

**CHAPTER – IV**

**Accounting Treatment,  
Accountability and Transparency  
Mechanism in DMFTs**



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### Accounting Treatment, Accountability and Transparency Mechanism in DMFTs

*DMFT funds were kept idle in Personal Deposit Accounts at treasury foregoing RoI. There was Non-remittance of interest accrued on funds provided by the DMFT, Ballari, by implementing agencies. Laxity on part of DMFT, Ballari in timely investment of Endowment fund in fixed deposits resulting in loss of interest.*

*Since its constitution, no meetings of State Level Steering Committee have been conducted. Only four meetings of State Level Empowered Committee headed by Chief secretary were held to monitor and review the progress of projects and programs of the DMFT and Managing Committees, as against the mandate of minimum of three meetings in a year. In the test checked districts, prescribed number of meetings were not convened by the foundation Trust and Managing Committee. Hence, Audit observed that there was deficiency in monitoring the DMFT activities.*

#### **4.1 Idling of DMFT fund in Personal Deposit Accounts at treasury**

As per the directions (January 2016) of GoK, contribution collected towards DMF were to be deposited in a Personal Deposit (PD) account at the District Treasury. Consequent to amendment (March 2018) of DMFT Rules, each DMFT was allowed to maintain separate bank accounts in any nationalised bank. Further, GoK instructed (June 2018) closure of the PD accounts in the treasury after transferring DMF amounts lying in the PD accounts to the bank accounts.

Audit observed that in three test checked districts, an amount of ₹ 98.86 crore<sup>17</sup> was still lying in the PD accounts from July 2018 to March 2023. The State Level Empowered Committee also had instructed (August 2021 and March 2022) Finance Department to transfer the funds kept in the PD account of treasury to the concerned bank accounts. However, the same was not adhered to (March 2023) resulting in probable loss of interest of ₹ 14.09 crore<sup>18</sup> to DMF on the balance.

The Government replied (August 2024) that suitable action would be initiated to transfer funds from PD accounts to bank accounts in respect of Ballari and Gadag Districts and that there was a difference in the amount remaining in Chitradurga District as per Treasury figures and action would be taken to ascertain the correct amount.

#### **4.2 Interest accruals of DMFT fund**

Rule 17 of the DMFT Rules, 2016 provides for the operation of DMFT funds

<sup>17</sup> Ballari (₹ 37.36 crore), Chitradurga (₹ 59.41 crore) and Gadag (₹ 2.09 crore).

<sup>18</sup> Calculated at the rate of 3 per cent interest for savings account for 57 months from July 2018 to March 2023.

in any of the Nationalised Bank Accounts and Rule 16 stipulates that the interest accrued on the bank account shall also be one of components of the DMFT Fund.

The DMFT provides funds to implementing agencies for various developmental and welfare projects or programmes in mining affected areas. As per the above rule, interest accrued on the funds provided by the DMFT needs to be transferred back after completion of project. On a test check of bank accounts of implementing agencies at Ballari, viz., the Executive Engineer, Karnataka Urban Water Supply and Drainage Board, Commissioner, City Corporation, and Ballari Sheep Development and Training Centre, Kurikoppe, Sandur taluk, Audit observed that an amount of ₹ 1.31 crore had accrued on DMFT grants of ₹ 68.56 crore deposited with implementing agencies for 117 works. The interest earned on DMFT grants were lying with the implementing agencies and were not transferred to DMFT, Ballari. This issue was likely to be found<sup>19</sup> in all districts as the implementing agencies have the funds obtained from DMFTs in advance for execution of works.

The Government replied (August 2024) that interest of ₹ 2.81 crore was remitted to bank account of DMFT, Ballari by implementing agencies. However, the recovery of interest and other details have not been shared with Audit.

**Recommendation:**

**5. Action should be taken by the implementing agencies to transfer the interest accrued on DMFT funds periodically and with unspent balance after completion of each project.**

**4.3 Non-reimbursement of DMF grants**

GoK accorded (May 2021) approval to incur expenditure to the extent of ₹ 14.94 crore towards medical personnel, medicines and medical equipment to 1000 Oxygenated beds constructed by M/s. Jindal Steel Works Limited at Torangallu of Sandur Taluk, Ballari for six months in order to contain spread of COVID-19 pandemic.

Due to emergency situations, the District Health & Family Welfare Officer (DH&FWO), Ballari had incurred ₹ 5.67 crore out of the funds allocated towards COVID-19 out of DMF, Ballari. The DH&FWO utilised these funds towards hiring of medical personnel.

As the above utilised funds are reimbursable by GoK, DH&FWO, requested (December 2021), Deputy Commissioner (DC), Ballari to forward the proposal to the Principal Secretary to GoK, Department of Health and Family Welfare, for reimbursement of ₹ 2.08 crore. The same was forwarded on January 2022.

Audit observed that while claiming reimbursement, DH&FWO, Ballari had not considered the salary to Group 'D' personnel paid to the extent of ₹ 0.91 crore. Further, the matter was not pursued further by the DH&FWO after June 2022.

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<sup>19</sup> The data was not made available in the other test checked Districts of Chitradurga, Gadag, Vijayapura and Bengaluru Urban.

Audit also observed that the amount of ₹ 2.08 crore was not reimbursed till December 2023.

DMFT Ballari replied (November 2023) that a fresh proposal had been submitted to the Government for reimbursement of ₹ 3.30 crore including Group D salary. Only on being pointed out by Audit, the DMFT Ballari raised its demand.

#### **4.4 Investment of Endowment Fund**

Rule 18 (1) of DMFT Rules, 2016, stipulates that 20 *per cent* of the DMFT fund shall be earmarked for endowment purpose after closure of mining activities in the affected areas and the same was subsequently revised (8 March 2018) to 10 *per cent* of the Fund. GoK vide circular (15 June 2021) instructed that the endowment fund should be kept in Fixed Deposit in a Nationalised Bank, after following the procedure prescribed (March 2020) by the Finance Department, GoK.

Audit observed that the Deputy Director, Chitradurga and Sr. Geologist, Gadag accumulated endowment funds to the extent of ₹ 48.39 crore<sup>20</sup> as of March 2023 in Savings Bank Account and PD account operated at Treasury (prior to opening of Bank Account). This resulted in loss of interest to the extent of ₹ 1.83 crore<sup>21</sup> from 2016-2023.

Further, the DMFT, Ballari invested an amount of ₹ 209.63 crore (19 July 2022) and ₹ 36.00 crore (01 February 2023) in Fixed Deposits. If the DMFT Ballari had invested the available Endowment fund of ₹ 252.62 crore (as per CA report of 2021-22) in the Fixed Deposit from the date of issue of instructions (15 June 2021) by GoK, the DMFT, Ballari could have earned an interest of ₹ 7.58 crore<sup>22</sup>.

Audit also noticed that the State Level Empowered Committee and District level committees (Governing Council and Managing Committee) had discussed the collection and expenditure out of DMFT funds and allocation to endowment funds, but did not give specific directions about investment of the endowment funds in any of their meetings.

The Government replied (August 2024) that DMFTs were instructed to deposit endowment funds in nationalised banks as per Government Orders. The reply was silent on non-adherence to the instructions of GoK to invest in Fixed Deposits.

#### **4.5 DMFT Accounts**

Rule 24 of DMFT Rules, 2016, specifies that the accounts of a DMFT shall be audited every year by a Chartered Accountant appointed by the DMFT and shall

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<sup>20</sup> Chitradurga – ₹ 47.18 crore (upto March 2023 only) and Gadag – ₹ 1.21 crore.

<sup>21</sup> Considering minimum interest rate difference of 3 *per cent* per annum between savings bank account and fixed deposit interest.

<sup>22</sup> (3 *per cent* of ₹ 252.62 crore) for 12 months.

be completed within three months of the close of the financial year.

Audit observed that Annual accounts were prepared and audited by Chartered Accountants in the test checked DMFTs. The Chartered Accountants certify the balance sheet, income and expenditure account and receipts and payment account on that date give a true and fair view. The certificate was enclosed to the Annual Report of the DMFTs.

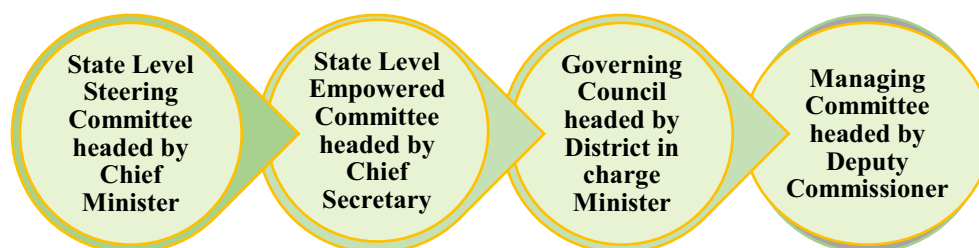
#### **4.6 Monitoring the implementation of projects**

The PMKKKY Scheme was launched to ensure welfare of people in areas affected by mining related operations. Constant monitoring of the scheme's implementation was essential to ensure that the objectives are fulfilled/achieved.

As envisaged by the DMFT Rules, two committees are to be formed to review and monitor the implementation of the projects and programs at State level. In the District level, there are two committees viz., Governing Council of the trustees of the DMFT and Managing Committee, an executive body of the DMFT for implementation of the decisions of the Governing Council.

A pictorial diagram of the hierarchy of the committees as per DMF Rules, 2016 was as below:

**Chart No. 4.1: Pictorial diagram showing hierarchy of the committees**



##### **4.6.1 State Level Steering Committee**

With an intention to monitor the implementation of projects and programs of the DMFT and review the functioning of the State Level Empowered Committees, a State Level Steering Committee (SLSC) headed by the Honorable Chief Minister was constituted in March 2018. As envisaged under Rule 5A of DMFT Rules 2016, the SLSC shall meet at least once a year.

Audit observed that, since constitution of SLSC, no meetings were held till June 2023.

##### **4.6.2 State Level Empowered Committee**

As required under Rule 5B of DMFT Rules, 2016, State Level Empowered Committee (SLEC) headed by Chief Secretary to the Government of Karnataka

which was to monitor and review the progress of projects and programs of the DMFT and Managing Committees, met only four<sup>23</sup> times during 2018 to 2023, as against the requirement of meeting at least three times in a year.

Audit observed that only four meetings were held after the constitution of the committee, as against the requirement of 15 meetings.

In the four SLEC meetings conducted, deliberations were held on Preparation of Action Plan according to collection of DMF, fixing limits for directly and indirectly affected areas, Implementation of action plan in the 60:40 ratio for High Priority and Other Priority Areas, adding afforestation under EPPC Head, utilisation of 30 *per cent* of funds for Covid-19, utilisation of funds for the State level monitoring and supervision out of administrative grants, Non-collection of contribution to DMF from the Works Executing Departments/Agencies, utilisation of the services of Environmental Management and Policy Research Institute (EMPRI) in the mining affected areas for surveys, *etc.* Further, issues regarding physical and financial progress of PMKKKY works were discussed along with monitoring follow-up action taken.

The Government replied (August 2024) that action was being initiated to conduct SLSC and SLEC meetings regularly, in accordance with DMFT Rules.

#### 4.7 Meetings of the Foundation Trust and Managing Committees

Rule 8 and 14 of DMFT Rules, 2016 stipulates that the Foundation Trust shall meet at least once every six months and Managing Committee shall meet at least four times in a financial year. Audit scrutiny of test checked districts revealed that the prescribed number of meetings were not convened by the Foundation Trust and Managing Committee as detailed below:

**Table No. 4.1: Details of Governing Council and Managing Committee meetings held**

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Sl. No.	District	Financial Year from 2016-17 to 2022-23	
		Number of meetings to be held	Number of meetings held
Governing Council			
1	Chitradurga	14	10
2	Ballari	14	11
3	Gadag	14	2
4	Bangalore Urban	14	3
5	Vijayanagara	3	4
Managing Committee			
1	Chitradurga	28	10
2	Ballari	28	6
3	Gadag	28	3
4	Bangalore Urban	28	3
5	Vijayanagara	8	4

Source: Compiled by Audit from the data provided by Department.

The details of Managing Committee and Governing Council Meetings held from 2016-17 to 2022-23 are tabulated in *Appendix – 4*.

<sup>23</sup> Meetings were held on 30 November 2019, 16 May 2020, 27 August 2021 and 17 March 2022.

Audit observed that DMFTs of Ballari and Gadag districts did not conduct any Managing Committee meeting during the years 2021-22 and 2022-23. Further, DMFTs of Ballari and Chitradurga districts did not conduct any Governing Council meeting during 2021-22 and 2022-23. DMFT, Bengaluru Urban did not conduct any Managing Committee or Governing Council meeting during 2022-23.

Audit observed that works sanctioned during 2017-2020 had not been commenced or tendered in the selected districts as detailed in **Paragraph 5.11** indicating inadequate monitoring by the Governing Councils and Managing Committees.

The Government replied (August 2024) that the Deputy Commissioners and Presidents of District DMFTs were advised to conduct meetings. However, the reply was silent about conducting of Managing Committee meetings.