 January 2015. If the DMF dues are not cleared by 31 December 2017, an interest of 15 *per cent* per annum should be charged from 01 January 2018 onwards. The DMFTs in East Khasi Hills and East Jaintia Hills was constituted on 02 July 2018 and 25 September 2018 respectively. During the period of audit, the rate of royalty on limestone (major mineral) was ₹ 80 per MT.

Scrutiny of records (February 2024) showed that, five cement companies who were issued mining leases by the Mining & Geology Department before 12 January 2015, produced 14.26 lakh MT of limestone during October 2015 to December 2017 for their cement plants. The position of payment of DMF, including penal interest due against five Cement Companies was as detailed below:

Table 5.3.5 (A): Non-payment of DMF and Interest

(₹ in lakh)

Sl. No.	Lessee (Lease Date)	Period of Extraction	Quantity (MT)	DMF Payable	DMF Paid	Delay	Interest Payable
1	Komorrah Limestone Mining Co. Ltd. (05.01.1994)	Oct 2015 – Dec 2017	1,39,024	33.37	Not Paid	74 months up to Feb 2024	30.86
2	Mawmluh Cherra Cements Ltd. (05.02.1981 & 10.01.2006)	Oct 2015 – Dec 2017	95,859	23.01	Not Paid	74 months up to Feb 2024	21.28
3	JUD Cement Ltd. (07.05.2009)	Oct 2015 – Dec 2017	4,85,568	116.54	Not Paid	74 months up to Feb 2024	107.80
Sub total			**-**	**172.91**	**-**	**-**	**159.94**

Source: Records of the Directorate of Mineral Resources, Shillong.

Table 5.3.5 (B): Interest Not Levied on Delayed DMF Payment

(₹ in lakh)

Sl. No.	Lessee (Lease Date)	Period of Extraction	Quantity (MT)	DMF Payable	DMF Paid	Date of Payment	Delay (days)	Interest Payable
4	Hills Cement Ltd. (16.11.2010)	Feb 2016 – Dec 2017	3,76,965	90.47	Paid	25.10.2018 to 21.05.2019	297–505	15.05
5	Meghalaya Minerals & Mines Ltd. (11.10.2001)	Jan 2016 – Dec 2017	3,28,614	78.87	Paid	12.02.2020 to 24.03.2021	772–1178	30.31
Sub total			**-**	**169.34**	**-**	**-**	**-**	**45.36**

Source: Records of the Directorate of Mineral Resources, Shillong.

From the tables above, it can be seen that while three[130] companies did not pay the required DMF of ₹ 172.91 lakh for the period ranging from October 2015 to December 2017, two[131] cement companies paid the required amount of ₹ 169.34 lakh towards the Fund after a delay ranging from 297 to 1178 days. Non-payment and delayed payment of DMF attracted payment of interest @15 *per cent* per annum as per Government directive issued in January 2018. Hence, an amount of ₹ 205.30[132] lakh is leviable from the above five Cement Companies as interest for non/delayed payment of DMF as of February 2024, and ₹ 172.91 lakh in DMF contribution from three Cement Companies.

Thus, despite having the information on mining leases issued and limestone production data from the relevant cement companies, the Directorate of Mineral Resources (DMR) failed to take action to collect the applicable DMF contributions. Additionally, the DMR did not impose interest for non-payment or delayed payment of DMF contributions as directed by the Government in January 2018. This has resulted in non-realisation of revenue due to the tune of ₹ 378.21[133] lakh from the above-mentioned cement companies which was a violation of the existing rules and notification of the Government.

In reply, DMR stated (April 2024) that demand notice in respect of Komorrah Limestone Mining Company Ltd. was issued in October 2022 followed by reminder in February 2024. In respect of Mawmluh Cherra Cement Ltd. demand notice was issued in April 2021 followed by a reminder in April 2024. Further, the Department also stated that the DMO, Jowai will be instructed to levy interest on the mining leaseholders of major minerals who made delayed

[130] (i) Komorrah Limestone Mining Co. Ltd., (ii) Mawmluh Cherra Cements Ltd., and (iii) JUD Cement Ltd.
[131] (i) Hills Cement Ltd., and (ii) Meghalaya Minerals & Mines Ltd.
[132] ₹ 159.94 lakh + ₹ 45.36 lakh.
[133] ₹ 378.21 lakh = ₹ 172.91 lakh as DMF contribution + ₹ 205.30 lakh as interest.

payment of DMF. Thus, failure of the Department to enforce recovery of DMF dues and levy penal interest in accordance with statutory provisions led to a total non-realisation of ₹ 378.21 lakh. The lapse also reflects inadequate internal controls in monitoring compliance with DMF contribution obligations by mining leaseholders and weak enforcement of financial discipline within the regulatory framework.

Present status of payment of the DMF dues and the associated interest from the above-mentioned Cement Companies was requested by Audit (March 2025), however, no reply was forthcoming till date (June 2025).

Audit further observed that the Companies did not comply with the demand notices issued by the Department till April 2025. The Department was also silent on action taken against JUD Cement Ltd. Thus, the Department failed to levy and recover the DMF contribution and penal interest on non/delayed payment of DMF. This indicated serious weakness in the existing mechanism for collection of statutory dues in the two sampled districts.

5.3.10.4 Non/short deposit of DMF contribution by mining leaseholders of minor minerals in two selected districts

Rule 30 of the MMMCR, 2016 provides that the lessee or quarry permit holder shall deposit or make payment to the District Mineral Foundation Fund at the rate prescribed by the State Government for the benefit of the persons and areas affected by mining and quarrying.

As per the Government Notification dated December 2017, the contribution to DMF for minor minerals shall be made from 08 December 2017 and the rate of contribution shall be 30 *per cent* of royalty as prescribed in Schedule-I of the DMF Rules, 2017.

During April 2018 to March 2023, the rate of royalty as per Schedule-IV of the MMMCR 2016 was ₹ 240 per cubic meter for boulder stone and ₹ 80 per Metric Tonne (MT) for limestone up to January 2019. The rate of royalty on limestone was revised to ₹ 100 per MT from February 2019 onwards.

Scrutiny of records of DMR (February 2024) revealed that 91 mining leaseholders of minor minerals (limestone and boulder stone) under two selected Divisional Forest Officers (Territorial) of Khasi Hills and Jaintia Hills deposited a total of ₹ 84.86 crore in the DMF Fund during the years 2018-19 to 2022-23 as detailed below:

Table 5.3.6: Statement showing deposit of contribution to the DMF Fund by mining leaseholders under Khasi Hills and Jaintia Hills Districts.

(₹ in crore)

Years	DFO (T), Khasi Hills		DFO (T), Jaintia Hills	
	East Khasi Hills	Ri-Bhoi	East Jaintia Hills	West Jaintia Hills
2018-19	6.90	0.11	11.71	0.74
2019-20	8.33	0.44	6.87	1.48
2020-21	6.75	0.43	7.29	1.63
2021-22	10.22	0.19	5.89	1.91
2022-23	9.81	0.13	3.58	0.45
Total	**42.01**	**1.30**	**35.34**	**6.21**
Grand Total	**84.86**			

Source: Records of the Directorate of Mineral Resources, Shillong.

Cross-verification of the minor minerals transportation records maintained by the two selected DFOs in respect of 109[134] out of 130[135] leaseholders during 2018-19 to 2022-23 revealed the following position:

Table 5.3.7: Statement showing short payment of royalty and short/non-payment of DMF contribution in Khasi Hills and Jaintia Hills

(₹ in crore)

Sl. No.	Mineral	District	Quantity transported[136]	Short payment of Royalty	Short payment of DMF	Non-payment of DMF	Detailed Appendices
1.	Limestone	East Khasi Hills	3437942 MT	-	3.04	2.00	App 5.3.4
2.		West Jaintia Hills	2824359 MT	0.03	3.27	1.15	App 5.3.5
3.		East Jaintia Hills	2492069 MT	0.009	0.79	4.16	App 5.3.6
4.	Boulder Stone	East Khasi Hills	493332 cu.m	-	1.09	0.53	App 5.3.7
5.		Ri-Bhoi	421428 cu.m	-	0.27	1.72	App 5.3.8
6.		West Jaintia Hills	156173 cu.m	0.35	0.20	0.76	App 5.3.9
Grand Total				**0.39**	**8.66**	**10.32**	**-**

Audit observed that 109 leaseholders of minor minerals (limestone and boulder stone) under the jurisdiction of the Divisional Forest Officers, Khasi Hills and Jaintia Hills, did not fully discharge their statutory obligation to contribute to the District Mineral Foundation (DMF) Fund. Against DMF dues of ₹ 33.44 crore during 2018-19 to 2022-23, only ₹ 14.47 crore (43 *per cent*) was deposited, resulting in a short/non-payment of ₹ 18.98 crore[137]. Short payment of royalty amounting to ₹ 0.39 crore[138] was also seen in DMFT, West Jaintia Hills and East Jaintia Hills.

Audit further noticed that neither the Divisional Forest Officers nor the Directorate of Mineral Resources carried out any independent assessment or reconciliation of DMF dues based on the quantity of minerals transported. The Department relied solely on self-declared payments made by leaseholders, without verifying the correctness of the dues payable.

In reply, the DMR stated (April 2024) that instructions were issued to the Forest Department in June 2018 to ensure compliance. The reply is not tenable, as mere issuance of instructions without a monitoring mechanism or verification of compliance does not absolve the Department of its statutory responsibility to enforce and assess DMF contributions.

Thus, failure to establish an effective mechanism for the assessment and enforcement of DMF dues led to a loss of ₹18.98 crore to the DMF Fund, undermining the objective of providing welfare support to mining-affected areas, besides loss of ₹ 0.39 crore due to short-levy of

[134] Includes only those leaseholders where discrepancies in payment of DMF was noticed: **70 leaseholders of Limestone (minor mineral)** *viz.,* (i) 34 lease holders in East Khasi Hills, (ii) 16 lease holders in West Jaintia Hills, and (iii) 20 lease holders in East Jaintia Hills. **39 leaseholders of Boulder Stone** *viz.,* (i) 13 in East Khasi Hills, (ii) 17 in Ri-bhoi, and 9 in West Jaintia Hills.

[135] **130 leaseholders = (i) Limestone (82 Nos.)**: 45 leaseholders in East Khasi Hills (incl Ri-Bhoi), and 37 leaseholders in Jaintia Hills, and **(ii) Boulder stone (48 Nos.)**: 38 leaseholders in East Khasi Hills (incl Ri-Bhoi), and 10 leaseholders in Jaintia Hills.

[136] Quantity of minerals transported excludes those for which full payment of DMF has been made.

[137] Short payment of ₹ 8.66 crore + non-payment of ₹ 10.32 crore.

[138] West Jaintia Hills: ₹ 3.36 lakh (**Appendix 5.3.5**) + ₹ 35.26 lakh (**Appendix 5.3.9**). East Jaintia Hills: ₹ 0.90 lakh (**Appendix 5.3.6**).

royalty. This directly undermines the statutory objective of providing targeted welfare and development support to mining-affected communities.

5.3.10.5 Non-levy of DMF by DFO (T), Tura from minor minerals leaseholders

As per the Government Notification dated December 2017, the contribution to DMF for minor minerals shall be made from 08 December 2017, and the rate of contribution shall be 30 *per cent* of royalty as prescribed in Schedule-I of the DMF Rules, 2017. During the period April 2018 to March 2023, the rate of royalty on boulder stone, as per Schedule-IV of the MMMCR 2016, was ₹ 240 per cubic meter.

Scrutiny of records of DFO (T), Tura, revealed that 36 mining leaseholders transported 9.25 lakh cubic meters of boulder stone between 2019-20 and 2022-23. Audit observed that the DFO (T), Tura failed to enforce the statutory requirement of collecting District Mineral Foundation (DMF) contributions from mining leaseholders of minor minerals. Against royalty payable of ₹ 22.21 crore for extraction of 9.25 lakh cubic metres of boulder stone during 2019-20 to 2022-23, DMF contributions amounting to ₹ 6.66 crore were not collected from 36 leaseholders. In addition, royalty shortfall of ₹ 1.02 crore was observed in respect of 18 leaseholders **(**details in **Appendix 5.3.10)**.

In reply, while accepting the audit observation, the DMR stated (April 2024) that the Department had communicated to all the Deputy Commissioners of all the Districts in Meghalaya (September 2022) to ensure that all the mining leaseholders of the respective Districts contribute to the DMF fund.

The reply of the Department, stating that instructions were issued to all Deputy Commissioners only in September 2022, is not tenable as it does not explain the persistent non-enforcement of DMF contributions for four years. The failure to ensure compliance with DMF Rules, 2017 indicates absence of a system of assessment, verification and enforcement of statutory dues at the field level.

This resulted in non-realisation of ₹ 6.66 crore to the DMF Fund and ₹ 1.02 crore in royalty, adversely affecting the intended socio-economic benefits for mining-affected communities.

Recommendations

The Department may:

(i) institutionalise a periodic assessment mechanism to verify DMF dues against actual mineral transported by each leaseholder, and ensure timely collection and deposit into the DMF Fund,

(ii) issue detailed instructions delineating the roles and responsibilities of all officers and agencies involved in the collection, monitoring, and enforcement of DMF contributions, and

(iii) have a digital dashboard developed to reconcile DMF dues with royalty and transport challans and enable automated flagging of defaults. Accountability may be fixed in cases of persistent non-compliance.

Audit Objective 2: *Whether the utilisation and implementation of DMF funds was carried out in accordance with provisions of MDMF Rules/PMKKKY guidelines and whether the schemes/projects executed were effective to derive intended benefits.*

5.3.11 Utilisation of DMF funds

5.3.11.1 Failure to maintain/update list of mining-affected areas

For utilisation of DMF funds, the projects implemented by the DMFs should align with the Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY) launched by GoI in September 2015 as envisaged in Rule 8 of the District Mineral Foundation (DMF) Rules, 2017. Accordingly, Rule 5 (i)&(ii) of the DMF Rules, 2017 and Paragraph 1(C) of the PMKKKY guidelines, provides that Governing Council of the DMF shall prepare and maintain an updated list of directly and indirectly affected areas by mining related operations as detailed below:

a) **Directly affected areas:** where mining operations, including excavation, mining, blasting, beneficiation, waste disposal, and transport corridors are located.

b) **Indirectly Affected Areas:** Areas where the local population suffers economic, social, and environmental harm from mining operations, including water, soil, and air degradation, reduced stream flows, groundwater depletion, congestion, pollution, and increased strain on infrastructure and resources.

Audit observed that the Governing Councils of the DMF in the two sampled districts failed to comply with Rule 5 of the DMF Rules, 2017 and Paragraph 1(C) of the PMKKKY guidelines, which mandate the preparation and regular updating of lists of areas and people directly and indirectly affected by mining activities.

Scrutiny of records (February 2024) in the two sampled districts[139] showed that the Governing Council had not established a process to identify areas and people directly/ indirectly impacted by mining operations. The DMFT in East Khasi Hills District did not maintain any list of mining affected areas, whereas the DMFT in East Jaintia Hills District mining-affected areas was identified only in October 2019, with seven villages listed: (i) Lumshnong, (ii) Thangskai, (iii) Chiehruphi, (iv) Wahiajer, (v) Brichyrnot, (vi) Umlong, and (vii) Mynkre. However, this list had not been updated since then. This was non-compliance to the PMKKKY guidelines.

In reply, the DC cum Chairperson of DMF, East Khasi Hills stated (January 2024) that the Governing Council had not prepared/maintained any list of directly and indirectly affected areas and beneficiary list but verify and approve the Schemes/projects proposed by the Block Development Officers (BDOs) of the districts. The Additional DC, i/c DMF, East Khasi Hills further stated (April 2024), that since DMF was a new scheme, it was not fully aware of the identification of areas affected directly and indirectly by mining activities and also stated that identification of areas and people affected directly and indirectly by mining activities will be carried out in future. The DC, Khliehriat in reply stated (April 2024) that identification of directly and indirectly affected areas within the District was updated till October 2019 and

[139] East Khasi Hills and East Jaintia Hills.

identification of directly and indirectly affected areas will be updated and rectified.

The replies of the district authorities citing lack of awareness and future intent to update the lists are not tenable, given that the DMF Rules and PMKKKY guidelines have been in effect since 2017. The failure to identify and map affected areas undermines the core objective of PMKKKY, to ensure that the benefits of mineral development reach mining-affected communities in a structured and transparent manner.

The absence of the lists, along with the failure to update the list for East Jaintia Hills by the Governing Council would have hindered proper implementation of schemes as per PMKKKY guidelines and was a violation of DMF Rules.

Recommendations: *The Department may:*

(i) direct all DMFTs to prepare and maintain updated lists of areas and people directly and indirectly affected by mining activities, in accordance with Rule 5 of the DMF Rules, 2017 and PMKKKY guidelines. The list should be reviewed and updated at least once every two years, with supporting documentation and field verification, and

(ii) prescribe a uniform framework and ensure that identification is conducted in consultation with local bodies, mining departments, and other stakeholders using socio-economic and environmental criteria. The updated lists should be placed before the Governing Council for approval and uploaded to the district website for public transparency.

5.3.11.2 Non-adherence to specified percentage of fund utilisation for high and other priority areas

For utilisation of DMF funds, the projects implemented by the DMFTs should align with the Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY) launched by Government of India (GoI) in September 2015 as envisaged in Rule 8 of the District Mineral Foundation (DMF) Rules, 2017. Paragraph 2(1) of the PMKKKY guidelines, provides the priority-wise activities for utilisation of DMF fund which are divided into high priority areas, in which at least 60 *per cent* of the DMF fund is to be utilised, and other priority areas, in which up to 40 *per cent* of the DMF fund is to be utilised, as given in **Table 5.3.8**.

Table 5.3.8: Statement showing different heads under high priority areas and other priority areas and percentage of funds to be utilised and actuals during 2018-19 to 2022-23

(₹ in crore)

Priority Areas (% of funds to be utilised)	Head of activities/areas	East Khasi Hills (EKH)			East Jaintia Hills (EJH)		
		Expenditure incurred on schemes/ projects	Total Fund available in EKH during the period	% of fund utilisation	Expenditure incurred on schemes/ projects	Total Fund available in EJH during the period	% of fund utilisation
High Priority Areas (at least 60 *per cent* of the DMF Fund)	(a) Drinking water supply	0.20	44.32[140]	20.58 *per cent (as detailed in Appendix 5.3.11)*	3.51	38.18[141]	40.09 *per cent (as detailed in Appendix 5.3.13)*
	(b) Environment preservation and pollution control measures	1.21			2.01		
	(c) Health care	0.11			0.92		
	(d) Education	5.68			3.46		
	(e) Welfare of Women and Children	0.53			Nil		
	(f) Welfare of aged and disabled people	Nil			0.06		
	(g) Skill development	0.84			2.40		
	(h) Sanitation	0.55			2.95		
Sub-total:		***9.12***			***15.31***		
Other Priority Areas (up to 40 *per cent* of the DMF Fund)	(a) Physical infrastructure	23.10		55.87 *per cent (as detailed in Appendix 5.3.12)*	17.44		45.68 *per cent (as detailed in Appendix 5.3.14)*
	(b) Irrigation	Nil			Nil		
	(c) Energy and Watershed Development	1.66			Nil		
	(d) Any other measures for enhancing environmental quality in mining district.	Nil			Nil		
Sub-total		***24.76***			***17.44***		
Grand Total		**33.88**	**-**	**-**	**32.76**	**-**	**-**

Source: Records of DCs-cum-chairperson, DMF, East Khasi Hills and East Jaintia Hills Districts.

Audit examination of the utilisation of District Mineral Foundation (DMF) funds in East Khasi Hills and East Jaintia Hills districts for the period 2018-19 to 2022-23 revealed non-adherence to the prescribed allocation norms stipulated under Rule 8 of the DMF Rules, 2017 and Paragraph 2(1) of the Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY) guidelines. As per the guidelines, a minimum of 60 *per cent* of the DMF fund is to be utilised for high priority areas such as drinking water, health, education, sanitation, and welfare of vulnerable groups, while expenditure on other priority areas is restricted to a maximum of 40 *per cent*.

In East Khasi Hills, only ₹ 9.12 crore (20.58 *per cent*) out of ₹ 44.32 crore was spent on high priority areas, against the mandated minimum of 60 *per cent*, whereas ₹ 24.76 crore (55.87 *per cent*) was spent on other priority areas in excess of the prescribed ceiling. Similarly, in East Jaintia Hills, only ₹ 15.31 crore (40.09 *per cent*) out of ₹ 38.18 crore was spent on high

[140] Funds allocated including interest earned during 2018-19 to 2022-23 (**Appendix 5.3.3**).
[141] Funds allocated including interest earned during 2018-19 to 2022-23 (**Appendix 5.3.3**).

priority areas and ₹ 17.44 crore (45.68 *per cent*) on other priority areas. Further, critical high-priority sectors such as welfare of women and children, and welfare of aged and disabled people were not allocated any funds by the DMFTs in both districts during the five-year period.

The deviation from prescribed fund allocation priorities indicates non-compliance with PMKKKY guidelines and undermines the core objective of the DMF framework, namely, to provide targeted and inclusive support to mining-affected and vulnerable communities. It also points to weak institutional planning and lack of oversight in aligning district-level expenditure with statutory mandates.

5.3.11.3 DMF fund implemented on schemes/projects not covered under PMKKKY guidelines

Paragraph 2 of the PMKKKY guidelines provides the scope for utilisation of DMF funds. The different heads under high priorities areas and other priority areas as per the PMKKKY guidelines were as under:

Table 5.3.9: Activities covered under PMKKY guidelines

High Priorities Areas	
(a) Drinking water supply	Centralised purification systems, water treatment plants, permanent/temporary water distribution network including standalone facilities for drinking water, laying of piped water supply system.
(b) Environment preservation and pollution control measures	Effluent treatment plants, prevention of pollution of streams, lakes, ponds, ground water, other water sources in the region, measure for controlling air and dust pollution caused by mining operations and dumps, mine drainage system, mine pollution prevention technologies, and measures for working or abandoned mines and other air, water & surface pollution control mechanisms required for environment-friendly and sustainable mine development.
(c) Health care	Creation of primary/secondary health care facilities in the affected areas. The emphasis should not be only on the creation of the health care infrastructure, but also on provision of necessary staffing, equipment and supplies required for making such facilities effective. To that extent, the effort should be to supplement and work in convergence with the existing health care infrastructure of the Local Bodies, State and Central Government. The expertise available with the National Institute of Miners' Health may also be drawn upon to design special infrastructure needed to take care of mining related illnesses and diseases. Group Insurance Scheme for health care may be implemented for mining affected persons.
(d) Education	Construction of school buildings, Additional classrooms, Laboratories, Libraries, Art and crafts room, Toilet blocks, Drinking water provisions Residential Hostels for students/teachers in remote areas, sports infrastructure, engagement of teachers/other supporting staff, e-learning setup, other arrangement of transport facilities (bus/van/cycles/rickshaws/*etc.*) and nutrition related programs.
(e) Welfare of Women and Children	Special programmes for addressing problems of maternal and child health, malnutrition, infectious diseases, *etc.* can be taken up under the PMKKKY.
(f) Welfare of aged and disabled people	Special program for welfare of aged and disabled people.
(g) Skill development	Skill development for livelihood support, income generation and economic activities for local eligible persons. The projects/schemes may include training, development of skill development centre, self-employment schemes, support to Self Help Groups and provision of forward and backward linkages for such self-employment economic activities.
(h) Sanitation	Collection, transportation & disposal of waste, cleaning of public places, provision of proper drainage & Sewage Treatment Plant, provision for disposal of faecal sludge, provision of toilets and other related activities.

High Priorities Areas	
Other Priority Areas	
(a) Physical infrastructure	Providing required physical infrastructure - road, bridges, railways and waterways projects.
(b) Irrigation:	Developing alternate sources of irrigation, adoption of suitable and advanced irrigation techniques.
(c) Energy and Watershed Development	Development of alternate source of energy (including micro-hydel) and rainwater harvesting system. Development of orchards, integrated farming and economic forestry and restoration of catchments.
d) Any other measures for enhancing environmental quality in mining district.	

Audit observed that in both the selected districts, schemes/projects not covered under PMKKKY Guidelines had been implemented from the DMF Fund as per details given below:

Table 5.3.10: Statement showing implementation of schemes/projects not covered under PMKKKY Guidelines

(₹ in crore)

Sl. No.	Schemes/Projects not covered by PMKKKY guidelines	DMF	Amount estimated	Amount sanctioned
1	Construction of Community Halls (17 nos.)	East Khasi Hills	2.95	2.34
2	Construction of Parking Lots	East Jaintia Hills	1.02	1.02
Total:			**3.97**	**3.36**

From the table above, it can be seen that DMF fund to the tune of ₹ 3.36 crore was incurred during 2018-19 to 2022-23 from the DMF fund on schemes/projects which were not covered under the PMKKKY guidelines. (**Appendix 5.3.15**).

In reply, the Additional DC, i/c East Khasi Hills (April 2024) did not offer any clarification on the construction of Community Halls but simply stated that in future the schemes will be implemented as per the norms and guidelines. The DC, Khliehriat in reply (April 2024) also did not offer any clarification on the construction of multi-level parking lot at Khliehriat.

Thus, expenditure incurred on schemes/projects not covered by the scheme guidelines to the tune of ₹ 3.36 crore was irregular.

Recommendation: *The DMR may ensure that all the DMFTs comply with scheme guidelines to avoid any expenditure which are not permissible.*

5.3.11.4 Schemes/projects implemented on areas not affected by mining activities

The objective of PMKKKY scheme was to implement various developmental and welfare projects/programs in mining affected areas to minimise/mitigate the adverse impacts, during and after mining, on the environment, health and socio-economics of people in mining districts and to ensure long-term sustainable livelihoods for the affected people in mining areas.

Scrutiny of records (February 2024) showed that the Governing Council of DMFT, East Khasi Hills District did not maintain any list of mining affected areas. Audit observed that DMFT, East Khasi Hills implemented three projects/schemes in government offices which are not mining affected areas as per details given in **Table 5.3.11**.

Table 5.3.11: Statement showing schemes/projects implemented in government offices by DMFT, East Khasi Hills during 2018-19 to 2022-23

(₹ in crore)

Sl. No.	Name of the scheme/project	Amount Spent
1	Installation of solar lights in the Block Development offices	0.80
2	Construction of Rainwater Harvesting for Circuit House, Sohra Civil Sub-Division, Sohra	0.32
3	Improvement of water supply at Circuit House, Sohra Civil Sub-Division	0.11
	Total:	**1.23**

The expenditure incurred on the above schemes (₹ 1.23 crore) constituted three *per cent* of the total expenditure (₹ 41.23 crore) of DMFT, East Khasi Hills.

In reply, the Additional DC, East Khasi Hills stated (April 2024), that the schemes and projects implemented in the Circuit House, Sohra Civil Sub-Division, and Block Development Offices were approved during the Governing Council meetings held on 22 January 2020 and 03 September 2020, respectively.

Audit observed that in East Khasi Hills, three projects (₹ 1.23 crore) were implemented in Circuit Houses and BDO offices, which are not located in mining-affected areas and do not benefit affected communities.

The Department did not provide evidence to show whether these locations were included within directly or indirectly affected zones. In the absence of such mapping and documentation, the expenditure cannot be considered compliant with PMKKKY guidelines, which mandate targeting of mining-affected people and areas.

As per Rule 5 of the DMF Rules, 2017 and Paragraph 1(C) of the PMKKKY guidelines, the Governing Council is mandated to first identify and maintain an updated list of areas and people directly and indirectly affected by mining activities. In the absence of such a list, there exists no legitimate basis to approve schemes that claim to benefit mining-affected areas or communities.

Further, the projects implemented in Circuit Houses and Block Development Offices serve administrative infrastructure and not mining-affected populations. These locations do not fall within any declared mining-affected area, nor is there any evidence to show that they benefit mining-affected households either directly or indirectly. Thus, the approval of such projects by the Governing Council cannot override the statutory requirement of targeted and need-based utilisation of DMF funds.

Therefore, the reply does not address the core issue of non-compliance with the guidelines and further reinforces the audit observation that DMF funds were diverted to ineligible locations, undermining the intended purpose of the scheme.

Thus, ₹ 1.23 (three *per cent* of total DMF expenditure in East Khasi Hills) was incurred on projects that could not be conclusively linked to mining-affected areas or communities, in violation of the DMF Rules and scheme objectives.

Recommendations:

(i) The Government may direct all DMFTs to ensure that schemes proposed for DMF funding are approved strictly based on a verified and updated list of mining-affected areas and beneficiaries, as mandated under Rule 5 of the DMF Rules, 2017 and Paragraph 1(C) of the PMKKKY guidelines.

(ii) The Department may institutionalise a mechanism for pre-sanction scrutiny of proposals to confirm alignment with DMF objectives and eligibility criteria and ensure that projects benefiting administrative assets or general infrastructure are excluded unless directly linked to the welfare of mining-affected communities.

5.3.11.5 Purchase of vehicles without the approval of the Government

Paragraph 2(2)(b) of the PMKKKY guidelines provides that any purchase of vehicle by the foundation shall require prior approval of the State Government.

Scrutiny of records (February 2022) revealed that, an amount of ₹ 0.94 crore was spent by DMF, East Khasi Hills for purchase of eight[142] vehicles. However, there were no records to show that vehicles had been purchased after obtaining the required approval of the State Government.

In reply, the Additional DC, i/c East Khasi Hills in reply stated (April 2024) that the purchase of ambulance was approved in the 7th meeting of the Governing Council held on May 2020 for Covid-19 and was spent in accordance to the direction of Ministry of Mines, GoI, *i.e.* to use 30 *per cent* of the fund for COVID-19 Pandemic amounting to ₹ 54.46 lakh, while the remaining amount was used to purchase vehicle for office use of DMFT, East Khasi Hills.

The reply of Addl. DC is not acceptable as the order issued by the Ministry of Mines in March 2020 did not contain any instruction for purchase of vehicles for office use.

Audit requested further details on the vehicles in March 2025. In response, the Additional DC, DMFT, East Khasi Hills provided the information in April 2025 as detailed below:

Table 5.3.12: List of vehicles purchased in DMFT, East Khasi Hills

(Amount in ₹)

Sl. No.	Registration No.	Date of Purchase	Date of Registration	Cost of the vehicles	Whether vehicles are being used as ambulance
1	ML01 7942	15.06.2020	22.09.2020	10,34,476	Yes
2	ML01 A 0216	Feb 2022	13.10.2022	11,71,140	
3	ML01 7943	24.06.2020	22.09.2020	10,34,476	
4	ML01 7944	05.08.2020	22.09.2020	10,34,476	
5	ML01 7780	10.01.2020	06.03.2020	8,92,576	No
6	ML01 7782	10.01.2020	06.03.2020	8,92,576	
7	ML01 7783	25.02.2020	06.03.2020	22,18,414	
8	-	31.03.2020	Not Registered	11,71,140	Lying idle
Total				**94,49,274**	**-**

[142] Two Mahindra TUV and three Bolero- ₹ 54.46 lakh + one Toyota Car - ₹ 22.18 lakh + Two Bolero - ₹ 17.85 lakh.

From the table above, it is evident that four out of the eight vehicles were not utilised as ambulance. Moreover, one vehicle, although purchased on 31 March 2020, remains unregistered and has been lying idle as on April 2025. The reason for the vehicle not being registered as stated by DMFT, East Khasi Hills was because as per Supreme Court order dated 24 October 2018, no motor vehicle conforming to the emission standard of Bharat Stage IV shall be sold or registered in the entire country with effect from 01 April 2020. This indicates a lack of timely planning and inadequate risk assessment during the procurement process considering that the Supreme Court order was issued in October 2018.

Hence, the purchase of vehicles made without the approval of the State government was in violation of the scheme guidelines. Further, the unregistered and unused vehicle resulted in avoidable loss of revenue from the DMF Fund. Thus, expenditure of ₹ 0.52 crore[143] incurred for purchase of vehicles for office use from the DMF fund was irregular and indicative of lapses in financial management and governance.

5.3.11.6 Short execution of work

The Governing Council, DMF East Jaintia Hills, in the meeting held on 18 October 2021, approved the work for metaling and black topping of approach road (3.12 km) at Brichyrnot, with an estimated cost of ₹ 2.50 crore. The estimate for the work was prepared by the Project Manager, DMF, East Jaintia Hills.

The Deputy Commissioner cum Chairman, DMF, Khliehriat issued the sanction order on 19 November 2021 with the condition that the work be executed departmentally under the supervision of the JE, DMF.

Scrutiny of records (February 2024) revealed that the construction began on 19 November 2021. As per the work abstract, the entire estimated stretch of the road (3.12 km) was completed on 30 April 2022, after incurring an expenditure of ₹ 2.18 crore. During joint physical verification (30 February 2024), it was seen that only metaling and not black topping, had been completed on the entire stretch of the approach road as of February 2024. Pictures taken during the JPV are presented below:

Approach road at Brichyrnot

Hence, the project remained incomplete even after incurring 87 *per cent* of expenditure. Further scrutiny revealed that the Deputy Commissioner cum Chairman, DMF, in November

[143] Sl. No. 5 to 8 of Table 5.3.12.

2022 cancelled the project with the reason that the designed load of the proposed road was only 10 MT capacity but large number of trucks carrying load of more than 20 MT to 30 MT are continuously plying through the road.

In reply, the DC, Khliehriat stated (April 2024) that the payment has been made on the basis of actual and the sanctioned road length was reduced later due to the lack of funds and payment was made on the basis of assessment of work already done.

The position indicates poor planning and short execution of work within the sanctioned cost leading to non-achievement of providing blacktopping road in Brichyrnot in East Jaintia hills.

5.3.11.7 Idle expenditure of ₹ 4.40 crore

Audit observed that three projects implemented in East Jaintia Hills under DMF during the period 2018-19 to 2022-23, at a total cost of ₹ 4.40 crore, were executed under the direct supervision of the Junior Engineer, District Rural Development Agency (DRDA), West Jaintia Hills District. These projects were completed between May 2021 and January 2022. As of February 2024, the status of these projects, based on findings from the Joint Physical Verification (JPV), is detailed in **Table 5.3.13**.

Table 5.3.13: Statement showing status of schemes/projects implemented in East Jaintia Hills

Sl. No.	Details of the projects	Audit observation	Pictures taken during JPV
1.	**Name of the project:** Construction of Skill Institute at Lumshnong Village **Sanction No. & date:** EJHD/DMF-7/2021/01 dated 24.02.2021 **Sanction Amount:** ₹ 2.00 crore **Commencement date:** 24.02.2021 **Completion date:** 22.11.2021 **Total expenditure incurred:** ₹ 2.00 crore	The Governing Council of the DMF, East Jaintia Hills District in the meeting held on 18 October 2021 approved for construction of Skill Institute at Lumshnong, East Jaintia Hills District at an estimated cost of ₹ 2.00 crore. The skill institute was completed in November 2021 but remained unutilised for more than two years resulting in idle expenditure of ₹ 2.00 crore. During JPV (February 2024), it was observed that the Skill Institute was locked and unattended, without any caretaker and maintenance. Additionally, numerous windowpanes on the ground and first floors, as well as in the workshops, were broken, and there was no electricity connection available. In reply, the DC, Khliehriat stated (April 2024) that a MoU was being signed with Star Cement to open a Computer Training Institute in the building.	 

Sl. No.	Details of the projects	Audit observation	Pictures taken during JPV
2.	**Name of the project:** Construction of DMF office building at Deinchynrum, Khliehriat **Sanction No. & date:** EJHD/REV-221/DMF_OFFICE/2020/28 dated 23.10.2020 **Sanction Cost:** ₹ 2.00 crore **Commencement date:** 23.10.2020 **Completion date:** 31.05.2021 **Total expenditure incurred:** ₹ 2.00 crore	The Governing Council of the DMF, East Jaintia Hills District, in a meeting held on 04 July 2019, approved the construction of DMF office building in Khliehriat at an estimated cost of ₹ 2.00 crore. Although the work was completed in May 2021, the building remained unutilised for more than three years as of September 2024 resulting in idle expenditure of ₹ 2.00 crore. During JPV (February 2024), it was observed that the building was locked and unattended, without any caretaker or maintenance. Cracks were noticed on the walls with some windowpanes broken, toilet doors were damaged, and there was no electricity and water connection available.	 
3.	**Name of the project:** Construction of Skill Institute above DMF office building at Deinchynrum **Sanctioned Amount:** ₹ 0.40 crore **Commencement date:** 22.07.2021 **Completion date:** 20.01.2022 **Total expenditure incurred:** ₹ 0.40 crore	The Governing Council of the DMF, East Jaintia Hills District in the meeting held on 03 February 2021 approved for construction of Skill Institute **above** DMF office building at Deinchynrum, Khliehriat. Although the work was completed in January 2022 but remained unused for more than two years resulting in idle expenditure of ₹ 40.09 lakh. During JPV, it was seen that the Skill Institute was left unutilised, without any caretaker or maintenance. In reply, the DC, Khliehriat stated (April 2024) that accommodation of the Skill Institute has been allotted to the Meghalaya Khadi and Village Industries Board and it is looking forward to start in the month of June 2024. As of September 2024, the Skill Institute is yet to be made functional.	

The present status of utilisation of the above-mentioned skill institutes and office building was requested by Audit (March 2025), however, no reply was forthcoming till date (June 2025).

Thus, the three projects executed at the cost of ₹ 4.40 crore under East Jaintia Hills remained unutilised for more than two to three years. The buildings had deteriorated during this period and are not ready for occupation in the near future resulting in non-achievement of the objective of the projects for which these were executed.

Recommendations: *The DMR may take necessary steps to operationalise the DMF office building and ensure that the institutes entrusted with managing the skill centres commence operations within a specified timeframe. This will help prevent further deterioration of the buildings and idling of assets already created.*

5.3.12 Conclusion

The review of Meghalaya's DMF Rules, 2017 revealed that there was lack of clarity regarding the duties assigned for preparation and submission of essential documents such as Annual

Plan, Budgets, project proposals, *etc*. to the Governing Council. Further, there was non-compliance in the matter of timely audits and public disclosures, and failure to prepare required plans and reports necessary for the smooth functioning of the Trusts, thereby highlighting systemic weaknesses in the functioning of the DMFTs in the State.

There was shortfall in DMF fund collection relative to the royalty collected by DMR from 2018-19 to 2023-24, resulting in an overall shortfall of ₹ 35.84 crore. Fund allocation across districts during 2018-19 to 2022-23 was inconsistent, with excess allocations in East Khasi Hills and East Jaintia Hills, while West Jaintia Hills, Southwest Khasi Hills, and Ri-Bhoi faced shortfalls in allocation. Additionally,₹ 22.56 crore of the DMF Fund remained unallocated and idle at the end of 31 March 2023.

The SSCA revealed short/non-realisation of DMF contributions relative to the royalty collected totalling to ₹ 71.89 crore which was realisable from incidentally mined limestone (₹ 43.95 crore), auctioned coal (₹ 0.57 crore), lease holders of major minerals (₹ 1.73 crore), and lease holders of minor minerals and DFO (T), Tura (₹ 25.64[144] crore) besides non-levy of interest by the Department for delay in payment of DMF contributions by lease holders of major minerals amounting to ₹ 2.05 crore. Additionally, short payment of royalty amounting to ₹ 1.41 crore by mining lease holders of minor minerals was also noticed during the SSCA.

The audit revealed significant mismanagement of DMF funds in the two sampled DMFTs, East Khasi Hills and East Jaintia Hills, including failure to identify affected communities for implementation of schemes. There was diversion of ₹ 3.364 crore to non-PMKKKY schemes, along with ₹ 1.23 crore spent on projects in areas not affected by mining activities. Additionally, ₹ 0.52 crore was spent on purchase of vehicles for office use without prior approval from the State Government. JPV revealed three projects, *i.e.,* construction of two Skill Institutes and a DMF office building, executed by DMFT, East Jaintia Hills, were completed between May 2021 and January 2022 but remained unused and deteriorating resulting in idle expenditure of ₹ 4.40 crore.

5.3.13 Summary of Recommendations

(i) The State Government may consider formulating a SOP clearly defining the roles and responsibilities for each functionary within the Trusts for effective performance of entrusted duties provided in the Rules. The DMR may also ensure compliance to the provisions of the Rules at the State level and in the districts to reduce the systemic deficiencies in the functioning of DMFTs in the State.

(ii) DMR and the Forests & Environment Department should (i) mandate that all DMF contributions be accompanied by complete receipts including district-wise breakup, mineral type, and leaseholder details. Contributions without this information should be rejected or kept in suspense, (ii) institute a quarterly reconciliation process between reported collections and funds received in the bank accounts, (iii) issue directions holding DMR officers and DFOs accountable for lapses in verification and district-level tagging, (iv) retrospectively identify the originating districts for the ₹ 22.56 crore

[144] ₹ 18.98 crore from lease holders of minor minerals (₹ 8.66 crore on short payment of DMF and ₹ 10.32 crore on non-payment of DMF) + ₹ 6.66 crore from DFO (T), Tura on non-payment of DMF.

discrepancy and allocate these funds to the correct DMFTs, and (v) immediately reallocate the unspent ₹ 25.66 crore (up to 2022-23) based on verified district-level requirements.

(iii) *The DMR may (i) establish a transparent, rule-based allocation formula linked to DMF collections and district needs, (ii) conduct quarterly reconciliation of bank records and DMR statements, (iii) monitor yearly utilisation and link future releases to performance, and (iv) mandate annual submission of audited accounts by all DMFTs by 30 June of each year.*

(iv) *The State Government may issue directions to ensure that extraction of minerals, including minor minerals such as limestone, is permitted strictly in accordance with valid mining leases granted under the Mines and Minerals (Development and Regulation) Act, 1957 and the relevant Mineral Concession Rules.*

(v) *The Government may consider prescribing clear, quantitative thresholds and procedural safeguards to regulate the scope of incidental extraction, in line with the powers conferred by Clause 23C of the MMDR Act, 1957, which empowers the State Government to make rules to prevent illegal mining. Instances where the quantity of mineral extracted exceeds such prescribed limits should be mandatorily subjected to prior approval and brought under the ambit of a formal mining lease, in order to ensure compliance with statutory provisions and prevent misuse of the incidental extraction clause.*

(vi) *The Government may initiate a verification exercise to assess whether mineral extraction reported as incidental was appropriately accounted for and whether associated statutory dues such as royalty, District Mineral Foundation (DMF) contributions, Meghalaya Minor Mineral Reclamation Fund (MMMRF) levies, and other applicable charges were duly paid. In cases of non-compliance, recovery proceedings including imposition of penalties may be initiated.*

(vii) *The Department may consider developing an integrated digital platform to monitor all incidental extraction activities. The system should capture details such as extraction requests, approvals accorded, quantity extracted, and statutory dues deposited, with provisions for real-time integration with district mining offices to strengthen field-level oversight.*

(viii) *The Government may constitute a Standing Review Committee to examine all approvals granted for incidental extraction over the past five years. The Committee may be assigned the responsibility of identifying systemic gaps and recommending regulatory reforms to prevent recurrence of unauthorised or excessive mineral extraction under the guise of incidental activity.*

(ix) *The Department may consider levying DMF whenever royalty is charged on coal extracted from illegal mining operations in the State to safeguard the financial interest of the State. Further, the Department may take action as per Section 21 of the MMDR Act, 1957 against violators of Section 4 of the Act, ibid.*

(x) *The Department may (i) institutionalise a periodic assessment mechanism to verify DMF dues against actual mineral transported by each leaseholder, and ensure timely* *collection and deposit into the DMF Fund, (ii) issue detailed instructions delineating the roles and responsibilities of all officers and agencies involved in the collection, monitoring, and enforcement of DMF contributions, and (iii) have a digital dashboard developed to reconcile DMF dues with royalty and transport challans and enable automated flagging of defaults. Accountability may be fixed in cases of persistent non-compliance.*

(xi) *The Department may (i) direct all DMFTs to prepare and maintain updated lists of areas and people directly and indirectly affected by mining activities, in accordance with Rule 5 of the DMF Rules, 2017 and PMKKKY guidelines. The list should be reviewed and updated at least once every two years, with supporting documentation and field verification, and (ii) prescribe a uniform framework and ensure that identification is conducted in consultation with local bodies, mining departments, and other stakeholders using socio-economic and environmental criteria. The updated lists should be placed before the Governing Council for approval and uploaded to the district website for public transparency.*

(xii) *The DMR may ensure that all the DMFTs comply with scheme guidelines to avoid any expenditure which are not permissible.*

(xiii) *The Government may direct all DMFTs to ensure that schemes proposed for DMF funding are approved strictly based on a verified and updated list of mining-affected areas and beneficiaries, as mandated under Rule 5 of the DMF Rules, 2017 and Paragraph 1(C) of the PMKKKY guidelines.*

(xiv) *The Department may institutionalise a mechanism for pre-sanction scrutiny of proposals to confirm alignment with DMF objectives and eligibility criteria and ensure that projects benefiting administrative assets or general infrastructure are excluded unless directly linked to the welfare of mining-affected communities.*

(xv) *The DMR may take necessary steps to operationalise the DMF office building and ensure that the institutes entrusted with managing the skill centres commence operations within a specified timeframe. This will help prevent further deterioration of the buildings and idling of assets already created.*