

CHAPTER – I

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1.1 The Government of India (GoI) framed (September 2015) Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY) to ensure welfare of people in areas affected by mining related operations. The scheme intended to utilise the funds generated through contributions from the mining lease holders as a percentage of Royalty payable to District Mineral Foundations¹ (DMFs) accruing in terms of Mines and Minerals (Development and Regulation) (MMDR) Act, 1957. The objectives of PMKKKY scheme are: (a) to implement various developmental and welfare projects/programs in mining affected areas and these projects/programs will be complementing the existing ongoing schemes/projects of State and Central Government; (b) to minimize/mitigate the adverse impacts, during and after mining, on the environment, health and socio-economics of people in mining districts; and (c) to ensure long-term sustainable livelihoods for the affected people in mining areas.

In order to implement the scheme, the Government of India amended (January 2015) the Mines and Minerals (Development and Regulation) (MMDR) Act, 1957. The amendment mandated the State Governments to establish a trust, a non-profit body to be called as District Mineral Foundation (DMF) in all the districts affected by mining related operations. As per the amended Act, the composition and functions of the DMFs would be such as may be specified by the State Government. Further, in exercise of the power conferred under section 20A of the MMDR Act, 1957, Government of India *vide* its order dated September 2015, directed the State Governments to incorporate the ‘Pradhan Mantri Khanij Kshetra Kalyan Yojana’ (PMKKKY) into the rules framed by them for the DMFs and to implement the scheme from the funds accruing to DMFs.

In exercise of the powers conferred by sub-sections (5) and (6) of Section 9B of the MMDR Act, 1957 GoI framed (September 2015) the Mines and Minerals (Contribution to District Mineral Foundation) Rules, 2015. Government of Karnataka (GoK) notified (November 2015) the establishment of DMF in all the districts of the State and framed (January 2016) the District Mineral Foundation Rules, 2016. The name of the trust was changed to District Mineral Foundation Trust (DMFT) during March 2018. GoK with amendment (August 2016) to Rule 36-A of Karnataka Minor Mineral Concession Rules, 1994 prescribed the rate of contributions to DMF for minor minerals.

¹ With amendment to the Mines and Minerals (Development and Regulation) Act, 1957, which mandated the State Governments to establish a trust, a non-profit body to be called as District Mineral Foundation (DMF) in all the districts affected by mining related operations.

1.2 Audit objectives

The Performance Audit was undertaken to ascertain whether:

- There are effective planning and institutional arrangements for the implementation of the scheme as per DMF Rules and PMKKKY guidelines;
- The fund management and the system for assessment, demand, and collection of receipts under DMFT were reliable and efficient.
- Monitoring and evaluation of implementation of the scheme was adequate and effective; and
- The scheme was implemented effectively to achieve desired outcomes and could bring positive changes in the affected area and life of people.

1.3 Audit criteria

The main sources of audit criteria for performance audit include:

- Scheme Guidelines issued by Government of India (GoI);
- Mines and Minerals (Development and regulations) Act, 1957 and amendment thereon;
- Karnataka Minor Minerals Concessions Rules, 1994 and amendments thereon;
- District Mineral Foundation Trust Rules, 2016 and amendments thereon;
- Instructions/circulars/orders/manuals/guidelines issued by GoI/GoK regarding the scheme, Decisions of State Level Empowered Committee *etc*;
- Karnataka Financial Code, 1958; and
- Karnataka Transparency in Public Procurement Act, 1999 and Rules.

1.4 Audit scope and methodology

The Performance Audit was conducted for the period 2015-16, *i.e.* since the initiation of the PMKKKY scheme (including DMFT) till 2022-23.

Audit scrutinised records maintained at State Level Monitoring and Evaluation Cell (SLMEC) in the office of Director, Department of Mines and Geology, Deputy Director/ Senior Geologist at selected Districts, DMF cell at Deputy Commissioners Office in Ballari and Vijayanagar. Further, selected works were physically verified jointly along with department officials. A beneficiary survey was also conducted with the help of a questionnaire designed to capture the experience and perception of the beneficiaries regarding the benefits of the scheme.

Audit sample was drawn through Stratified Random Sampling method using IDEA software. The table below depicts the sampling methodology:

Table No. 1.1: Details of sample selected

Sl. No.	Category	Sample size
1	Districts	Five ² out of 31 districts.
2	Taluks	Two taluks ³ based on highest number of works/projects and one taluk ⁴ through random sampling from each of the 5 districts.
3	Works for test check and Joint Physical Inspection (JPI)	417 works (completed /ongoing) created out of DMF funds in selected taluks of all five districts.
4	Beneficiary Survey	961 beneficiaries in selected taluks of all five districts.

The details of district wise sampled works (test checked and jointly inspected) and beneficiary survey conducted are given below:

Table 1.2 Details of sampled works for test check, JPI & beneficiary survey

Sl. No	Particulars for selected districts	Ballari	Chitradurga	Gadag	Bengaluru (Urban)	Vijayanagara	Total
1	Total works taken up for execution	1,764	305	95	607	1,420	4,191
2	Approved Action Plan amount (₹ in crore)	1,593.68	319.39	5.56	76.35	750.25	2,746.43
3	Works completed	989	91	46	374	715	2,215
4	Approved Action Plan amount for completed works (₹ in crore)	515.65	79.47	2.38	28.73	236.35	862.58
5	Works ongoing	169	168	20	70	303	730
6	Approved Action Plan amount for ongoing works (₹ in crore)	657.17	192.67	2.23	18.82	415.08	1,285.97
7	Works yet to commence	185	37	29	141	183	575
8	Approved Action Plan amount for works yet to commence (₹ in crore)	358.50	47.27	0.95	24.38	94.06	525.16
9	Works cancelled	421	9	0	22	219	671
10	Approved Action Plan amount for works cancelled (₹ in crore)	62.36	0	0	4.43	5.95	72.74
11	Number of works selected for test check and JPI	129	75	32	81	100	417
12	Completed	91	30	25	77	72	295

² Ballari, Chitradurga, Vijayanagara, Bengaluru (Urban) and Gadag.

³ Ballari, Sandur, Chitradurga, Holalkere, Hospet, Harapanahalli, Bengaluru (South), Anekal, Ron & Shirahatti.

⁴ Siraguppa, Hosadurga, Kudligi, Bengaluru (North) and Lakshmeshwara.

Sl. No	Particulars for selected districts	Ballari	Chitradurga	Gadag	Bengaluru (Urban)	Vijayanagara	Total
13	Approved Action Plan Amount (₹ in crore)	92.26	41.57	1.14	16.15	52.79	203.91
14	Ongoing works	38	45	7	4	28	122
15	Approved action plan amount (₹ in crore)	241.11	78.55	0.9	2.36	185.80	508.72
16	Number of beneficiaries surveyed	261	455	80	77	88	961

Source: Data provided by the Department

Entry Conference was held on 22 June 2023 and the Exit Conference was held on 19 March 2024. The draft report was issued to the Government on 8 February 2024 and the replies from Government was received on 14 August 2024. The views of the Government have been suitably incorporated in the report, wherever necessary.

1.5 Audit findings

Audit findings are organized in four parts including the following chapters, viz.

- **Chapter – II:** Legal Framework
- **Chapter – III:** Collection of DMFT Funds
- **Chapter – IV:** Accounting Treatment in DMFTs and Accountability and Transparency Mechanism
- **Chapter – V:** Project Management

1.6 Acknowledgement

Audit acknowledges the cooperation and assistance extended by the Department of Mines and Geology, GoK and Implementing Agencies in facilitating the conduct of the Performance Audit.