

## CHAPTER-V

### INTERNAL CONTROL AND MONITORING MECHANISM

#### Summary

*Monitoring of mining activity is an essential function to ensure the compliance of the rules and regulations by adhering to the procedures in place. It was noticed that shortage of manpower had an adverse effect on smooth working of Department and control of illegal mining activities. Departmental security force and Departmental mobile squad were not formed by the DGM. No norms were fixed for higher officers for inspection of mining areas.*

*Quarterly returns, the main tool of control to compare the quantity excavated against the admissible quantity indicated in the mining plan and to collect information regarding skilled and unskilled labourers engaged in mining sector, were not submitted by the lessees in many cases. Submission of environment statements were not monitored during the period of lease.*

*Plantation of trees by the lessees, as required in the No-objection Certificates issued by the Forest Department was not monitored by the Department. Reclamation and rehabilitation work by the lessees in closed mines was also not monitored by the Department. Non-monitoring of these works involved risk of environmental degradation. The State Government formed the District Mineral Foundation Trust with a delay of more than two years due to which, implementation of socio-economic development programs in the mining areas were delayed. The DGM and concerned trustees did not make efforts for audit of accounts of the Trust. Trustees of concerned DMF did not adhere to provisions of DMFT rules in respect of utilisation of DMFT funds.*

#### 5.1 Introduction

Monitoring of mining activity is an essential function to ensure the compliance of the rules and regulations by adhering to the procedures in place. Without continuous monitoring, the Department would not be in position to identify any potential issues, area of improvement and detect the illegal mining in time to safeguard the revenue as well as adverse impact on environment. In Geology and Mining Department, various tools for monitoring have been prescribed i.e. assessment, returns, e-MM-11 forms etc. Audit scrutinised the monitoring system of the Department to review its effectiveness.

Some weaknesses noticed by Audit in the monitoring system are discussed hereunder:

## Audit findings

### 5.2 Weak internal control

Internal Audit Wing (IAW) of an organisation is a vital component of the internal control mechanism and it enables the organisation to assure itself that the prescribed systems are functioning reasonably well.

IAW of the Geology and Mining Department functions under the supervision of Finance Controller. The details of internal audit planning such as number of units planned for audit, number of units audited and shortfall are mentioned in **Table-5.1**.

**Table 5.1**  
Audit planning by Internal Audit Wing

Year	Total number of units available <sup>89</sup>	Units planned for audit	Number of units actually audited	Shortfall	Percentage of shortfall
2017-18	31	18	08	10	55.55
2018-19	31	31	30	01	3.22
2019-20	34	34	32	02	5.88
2020-21	34	23	21	02	8.69
2021-22	34	31	23	08	25.80

Source-Information provided by the Department

IAW could not achieve the target of units actually audited with respect to planned units for audit. The shortfall in audit ranged between 3.22 to 55.55 *per cent* between 2017-18 and 2021-22.

The internal audit conducted by the IAW and number and amount of objections raised and settled during the period 2017-18 to 2021-22 is mentioned in **Table-5.2**.

**Table 5.2**  
Compliance of objections raised by IAW

(₹ in lakh)

Year	Opening balance		Addition during the year		Clearance during the year		Closing balance	
	No. of cases	Amount involved	No. of cases	Amount involved	No. of cases	Amount involved	No. of cases	Amount involved
2017-18	1,428	100.10	14	6.86	0	0.27	1,442	106.69
2018-19	1,442	106.69	62	45.78	0	0.37	1,504	152.11
2019-20	1,504	152.11	42	13.48	0	0	1,546	165.59
2020-21	1,546	165.59	23	8.10	0	4.37	1,569	169.32
2021-22	1,569	169.32	24	6.63	2	0.51	1,591	175.44

Source-Information provided by the Department

<sup>89</sup> As per information provided by the Department, audit of 34 DMOs is done by IAW and other DMOs are audited by Revenue Board.

It is clear from the above table that the compliance made by the Department against the cases raised by the IAW was very low in all the years.

The Department replied (July 2023) that there is shortage in person-in-position in IAW of the Department against sanctioned posts. A request has been made to the Director, Internal Audit, Uttar Pradesh, Lucknow for fulfilling the vacancies in the Wing.

### **5.3 Electronically generated transit passes (e-MM-11 forms) not audited by Internal Audit Wing**

GoUP instructed vide order dated 11 July, 2017 that departmental internal audit team will audit electronically generated transit pass (e-MM-11 forms) every month regarding security and supervision measures and its report would be made available to the DGM.

Audit noticed in 17 DMOs<sup>90</sup> and Directorate, Geology and Mining that IAW of the Department did not follow the aforesaid Government order and did not audit the records of e-MM-11 forms. This resulted in discrepancies in generation of e-MM-11 forms and mis-utilisation of e-MM-11 forms as observed by Audit in the analysis of data of e-MM-11 forms provided by the Department and illustrated in **Paragraph 4.6** of Chapter-IV of this Report. Due to weak internal control, the Department could not detect and prevent these discrepancies.

The Government, in exit conference, stated that security audit of e-MM-11 forms has been conducted but its documentation has not been done.

The fact remains that the discrepancies, noticed by Audit, in generation/ utilisation of e-MM-11 forms could not be detected by the IAW/Department and the Department could not provide any document regarding audit of e-MM-11 forms.

### **5.4 Inadequate Human Resource**

Availability of manpower is key factor for efficient and smooth working of the Department.

In 18 test-checked DMOs, Audit checked sanctioned strength and person-in-position of key human resource (Mining Officer, Mines Inspector, Surveyor and Mining Clerk) and noticed that in five<sup>91</sup> districts only one person was posted, in six<sup>92</sup> districts only two persons were posted and in only six<sup>93</sup> districts more than two persons were posted in 2021-22. The DMO Baghpat did not reply to any Audit memo. The above person-in-position shows that shortage of manpower was acute. However, the district-wise sanctioned strength was not furnished by the DGM.

Further, Audit examined the position of sanctioned strength and person-in-position provided by the DGM with respect to Sr. Mines Officer/ Mines Officer, Mines Inspector, Surveyor, Draftsman and Clerk posted in the

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<sup>90</sup> Baghpat, Banda, Bulandshahr, Chitrakoot, Fatehpur, GB Nagar, Hamirpur, JP Nagar, Kanpur Dehat, Kaushambi, Mahoba, Prayagraj, Saharanpur, Sambhal, Shamli, Siddharthnagar and Sonebhadra.

<sup>91</sup> Bulandshahr, JP Nagar, Muzaffarnagar, Shamli and Siddharthnagar.

<sup>92</sup> Chitrakoot, Fatehpur, GB Nagar, Kanpur Dehat and Kaushambi.

<sup>93</sup> Banda, Hamirpur, Mahoba, Prayagraj, Saharanpur and Sonebhadra.

Directorate as well as field offices and noticed that there was major shortage of manpower (as on 1 February 2023) against sanctioned strength. Details are shown in **Table-5.3**.

**Table 5.3**  
**Inadequate Human Resource**

Post	Sanctioned strength	Person-in-position	Vacant post	Shortage (in per cent)
Sr. Mines Officer/Mines Officer	67	47	20	29.85
Mines Inspector	75	20	55	73.33
Surveyor	41	8	33	80.49
Draftsman	16	8	8	50.00
Mines Clerk	150	45	105	70.00
<b>Total</b>	<b>349</b>	<b>128</b>	<b>221</b>	<b>63.32</b>

The above table depicts that there was acute shortage of officers/officials ranging from 29.85 *per cent* to 80.49 *per cent*. Departmental security force and departmental mobile squad could not be formed and inspection of the mining areas could not be done as per norms due to shortage of manpower, as discussed in **Paragraphs 5.5 and 5.6**. Thus, shortage of manpower had an adverse effect on smooth working of the Department and control of illegal mining activities.

The Department replied (July 2023) that the recruitment process for the vacant posts is being done through the Uttar Pradesh Public Service commission.

The fact remains that there were 11 out of 18 districts where only one or two persons were posted. Overall, there was 63.32 *per cent* shortage in person-in-position against sanctioned strength at Directorate and field offices which adversely affects the smooth working of the Department as well as proper control and monitoring of mining activities within the State.

### **5.5 Departmental security force and departmental mobile squad not formed**

As per Mining Policy 2017, departmental security force and departmental mobile squad were to be formed to control illegal mining and transportation of minerals. Departmental security force is to act under control of Directorate, Geology and Mining, Uttar Pradesh and departmental mobile squad at regional office level.

Audit noticed that departmental security force and departmental mobile squad were not formed by the DGM. DGM did not initiate any action to implement the provisions of the Mining Policy. Effective control on illegal mining and transportation was not being exercised in absence of security force at DGM level and mobile squad at regional office level.

The Government, in exit conference, accepted the Audit observation and stated that due to shortage of manpower departmental security force and departmental mobile squad could not be formed.

## 5.6 Inspection norms not fixed for officers

Under the provisions of the MMDR Act, 1957 and the UPMMC Rules, 1963, the District officer not below the rank of Mines inspectors may enter and inspect any mines, survey and take measurement in any such mine. DGM, in its order dated 17 June 2009 instructed to all DMOs/MIs posted in districts that strict compliance of provisions of the UPMMC Rules, 1963 may be ascertained for sustainable and scientific mining for development of mining areas. Further, DGM instructed that at least one site inspection may be carried out of mining areas under own jurisdiction within three months.

In 18 selected DMOs, number of inspections carried out in mining leases and brick kilns were not provided to Audit. However, the Directorate replied that inspection could not be done as per order of DGM due to shortage of manpower. Audit noticed that no norms were fixed for Director, Additional Director, Joint Director and Senior Mines Officer for inspection of mining areas.

The Government, in exit conference, stated that due to shortage of officers, inspection norms were not fixed. Now, number of inspections have been increased as number of officers is enhanced and the inspection norms would be devised for proper monitoring.

### Recommendations:

12. The Government may consider to provide requisite manpower to the Internal Audit Wing and other wings of the Department to strengthen the reporting and monitoring system.
13. The Government may consider to fix the inspection norms for officers of the Department for proper monitoring of mining activities.

## 5.7 Returns not submitted by executing agencies for minerals used in civil work

GoUP vide order<sup>94</sup> dated 2 February 2001, instructed District Magistrates to ensure payment of royalty on minerals used in public works. Through the said order dated 2 February 2001 and subsequent orders issued in the same manner, instructions were also issued that while receiving the supply of minerals to be used in civil works, it should be ensured that the minerals to be received are royalty paid as per rules and transportation of minerals has been done on the basis of valid transit pass (MM-11). As per Government order<sup>95</sup> dated 5 October 2006, where minor minerals have been supplied without payment of royalty, the royalty should be deducted at the prescribed rate from the contractors' bills before payment of bills and deposited in the relevant account head and a copy of the treasury challan should be sent to the concerned District Magistrate. Simultaneously, a certificate should also be made available to the District Magistrate and Director, Geology and Mining every month by the executing institutions/construction units to the effect that there is no balance of royalty of minerals/minor mineral to be recovered from the contractor or deposited in the treasury.

<sup>94</sup> GO No.-594/77-5-2001/200/77 TC-1.

<sup>95</sup> GO No-4951(1)-77-5-2006-506/05.

Again, according to the order<sup>96</sup> dated 15 October 2015 of the Chief Secretary, GoUP, if any mineral is used by the contractor, engaged by executing agencies, in civil works without valid transit pass (MM-11), then the royalty for the minor mineral used as well as the price of mineral (generally five times of the royalty) should be deducted from the contractor's bill.

During the audit of the records of the office of the 15 DMOs<sup>97</sup>, it was found that neither the copies of the royalty deposit challans were sent by the executing agencies nor no dues certificates were submitted to the District Magistrate/Mining Department. The Department had no records that could show how much quantity of mineral was used by the contractors in construction works and how many transit passes were presented as evidence of royalty deposit or how much royalty was deducted from the bills of the contractors and deposited in the treasury on the minerals transported without transit pass.

The Government, in exit conference, accepted the Audit observation and stated that co-ordination between executing agencies and the Geology and Mining Department would be established.

### **5.8 Quarterly returns (MM-12) not submitted by lessees**

Under Rules 73 (1) of the UPMMC Rules, 1963, lessees shall submit quarterly returns for the preceding quarter in Form MM-12 to the District Mines Officer in the second week of July, October, January and April every year. This is the main tool of control to compare the quantity excavated against the admissible quantity indicated in the mining plan. Rule 73(2) provides that whenever any holder of mineral concession fails to submit the return within the time specified in Sub-Rule (1) he shall be liable to pay penalty of ₹ 2,000.

Audit test-checked records related to 217 leases in 16 DMOs and noticed in 10 DMOs<sup>98</sup> that 101 lease holders had not submitted 1,003 quarterly returns (MM-12) during April 2017 to January 2022. The DMOs did not monitor the submission of quarterly return MM-12. The Department did not take any penal action against these defaulters and did not realise the penalty of ₹ 20.06 lakh. In the absence of MM-12 returns the Audit could not ascertain the actual quantity of minerals excavated vis-a-vis dispatched by lessees and also how many labourers were engaged in that mining area. The DMOs had no basic data of skilled and unskilled labourers engaged in mining sector and how much employment was generated for local people.

The Department, in its reply (July 2023), stated that as a result of the online issuance of the transit pass, the complete details of the quantity of mineral extracted from the mining area is available on the departmental portal, due to which there is no relevance of the quarterly statement in the form MM-12.

The reply of the Department does not address the Audit observation. The departmental portal does not have quantity of mineral excavated, data of skilled and unskilled labourers engaged in mining, and employment generated for local people. Further, the UPMMC Rules, 2021 also provides for

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<sup>96</sup> GO No-3385/86-2015-292/2015.

<sup>97</sup> Baghpat, Banda, Bulandshahr, Fatehpur, GB Nagar, Hamirpur, JP Nagar, Kaushambi, Muzaffarnagar, Prayagraj, Saharanpur, Sambhal, Shamli, Siddharthnagar and Sonbhadra.

<sup>98</sup> Baghpat, Bulandshahr, Fatehpur, GB Nagar, Hamirpur, Kanpur Dehat, Mahoba, Prayagraj, Sambhal and Shamli.



submission of quarterly returns in form MM-12 and penalty for non-submission of the same.

**Recommendation 14:**

**The Government may ensure submission of periodic returns to monitor the movement of minerals effectively and gather data of employment generated through mining.**

**5.9 Submission of Environment statement (Form-V) by lessees not monitored**

Rule 14 of the Environment (Protection) Rules, 1986 stipulates that every person carrying on an industry requiring consent under Section 25 of the Water (Prevention and Control of Pollution) Act, 1974 or under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981, shall submit an environment statement (Form-V) for the financial year ending on 31 March to the concerned State Pollution Control Board (SPCB) of every year. Environment clearances (ECs) issued to the lessees also required submission of environment statement in Form-V to the SPCB. ECs assigned the responsibility of monitoring compliance of the conditions stipulated therein on the District Mining Officer.

Principal functions of the Uttar Pradesh Pollution Control Board (UPPCB), as spelt out in the Water Act, 1974 and Air Act, 1981 is the prevention, control and abatement of water and air pollution. The main effort of the board is to assist the industries and entrepreneurs to discharge their daily basic obligations to safe guard environment. The Water and Air Quality monitoring is an important part of the Environmental Management. It also provides background data needed for industrial siting and town planning. Board is regularly quality monitoring the major surface water bodies at 34 places and ambient air quality at 19 places in the state. UPPCB functions through its 28 Regional Offices spread all over the state along with its Head Office at Lucknow.

Audit noticed in 16 DMOs<sup>99</sup> that the DMOs did not monitor submission of environment statement in Form-V by 200 lessees during the period of lease to the UPPCB. The UPPCB also stated that Form-V was not submitted by any of these lessees. However, as per general conditions described in EC, Form-V is required to be submitted to UPPCB timely. Further, as per specific condition of EC, concerned DMOs are required to ensure the complete compliance of EC conditions. Audit found that neither UPPCB nor the Department has taken note of the above provision. Due to not monitoring submission of environment statements, the side effects of air pollution, water pollution, other environmental and social effects could not be assessed near mining areas.

The Government, in exit conference, stated that conditions given in the EC will be amended and at present compliance of environmental standards is monitored by the UPPCB. However, UPPCB accepted the Audit observation and stated that Form-V has not been submitted by any lease holder.

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<sup>99</sup> Banda, Baghpat, Bulandshahar, Chitrakoot, Fatehpur, GB Nagar, Hamirpur, Kanpur Dehat, Kaushambi, Mahoba, Prayagraj, Saharanpur, Sambhal, Shamli, Siddharthnagar & Sonbhadra.

**Recommendation 15:**

**The Government may ensure that a co-ordination mechanism is established between UPPCB and Geology and Mining Department for submission of environment statement in Form-V by the lessees.**

**5.10 Failure to monitor the plantation**

The Government of Uttar Pradesh issued direction on 4 June 2008 to all District Forest Officers (DFOs)/Divisional Directors Social Forestry (DDSF) for addition of the clause of plantation in the NOCs to be issued to mining lease holders. As per this clause, any mining lease holder undertaking mining on one acre or more area shall plant 200 fruity shady trees per acre over the area equal to the lease area for mining with the facility of irrigation and fencing at their own cost. The GO further directed to ensure strict compliance of the order.

Audit noticed in 15 DMOs<sup>100</sup> that 177 mining leases covering 6,824 acre of land were allotted for carrying out mining activities. NOCs were issued to the minor mineral lease holders by the concerned DFOs/DDSFs with condition that they shall plant fruity shady trees by own cost over the area equal to the lease area for mining or over minimum one acre of land (in case of mining area being less than one acre) with the facility of irrigation and fencing at the rate of 200 trees per acre.

Audit observed that there was nothing on record in lease files to indicate that these lessees had raised any plantation as required in above Government order. Despite request, the concerned DMOs also did not provide details of plantation work done by the lessees. Thus, the Department failed to ensure the plantation of 13,64,800 saplings over 6,824 acres area of land by lessees. As a result, there was risk of inhabitants of the mining affected areas being exposed to environmental pollution and lack of cleanliness and deprived of other social benefits. Details are shown in **Appendix-XXVIII**.

The Government, in exit conference, stated that which Geology and Mining Department will ensure compliance to the terms and conditions given in No-objection Certificate granted by Forest Department and in the Environment Certificate is to be decided.

**Recommendation 16:**

**The Government may ensure that a co-ordination mechanism is established between Forest Department and Geology and Mining Department for proper monitoring of the plantation work required to be done by lessees.**

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<sup>100</sup> Baghpat, Banda, Bulandshahr, Chitrakoot, Fatehpur, GB Nagar, Hamirpur, Kanpur Dehat, Kaushambi, Mahoba, Prayagraj, Saharanpur, Shamli, Siddharthnagar and Sonbhadra



### **5.11 Recovery certificates not monitored**

Rule 58(1) of the UPMML Rules, 1963 stipulates that the State Government or any officer authorised by it in this behalf may terminate the mining lease after serving a notice to the lessee to pay within thirty days of the receipt of the notice any amount due or dead rent under the lease including the royalty due to the State Government if it was not paid within 15 days next after the date fixed for such payment. This right shall be in addition to and without prejudice to the right of the State Government to realise such dues from the lessee as arrears of land revenue.

Audit test-checked records in 18 DMOs and noticed in eight DMOs<sup>101</sup> that 161 recovery certificates were issued between 2017-18 and 2021-22 by the Department in which an amount of ₹ 409.85 crore was involved for recovery of mining dues. Out of this, only ₹ 1.17 crore was recovered by the Department. Six recovery certificates of DMO Sonebhadra amounting to ₹ 12.37 crore was returned back mentioning reason that father's name and address was not found or lessees do not have any property. An amount of ₹ 408.68 crore was still unrecovered. Concerned DMOs did not pursue further for recovery of balance amount as detailed in **Appendix-XXIX**.

The Government, in exit conference, assured to review the matter and take appropriate action regarding return of the recovery certificates.

### **5.12 Delay in formation of DMFT in the State**

Section 9(b) of the MMDR Act, 2015 stipulates that in any district affected by mining related activities, the State Government shall, by notification, establish a District Mineral Foundation Trust as a non-profit body.

The objectives of the District Mineral Foundation shall be to work for the interest and benefit of persons and areas affected by mining operations in such manner as may be prescribed by the State Government. Accordingly, the fund available with the trust shall be utilised for drinking water supply, environment preservation and pollution control measures, health care, education, welfare of women and children, welfare of aged and disabled people, skill development and sanitation etc.

The composition and functions of the District Mineral Foundation under Section 15(A) of the Act shall be such as may be prescribed by the State Government. The State Government may prescribe an amount to be paid by all lease holders relating to minor minerals to the District Mineral Foundation of the district in which the mining operations are carried on.

To exercise the powers given to the State Government under Section 15 of the said Act, the DMFT was constituted by the GoUP vide notification<sup>102</sup> dated 25 April 2017 and accordingly the State Government framed Uttar Pradesh District Mineral Foundation Trust Rules, 2017 vide notification<sup>103</sup> dated 15 May 2017 effective from 12 January 2015.

Audit noticed that though a provision was made in the MMDR Act, 2015 for the establishment of DMFT in all the districts on 27 March 2015, the State Government formed the DMFT with a delay of more than two years. Thus

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<sup>101</sup> Banda, Fatehpur, Hamirpur, Kanpur Dehat, Kaushambi, Prayagraj, Shamli and Sonbhadra.

<sup>102</sup> No. 489/86-2017-132/2016 dated 25 April 2017

<sup>103</sup> No. 866/86-2017-132/2016 dated 15 May 2017

delay in formation of the Trust led to delay in implementation of socio-economic development programmes of the mining areas. Objectives of DMFT were not fulfilled before and beneficiaries of mining affected areas were deprived of social and health benefits for the time being. However, DMFT have been established now in all the districts of the State.

The Government, in exit conference, accepted the delay in formation of DMFT in the State and informed that DMFT has been established now in all districts of the State.

The fact remains that delay in formation of the Trust delayed the implementation of socio-economic development programs in the mining areas as per the objectives of the DMFT.

### **5.13 Arrear/DMF contribution register not maintained**

According to Rule 19 of the Uttar Pradesh District Mineral Foundation Trust (the UPDMFT) Rules, 2017, every lessee will have to deposit the amount payable to the trust in the bank account under intimation to the officer to whom the royalty is payable. Every officer who is authorised to collect the amount of royalty shall maintain a register of amount payable and paid by each lessee and the consolidated monthly statement of the same shall be made available to the member secretary of the committee at the end of each month.

Audit noticed in all the selected 18 DMOs that arrear register of royalty due on lessees/brick kiln owners and DMF register was not maintained by concerned DMOs. DMF amount was also not being deposited regularly by the lessees. The complete details of the amount payable and deposited by each lessee towards DMF were not monitored through registers by the Department. Arrear/DMF register is key source to detect what amount of royalty or contribution to DMF is due against lessees. The Department failed to ascertain the arrear of revenue to be paid to the Government and also contribution to DMF.

The Government, in exit conference, stated that desired records will be prepared and a centralised system is being made for this in which the payment of DMF can be done automatically along with royalty.

### **5.14 Accounts of DMF Trust not audited by DGM through a qualified auditor**

According to Rule 12 of the UPDMFT Rules, 2017, the accounts of trust shall be audited by the Director Geology and Mining, Uttar Pradesh through a qualified auditor. The trust shall submit an annual report and compliance of the audit report to the DGM, Uttar Pradesh. According to Rule 18 of the Rules, the Management Committee shall maintain books of accounts, documents and other records relating to the DMF Trust. The accounts of the Trust shall be audited, at least on completion of one year, by a qualified auditor. The auditors of the trust shall be appointed by the trustees from the list of approved auditors notified by the Accountant General of the State.

Audit noticed that DMFT has been set up in each district of the State. As per DMFT Rules, accounts of DMF Trust was to be audited by a qualified auditor on completion of one year. During the scrutiny of files of IAW, it was

observed that only in six DMOs<sup>104</sup> accounts of trust was audited by qualified auditors for the year 2017-18 and 2018-19. Accounts of DMFT in 69 DMOs remained unaudited after lapse of more than five years.

The Government, in exit conference, accepted the Audit observation and stated that accounts of DMF are now being audited. The fact remains that 69 DMOs accounts remained unaudited even after lapse of more than five years.

### **5.15 Expenditure from DMFT fund in violation of DMFT Rules**

According to Rule 17 of the UPDMFT Rules, the fund available with the trust shall be utilised for high priority areas<sup>105</sup> in which at least 60 *per cent* fund shall be utilised and for other priority areas<sup>106</sup> in which upto 40 *per cent* fund shall be utilised.

Rule 5 of the DMFT Rules provide that proposal for the benefit of the persons and areas affected by mining operations shall be prepared and submitted by concerned mining officer. The proposal may be of following nature-(a) basic infrastructure of area e.g. construction and maintenance of approaching road, electricity, sanitation, drinking water facility, hand pump and other public utility work; (b) common plantation in/around area affected by mining operations; (c) any other activities approved by the trust in the interest of mineral development.

Audit noticed in eight DMOs<sup>107</sup> that an amount of ₹ 8.50 crore was released by DMFT to different executing agencies for construction/renovation of community buildings, meeting halls, sports stadium, jogging track, purchase of furniture/equipment, installation of CCTV camera for Government offices. The nature of these works does not pertain to the high priority/other priority areas specified in the Rule 17 and therefore are not related to the overall development of the persons/areas affected by the mining/mining related operations. Trustees of concerned DMF did not adhere to provisions of the DMFT Rules in respect of utilisation of DMFT funds. As a result, the people of the mining affected area were deprived of social, educational and health related benefits.

The Government, in exit conference, stated that in view of environment protection and pollution control, DMF can be utilised in whole district.

The reply of the Government is not acceptable as fund utilised was not pertain to the high priority/other priority areas specified in the Rule 17 and also not for environment protection and pollution control.

#### **Recommendation 17:**

**The Government may ensure utilisation of collected DMFT fund for welfare and development of the persons of mining affected areas in accordance with DMFT rules and fix responsibility for diversion of DMFT fund by authorities.**

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<sup>104</sup> Banda, Hamirpur, Jhansi, Lalitpur, Mahoba and Sonebhadra.

<sup>105</sup> (a) Drinking water supply (b) Environment preservation and pollution control measures (c) Health care (d) Education (e) Welfare of women and children (f) Welfare of aged and disabled people (g) Skill development and (h) Sanitation

<sup>106</sup> (a) Physical infrastructure (b) Irrigation (c) Energy and watershed development (d) any other measures for enhancing environmental quality in mines bearing district.

<sup>107</sup> Banda, Fatehpur, Kaushambi, Prayagraj, Saharanpur, Sambhal, Siddharthnagar, and Sonebhadra.

### **5.16 DMFT fund not utilised for development of mining affected areas and persons**

According to the UPDMFT Rules, on the basis of the recommendation of the concerned Management Committee and the Governing Council, an action plan was to be prepared with the funds available in the trust's funds for welfare and development of mining affected areas and individuals in the district.

Audit examined the DMF file/register in the Office of the District Mines Officer, Hamirpur and Prayagraj and found that funds amounting to ₹ 77.50 crore from the District Mineral Trust Fund were not utilised for development program in the mining affected areas. The Department spent only ₹ 11.00 lakh for development work in Hamirpur in the year 2018-19 and ₹ 8.88 crore for development work in Prayagraj in the year 2020-21 and 2021-22. Thus, in relation to the total amount deposited ₹ 86.95 crore till March 2022, a total expenditure of only ₹ 8.99 crore was incurred for development work between 2018-19 and 2021-22. Till March 2022, the remaining amount of ₹ 77.50 crore, deposited in the DMFT was unutilised. Due to non-utilisation of funds, mining affected areas were deprived of development work and other socio-economic benefits.

The Government, in exit conference, assured to provide updated status of expenditure and the list of districts where Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY) is implemented. However, no such records have been provided to Audit till March 2024.

### **5.17 Deficient validation mechanism in Mine Mitra portal**

Transit passes (e-MM-11) are generated through Mine Mitra portal in Uttar Pradesh. Transit passes are produced as proof of royalty payment in working agencies by contractors. These passes are validated via individual logins on the same portal by working agencies, including those by other States.

Audit examined the records of Jila Panchayat, Sambhal (working agency) and noticed that the contractor produced transit pass of incongruent date (30 February 2021) issued from Uttarakhand State against minor mineral used in civil work and the same was validated by Mine Mitra portal. The Audit got verified the transit pass and found that it was originally issued to another consignee on 10 January 2018 and other particulars are also mismatched with original transit pass. It means Mine Mitra portal is not validating all the particulars depicted in transit pass. Further, the Drawing and Disbursing Officer of working agency also failed to identify this irregularity and subsequently released payment to the contractor. Thus validation process of the portal was deficient, which resulted in the validation of a transit pass with an incongruent date.

The Government, in exit conference, accepted system deficiency and stated that system of validation on portal is under development.

#### **Recommendations:**

**The Government may ensure**

- 18. implementing a robust system for the validation mechanism of Mine Mitra portal to ensure that all the relevant particulars depicted in transit pass are suitably verified.**

- 19. strengthening collaboration with other states to ensure consistent and accurate validation of transit passes. This could involve implementing standardised procedures and a centralised database for verification.**

#### **5.18 Reclamation and rehabilitation work in closed mines not monitored**

In accordance with Rule 23 of the Mineral Conservation and Development Rules, 1988, the lessee will not be able to abandon the mine or part thereof unless final mine closure plan duly approved by the Regional Controller of Mines or the officer authorised for this purpose by the State Government, as the case may be, is implemented. As per Rule 23 (E) of said Rules, it is responsibility of lease holder, agent, manager or mining engineer that security measures mentioned in mining plan in which reclamation and rehabilitation work is included, have been carried out according to mining plan duly approved by competent authority.

Audit test-checked records of 16 DMOs and noticed that in 12 DMOs there were no closed mines of stone and in four DMOs<sup>108</sup> 74 leases of stone mines were closed without carrying out reclamation and rehabilitation work in mining areas. Lessees neither submitted approved mine closure plan nor deposited financial assurance for the purpose of performance of protective, reclamation, rehabilitation measures. Concerned DMOs could not provide the list of mining areas where rehabilitation work was conducted nor list of work done related to this. List of affected persons of mining areas and expenditure incurred on it was also not provided by the DMOs. Thus, Audit could not assess whether the physical condition of mined land was improved, overburden and waste collected in mined area were disposed off and re-vegetation by agriculture or forestry was done. Concerned DMOs did not monitor the reclamation and rehabilitation work in closed mine area. Therefore, backfilling of mining areas, water quality management activities, afforestation over mined areas, restoration of flora and fauna and top soil management activities could not be ensured. Therefore, there was risk of people living in the mining affected areas being exposed to ill effects of environmental degradation.

The Government, in exit conference, accepted the Audit observation and stated that necessary action will be taken in this regard.

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<sup>108</sup> Chitrakoot, Mahoba, Prayagraj and Sonebhadra.

### **5.19 Work related to Corporate Social Responsibility/ Corporate Environment Responsibility/ Environmental Management Plan by lessees not monitored**

As per SSMMG 2016, no mining is allowed without Environmental Clearance (EC). The process of EC involves preparation of Environmental Impact Assessment (EIA)/Environmental Management Plan (EMP) and mining plan. Lessees have to incur expenditure from Corporate Social Responsibility (CSR)/Corporate Environment Responsibility (CER) funds under the terms and conditions of EC to provide for the social and environmental benefits to inhabitants of mining areas. Under CSR/ CER works to be carried out are infrastructure creation for drinking water supply, sanitation, health, education, skill development, electrification including solar power etc. Lessees have to submit EMP to mitigate the environmental impacts which includes the sustainable use of resources used for manufacturing activities ensuring optimisation of resource consumption and occupational health impacts.

Audit test-checked records in 16 DMOs and noticed in case of 140 lessees of 11 DMOs<sup>109</sup> that provision was made for the funds to be spent for adopting the said initiative at the time of issuing the EC to the lease holders. As per provision stipulated in EC, the details of work with address and photographs were required to be submitted to the Directorate as well as concerned District Magistrate. However, there was nothing in lease files of the lessees to indicate that the lessees did any work related to drinking water supply, sanitation, health, education, skill development, electrification including solar power etc. as was required under the conditions of EC. Despite request, the DMOs also did not provide any information regarding work done by the lessees from CSR/CER and action taken by the lessees as per EMP. In the absence of this, fulfilment of the objectives of EMP such as minimum disturbance to the native flora and fauna, compliance with the air, water, soil and noise quality norms, conservation of water to the extent possible and extent of socio-economic development could not be ascertained in Audit.

The Government, in exit conference, stated that the Department will take adequate action in all these things.

### **5.20 Conclusion**

It was noticed that not deploying enough manpower had an adverse effect on monitoring and control of illegal mining activities. Departmental security force and departmental mobile squad therefore could not be formed and inspection of the mining areas could not be done as per norms. Quarterly returns and environment statement were not submitted by the lessees during the period of lease making the internal control further ineffective. UPPCB and the Department could not ensure submission of environment statement in Form-V. Due to delay in formation of District Mineral Foundation Trust, there was delayed implementation of socio-economic development programs in the mining affected areas. The DGM and concerned trustees did not make efforts for audit of accounts of Trust. Trustees of the DMFT did not adhere to provisions of DMFT Rules and made expenditure on works which did not pertain to areas specified in the Rules.

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<sup>109</sup> Banda, Chitrakoot, Fatehpur, GB Nagar, Hamirpur, Kanpur Dehat, Kaushambi, Prayagraj, Saharanpur, Siddharthnagar and Sonbhadra.



Plantation of trees by the lessees, as required in the No-objection Certificates issued by the Forest Department was not monitored by the Department. Reclamation and rehabilitation work by the lessees in closed mines was also not monitored by the Department. Non-monitoring of these works involved risk of deterioration of the flora and fauna of the mined area.



(TANYA SINGH)

Lucknow

The **06 FEBRUARY 2025**

Accountant General (Audit-II),  
Uttar Pradesh

Countersigned



(K. SANJAY MURTHY)

New Delhi

The **14 FEB 2025**

Comptroller and Auditor General of India