CHAPTER-I

INTRODUCTION

1.1 District Mineral Foundation and PMKKKY

The Government of India (GoI) by amendment (March 2015) in the Mines and Minerals (Development and Regulation) (MMDR) Act, 1957, inserted provision for establishment of a trust by the State Government to be called the District Mineral Foundation (DMF) with the object to work for the interest and benefit of persons and areas affected by mining or mining-related operations as may be prescribed by the State Government.

The GoI has framed (16 September 2015) the *Pradhan Mantri Khanij Kshetra Kalyan Yojana* (PMKKKY) to be implemented by the DMFs from the funds accruing to them in terms of the MMDR Act, 1957.

The objectives of the PMKKKY 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 the State and Central Government; (b) to minimise/mitigate the adverse impacts, during and after mining, on the environment, health and socio-economic condition of the people in mining districts and (c) to ensure long-term sustainable livelihoods for the affected people in mining areas. The GoI in the national interest directed the State Governments to incorporate the PMKKKY into the rules framed by them for the DMFs and to implement the said scheme.

In exercise of powers conferred under the MMDR Act, 1957, the State Government notified Chhattisgarh District Mineral Foundation Trust (CGDMFT) Rules, 2015, in December 2015 and issued notification for (January 2016, May 2020 and December 2022) establishment of District Mineral Foundation Trusts (DMFTs) in 33 districts.

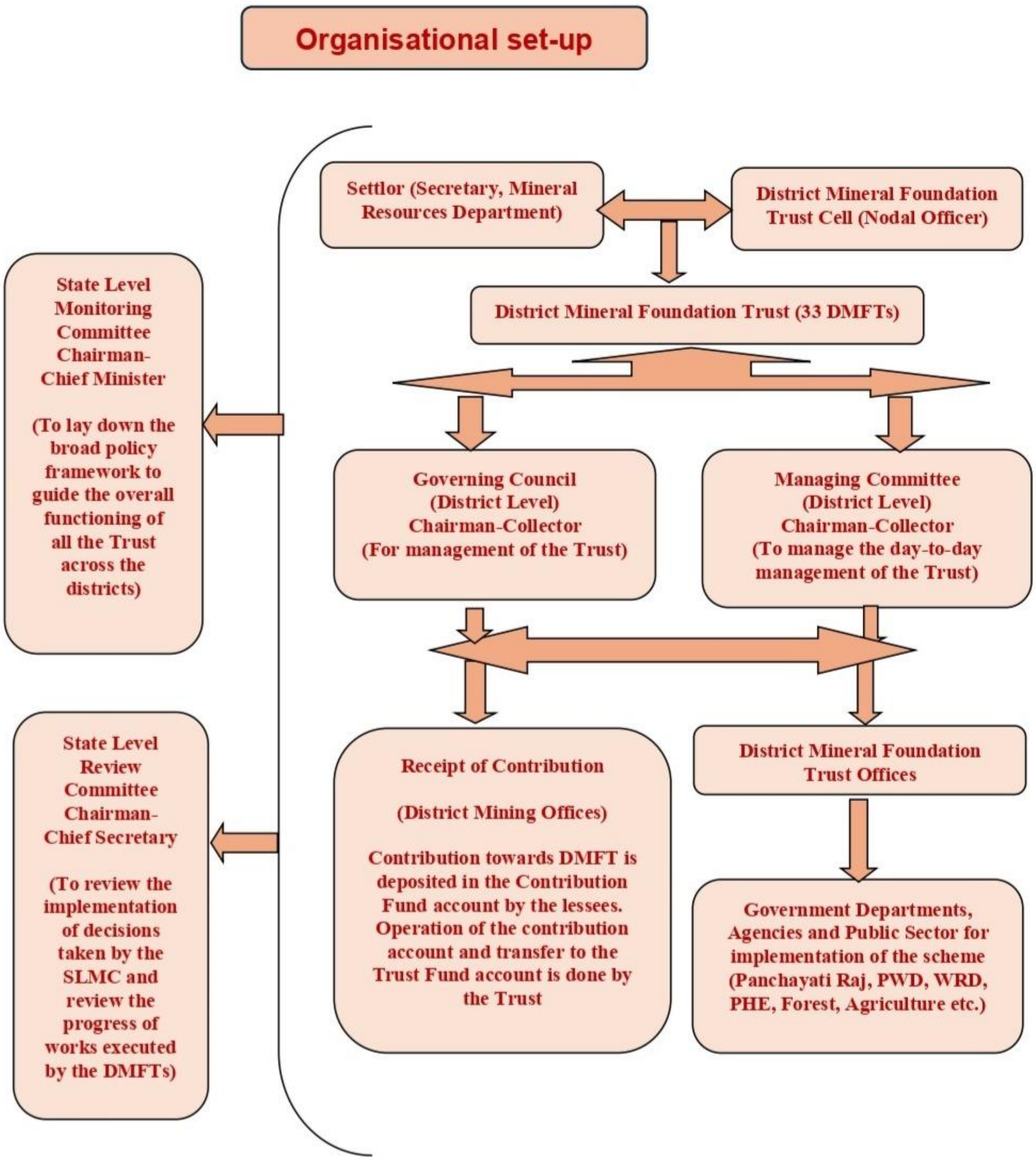
The State Government vide notification dated 12 September 2025, amended the CGDMFT Rules, 2015 and incorporated the revised PMKKKY, 2024 guidelines, issued (15 January 2024) by GoI, Ministry of Mines. However, the State Government didn't include the audit provision from the PMKKKY, 2024, which says DMFT accounts should be audited by the Comptroller and Auditor General of India (CAG) as per the CAG’s schedule.

1.2 Organisational Set-up

Mineral Resources Department, Government of Chhattisgarh (GoCG) is the administrative department for coordinating the implementation of the PMKKKY scheme with Trusts. Besides, as per Rule 17 of CGDMFT Rules, 2015, the State Level Monitoring Committee (SLMC) was constituted (January 2016[1]) under the Chairmanship of the Chief Minister to lay down the broad policy framework to guide the overall functioning of all the Trusts across the

[1] No formal orders have been issued by the GoCG, represented by the Secretary, Mineral Resources Department (Settlor), however first meeting of SLMC was held in January 2016.

State. The SLMC comprises the Chief Minister as the *ex-officio* Chairman, nine[2] *ex-officio* members and the Secretary, Mineral Resources Department as the *ex-officio* Member Secretary.



1.3 Source and Management of District Mineral Foundation Trusts (DMFTs) Fund

Sections 9B and 15(4)(c) of the MMDR Act, 1957 stipulate that the holder of a mining lease or a prospecting license-cum-mining lease shall, in addition to the royalty, pay trust contributions to the DMFTs, at such rates as may be prescribed by the Central and State Government in case of major and minor minerals respectively.

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2 Minister for Finance, Minister for Agriculture, Minister for Forest, Minister for Panchayati Raj and Rural Development, Minister for Public Health and Engineering, Minister for Tribal Development, Minster for School Education, Minister for Health and Family Welfare Department, Chief Secretary are the *ex officio* Member.

For major minerals, the rates of DMFT Contributions were notified (17 September 2015) by the GoI in Rule 2 of Mines and Minerals (Contribution to District Mineral Foundation) Rules, 2015 at 10 *per cent* of the royalty paid in respect of mining leases granted on or after 12 January 2015 and 30 *per cent* of the royalty paid in respect of mining leases granted before 12 January 2015.

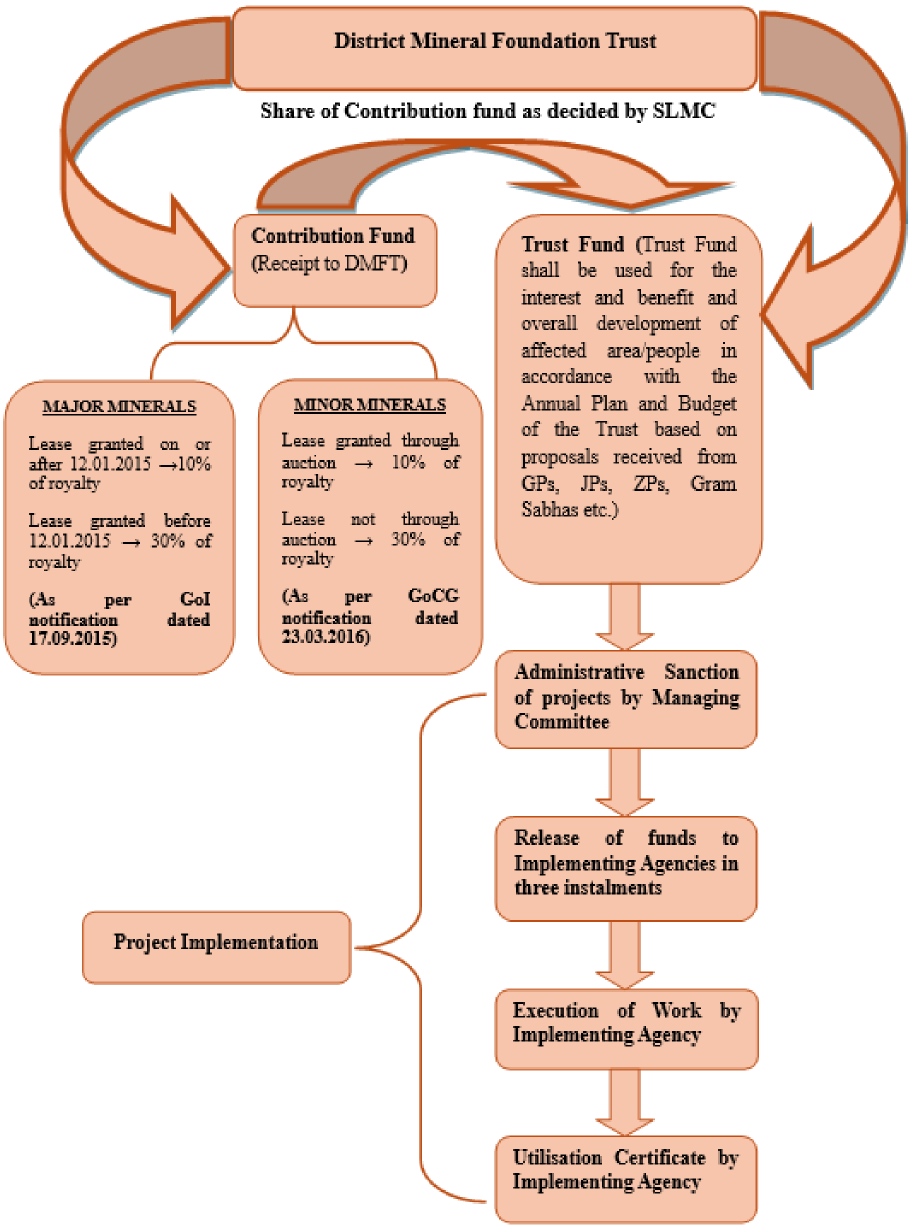
Similarly, for minor minerals, the State Government notified (23 March 2016) the rates of contributions in Rule 50 (4) of Chhattisgarh Minor Mineral Rules (CMMR), 2015 at 30 *per cent* of the royalty, if the lease has not been granted through auction and 10 *per cent* of the royalty if the lease has been granted through auction.

The funds collected through contribution from the holders of a mining lease or a composite license in the case of major minerals or a mining lease or a quarry lease or a quarry permit in the case of minor minerals or any other funds received by the Trusts constitutes Contribution Fund, which shall be maintained by the Managing Committee of the Trust and should be kept in one or more scheduled commercial banks.

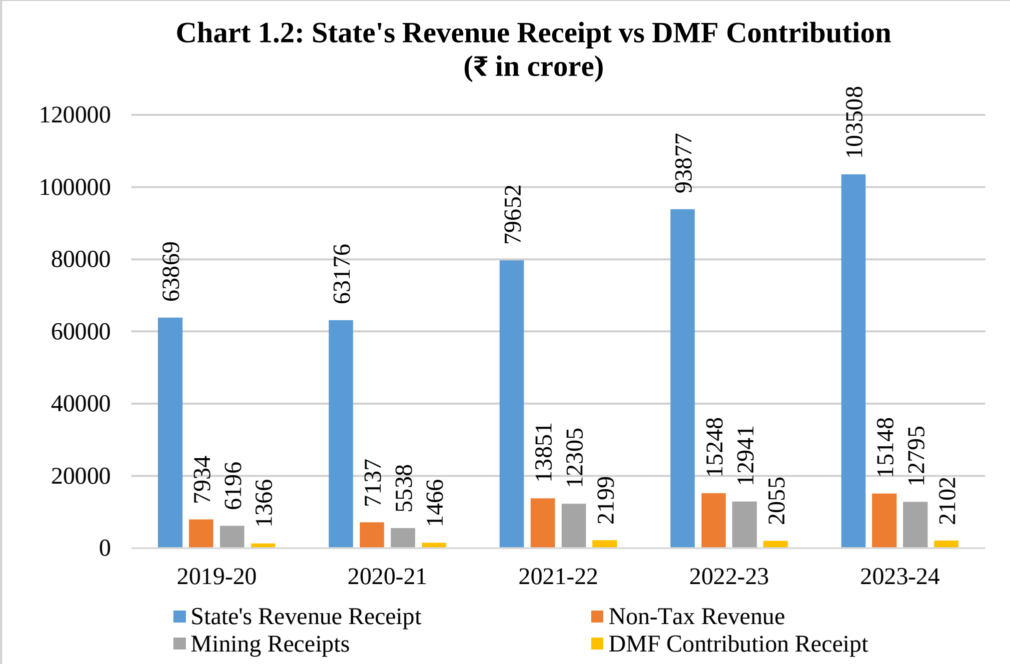
The fund received at initial settlement[3] made by the Settlor; any grant; contribution or other capital assistance received from the Settlor or from any other agency, institution or person; share of Contribution Fund as decided by the SLMC; investment and other deposits and the interest accrued thereon etc. shall constitute Trust Fund and should be kept in one or more scheduled commercial banks approved by the Reserve Bank of India for keeping such public funds only in the name of the Trust. The flow of funds for utilisation has been depicted in ***Chart 1.1.***

[3] A sum of ₹1,000 placed by the Settlor while establishing the DMFTs under the control of the Trustees has been referred as the "Initial Settlement".

Chart 1.1: Flow of funds for utilisation under PMKKKY



The 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. During the period 2019-20 to 2023-24, the State's mining receipts was ₹49,776.28 crore and DMFT Contribution fund receipts was ₹9,188.17 crore, which was 18.45 *per cent* of the total mining receipt of the State. State's revenue receipts, non-tax revenue, mining receipts and DMF Contribution is depicted in the ***Chart 1.2.***



1.4 Audit Objectives

The performance audit was conducted with the following audit objectives:

- ➢ Whether the system of assessment, demand and collection of receipts under DMF was reliable and efficient.
- ➢ Whether fund management of DMFT was economic and efficient.
- ➢ Whether effective planning and institutional arrangements were made for the implementation of the scheme in accordance with provisions of CGDMFT Rules, PMKKKY guidelines.
- ➢ Whether the PMKKKY was implemented effectively to achieve desired outcomes and could bring positive changes in the affected areas and lives of people.
- ➢ Whether monitoring and supervision of the implementation of the scheme was adequate and evaluation effective.

1.5 Audit Criteria

The source of audit criteria comprised the provisions contained in the following Acts and Rules:

- ➢ Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY), 2015.
- ➢ Mines and Minerals (Development and Regulation) (MMDR) Act, 1957.
- ➢ Chhattisgarh District Mineral Foundation Trust (CGDMFT) Rules, 2015.
- ➢ Chhattisgarh Minor Mineral Rules (CGMMR), 2015.
- ➢ GoI's Mines and Minerals (Contribution to DMF) Rules, 2015
- ➢ Provision of Chhattisgarh Treasury Code, Finance Code, Store Purchase Rules, Works Department Manual, Delegation of Financial Powers and any other circular, notifications and guidelines issued by GoCG and GoI from time to time.

1.6 Audit Coverage and Methodology

In order to arrive at a representative sample, five districts (Korba, Balod, Bilaspur, Mahasamund and Mungeli) had been selected through stratified random sampling. Besides, seven more districts (Raigarh, Rajnandgaon, Sukma, Raipur, Kondagaon, Bemetara and Bastar) were also included pursuant to the Public Interest Litigation Petition-WP (PIL) 68 of 2023 filed in the High Court of Chhattisgarh at Bilaspur.

Subsequently, three blocks were selected in each district; from each block, five Gram Panchayats (GPs) were selected. Further, for test-check and joint physical inspection, a maximum of five projects in each GPs were selected where the number of projects in a selected GP exceeded five, through judgmental sampling.

The audit methodology adopted for achieving the audit objectives with reference to audit criteria was examination of data available in DMO office on royalty received vis-a-vis DMF Contribution; examination of records at SLMC; State Level Review Committee (SLRC) and Trust offices of the districts responsible for planning, monitoring, evaluation, and remedial action taken. Besides, examination of records submitted by implementing agencies on execution of works/activities was carried out.

The Performance Audit covered the period up to March 2024, from the inception of the Trusts (2015-16). The audit focused on assessing the utilization of Trust funds for the benefit of people and areas affected by mining-related operations. Audit also examined compliance with administrative and accountability mechanisms governing fund utilisation.

An Entry Conference was held (October 2024) with the Special Secretary, Mineral Resources Department, GoCG to discuss the audit objectives, criteria, scope and coverage and other issues in connection with the Performance Audit. The report was forwarded to the State Government on 12 June 2025; the replies from the State Government were received on 22 August 2025. After that an Exit Conference was held with the Secretary, Mineral Resources Department, GoCG on 25 August 2025, wherein the audit findings were discussed. The Government's replies were incorporated into the report.

1.7 Status of Fund

The status of Contribution Fund collected through contribution from the holders of mining lease, fund received into the Trust Fund account of all the districts of the State and expenditure incurred therefrom is detailed in ***Table-1.1***.

Table 1.1: Status of Funds received and Expenditure therefrom

(₹ in crore)

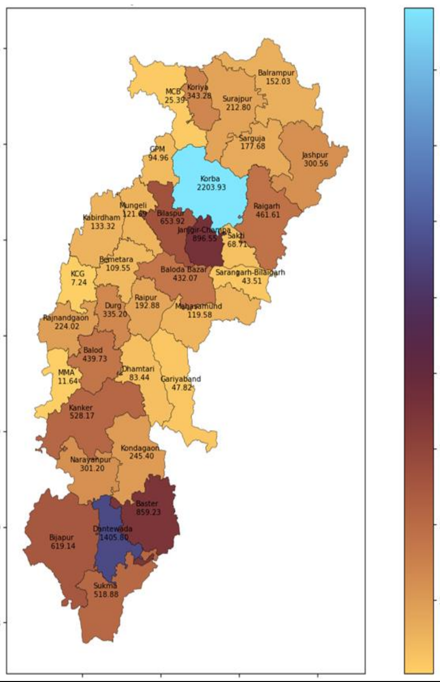
Year	Receipt in Contribution Fund	Amount transferred into Trust Fund	Total available Trust fund	Expenditure from Trust Fund	Unspent balance in Trust fund	Percentage of expenditure from Trust Fund
2015-16	266.72	150.94	150.94	0	150.94	0
2016-17	1279.18	876.63	1027.57	707.11	320.46	69
2017-18	1133.69	1481.82	1802.28	1304.48	497.80	72
2018-19	1233.89	1061.56	1559.36	1171.19	388.17	75
2019-20	1365.83	1345.12	1733.29	747.96	985.33	43
2020-21	1466.3	1269.1	2254.43	1170.91	1083.52	52
2021-22	2198.77	2262.17	3345.69	1503.68	1842.01	45
2022-23	2055.31	2008.24	3850.25	2060.57	1789.68	54
2023-24	2101.96	1915.35	3705.03	1587.32	2117.71	43
Total	**13101.65**	**12370.93**	**3705.03**	**10253.22**	**2117.71**	**83**

(Source: Directorate, Geology and Mining, Government of Chhattisgarh, Raipur)

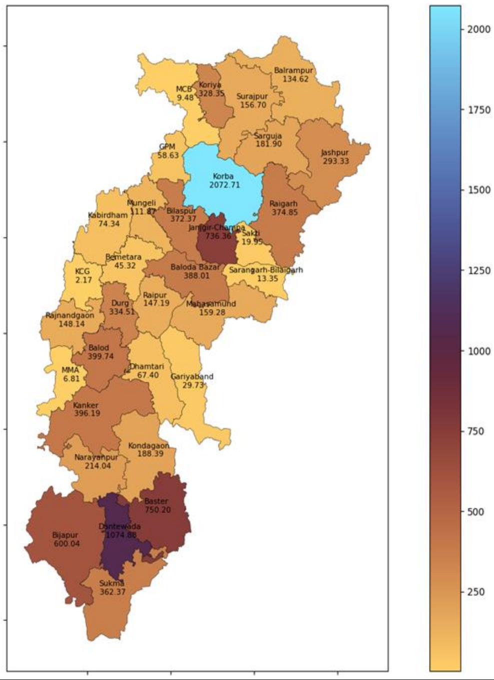
During 2015-16 to 2023-24, Contribution Fund amounting to ₹13,101.65 crore was collected from the holders of mining lease and an amount of ₹12,370.93 crore was transferred into the Trust fund accounts of the Trusts of all districts of the State for implementation of the PMKKKY, of which ₹10,253.22 crore was released for various works/activities by the Managing Committees.

The district-wise receipts and expenditure incurred from Trust Fund is shown in heat map given below:

District-wise total receipt in Trust fund (₹ in crore)



District-wise total expenditure from Trust fund (₹ in crore)



Further, the Trusts in sampled 12 out of 33 districts collected an amount of ₹6,391.22 crore as Contribution Fund. In the Trust fund, an amount of ₹6,150.42 crore was transferred, of which ₹4870.19 crore was utilised for execution of 35,754 number of works and activities up to March 2024 as depicted in the ***Chart 1.3.***

Chart 1.3: Contribution Fund and Trust Fund Receipts and fund allocated by sampled DMFTs (₹ in crore)