EXECUTIVE SUMMARY

Why we did this audit?

Government of India (GoI) launched (September 2015) the *Pradhan Mantri Khanij Kshetra Kalyan Yojana* (PMKKKY) with the objective of implementing various developmental programmes, for the welfare of the areas and people affected by mining related operations. These activities were to be financed from the District Mineral Foundation Trusts (DMFTs) funds. DMFTs receive contributions from the holders of a mining lease or a composite license or a quarry lease in the district at such percentage of the royalty as may be prescribed by the Central Government in the case of major minerals and the State Government in the case of minor minerals or any other funds received by the Trusts.

Government of Chhattisgarh (GoCG) notified (December 2015) Chhattisgarh District Mineral Foundation Trust (CGDMFT) Rules, 2015 and issued notification (January 2016, May 2020 and December 2022) for establishment of DMFTs in 33 districts.

DMFTs had received a total contribution of ₹13,101.65 crore up to the year 2023-24; of which ₹10,253.22 crore (78 *per cent*) was spent on various works/activities in the Chhattisgarh State.

This Performance Audit was conducted with the objective to assess the adequacy and effectiveness of the existing institutional arrangements in the State, mechanism for assessment, collection and management of funds; planning and execution of the projects/works; and monitoring and accountability mechanism.

What we found?

The Khanijonline portal of the State Government facilitates payment of District Mineral Foundation (DMF) Contributions by lease holders along with royalty at the time of issue of online transit pass for major minerals. However, similar facility was lacking for minor minerals in khanijonline. Further, 'Form-2' being used for issue of transit pass for minor mineral transportation did not capture DMF payment details alongside royalty payment. This led to difficulties in ascertaining/verifying the lease-wise receipt of DMF contributions along with royalty payments.

The Mineral Resources Department has prepared the Khanijonline 2.0 portal for the timely receipt of royalty and DMF contributions pertaining to minor minerals, which is due for implementation.

(Paragraph no.2.1.1)

Audit found significant non-compliance to DMFT Rules as the Trust funds were utilised without preparation of budget and annual plan by test checked districts, Trust funds of ₹1.68 crore was transferred to the State-level DMF Cell contrary to GoI orders (July 2021) and an amount of ₹10.82 crore remained outstanding as of March 2024 with the State-level DMF Cell. The Trusts kept the funds in savings accounts without opting for auto-sweep or flexi deposits, missing out opportunities to optimise interest earnings. Social Audits of the works/activities of the Trust were also not conducted.

(Paragraph nos.2.2.1, 2.2.2, 2.2.3 & 2.2.5)

Audit observed deviations in framing the CGDMFT Rules, 2015, from the PMKKKY Guidelines, 2015, potentially diluting intended benefits for mining-affected communities. Key issues include:

- Modification of the definition of 'Affected People' in CGDMFT Rules, 2015, expanding the scope to include all people living or working in affected areas, in addition to the provisions outlined in the PMKKKY, extending coverage to entire area and individuals within mining-affected districts, without specific limitations. Funds of ₹709.47 crore were allocated by the Trusts for distributing free items among the people living in both directly and indirectly affected areas, of which, audit test-check of 30 cases amounting to ₹28.11 crore revealing that the distributions were made randomly by the implementing agencies without establishing a clear criteria or identifying targeted beneficiaries. These variances led to funds being utilised on broader community schemes without focusing on mining-affected population, contrary to the scheme objectives.

- Omission of the provision for laying Annual Reports before the State Legislature as stipulated in the PMKKKY, 2015. Therefore, Annual Report of DMFTs comprising annual accounts alongwith auditor's report was not submitted to respective Zila Panchayat and State Government for laying in the State Legislature.

(Paragraph no.3.1.1)

Although the Trusts utilised ₹4,536.58 crore (81 *per cent*) of funds; 754 (44 *per cent*) out of 1,734 directly affected-villages remained uncovered in 11 sampled districts. The funds were utilised without preparing master plans/vision documents/annual plan to ensure long term sustainable livelihoods for the affected people in mining areas.

(Paragraph no.3.1.2)

The 'affected areas' were identified with a delay ranging from five to 65 months post-Trust establishment and ₹1,060.70 crore were allocated for works without identifying areas. Moreover, the list of identified villages under 'directly affected areas' were issued through office order by the District Collectors but not notified as prescribed under DMFT Rules.

(Paragraph no.3.1.3)

The lack of adequate planning, monitoring and due diligence in undertaking works/activities from the Trust fund resulted in unfruitful expenditure of ₹41.80 crore on incomplete works and unutilised assets such as Art and Culture Centre, Biogas driven Power Generation Plants, Poultry and Mushroom Production Centres etc. indicating deficiencies in implementing work/activities under PMKKKY.

(Paragraph no.3.2.1)

The Trust funds of ₹30.73 crore were utilised for construction/ renovation/beautification works, procurement etc. for various Government offices which were outside the priority area stipulated in PMKKKY.

(Paragraph no.3.2.2)

The implementing agencies procured items and services amounting to ₹17.49 crore on the basis of limited quotations without inviting open tenders and ₹38.82 crore without stipulating technical specification, thereby not complying with the provisions of the Chhattisgarh Store Purchase Rules, 2002.

(Paragraph no.3.2.4)

The State Level Monitoring Committee (SLMC) and the State Level Review Committee (SLRC) meetings fell short of mandated frequencies. Audit review of websites of 12 sampled districts revealed that the key information such as composition of Trust, list of areas and people affected by mining, quarterly details of contribution received, status of works undertaken, annual plan and budget, minutes of meetings etc., were not disclosed/updated on the websites. There was shortage of skilled manpower and key posts such as Project Coordinator, Assistant Project Coordinator, Accountants and Assistants were not filled. There was 100 *per cent* manpower shortage in Bemetara and Mahasamund districts and over 50 *per cent* shortage in four districts namely Balod, Bilaspur, Raigarh and Rajnandgaon.

(Paragraph no.4.1.1, 4.1.2, 4.2 & 4.3)

The SLMC had not prescribed formats for record-keeping as required under the Rule 25 of CGDMFT Rules, 2015. The Trusts have also failed to maintain key records such as register of administrative sanctions, utilisation certificates; the records were in editable digital formats (Excel). The procurement records were kept in loose files by the implementing agencies.

(Paragraph no.4.4)

What we recommend?

With an aim to improve the functioning of the DMFTs and implementation of the PMKKKY in the State in an efficient and effective manner; Audit recommends that the State Government may:

- ***prepare list of 'Affected People' immediately and notify the same along with 'affected areas' in the Chhattisgarh Gazette for ensuring that benefits reach the intended recipients.***
- ***ensure coverage of directly affected villages for equitable distribution of resources in mining affected areas.***
- ***prepare a long-term Master Plan and vision document aligning activities with the PMKKKY's objectives addressing requirements of mining affected areas and people for implementation.***
- ***ensure preparation of annual plan and budget by Trusts duly approved by Governing Council for financial discipline.***

- ***plan to conduct Social Audit and assess the effectiveness of DMFTs in implementing the PMKKKY and to identify areas for improvement.***
- ***establish a monitoring mechanism to ensure that DMFTs are operating in accordance with the legal framework and the PMKKKY including effective coordination between the Trust and implementing agencies.***