CHAPTER-II

COLLECTION AND MANAGEMENT OF CONTRIBUTION FUND

2.1 Assessment, Demand and Collection of receipts under DMF

2.1.1 Framework for collection of Fund

Rule 15 and 19 of the CGDMFT Rules, 2015 stipulated that the Contribution Fund collected from the holders of mining lease in the district should be maintained by the Managing Committee of the Trust. The Managing Committee should ensure timely collection of Contribution Fund from the concerned lease holders in accordance with the provisions of the MMDR Act, 1957 and in the manner provided by the Settlor. The books of accounts of the Contribution Fund should be maintained by the Managing Committee.

As per directions issued (November 2015 and December 2015) by the State Government and the Director, Geology and Mining, Chhattisgarh the responsibility to ensure payment of DMF Contribution along with every royalty was vested with Collector (mining). Besides, the directions also included to open two separate bank accounts in nationalised banks viz., (i) District Contribution Fund Account for receiving and managing contribution payments, (ii) District Trust Fund Account for incurring expenditure and to ensure payment of DMF Contribution into the Contribution Fund account by every lease holders.

As per Rule 19 of CGDMFT Rules, 2015, the Managing Committee should maintain the books of accounts of Contribution Fund. The Trust was maintaining a cash book of the Contribution Fund in Balod district only and in remaining 11 districts, the Trusts didn't maintain cash book/any other books of accounts. Similarly, Detailed Classification Register (DCR) for monitoring the Contribution Fund was maintained only by the DMOs of Bastar, Korba and Raigarh and in remaining nine[1] districts, the DMOs didn't maintain the DCR. Due to non-maintenance of these records, lease-wise contribution funds receivable against the royalty due and paid by leaseholders on minor minerals cannot be ascertained.

Audit noticed that transit passes for major minerals were being generated through 'Khanijonline portal' after payment of royalty and DMF Contributions. However, for minor minerals, the District Mining Officer (DMO) issues transit passes manually based on application in Form-2 submitted by the lease holders along with original challans paid for the cost of Transit Passbook and royalty due on the minerals to be transported. The lease holders pay the DMF Contribution into the designated bank account of the Trust and submits the counter foil of bank receipt separately to the DMOs concerned.

Audit observed that the Form-2 did not have a column to ensure payment of DMF Contribution by the lease holders along with the royalty at the time of

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[1] Balod, Bemetara, Bilaspur, Kondagaon, Mahasamund, Mungeli, Raipur, Rajnandgaon and Sukma

issue of transit passes. As the lease holders are required to pay contribution along with the royalty, Form-2 should be revised to ensure that DMF Contribution was paid before issuing transit pass.

The absence of column for payment of DMF Contribution along with royalty in Form-2 increases the risk of non-payment of Contribution by the leaseholder, prior to the issue of a transit pass.

During the Exit Conference, it was stated (August 2025) that for major minerals, the Khanijonline portal has been in use since 2018-19 for ensuring payment of DMF contribution along with every royalty. For minor minerals, the department will implement Khanijonline 2.0 portal shortly. It was also stated that although the DMOs did not maintain lease holder-wise royalty receipts, they had already been instructed to ensure payment of DMF contribution with every royalty at the time of issuing transit passes, and they are complying with this.

It was further stated that necessary modifications would be made to Form-2.

2.2 Budgeting and Financial Management

2.2.1 Non preparation of Annual Budget and Annual Plan

As per Rule 12 (2) and 15 (5) of the CGDMFT Rules, 2015, the Managing Committee shall coordinate, consolidate and develop the Annual Plan of the Trust and the Annual Budget for the Trust along with the proposed schemes and projects. The Governing Council shall be responsible for approving the Annual Plan and the Annual Budget for the Trust, which are put up for approval by the Managing Committee. It was further provided the sum total of the past liabilities and commitments and the new schemes being proposed should not in any case exceed three times the expected inflows in the Trust Fund for the next financial year.

Audit observed that in 12 sampled districts, the Managing Committee did not prepare Annual Plan and Annual Budgets as mandated by the CGDMFT Rules, 2015 and utilised ₹4,870.19 crore (79.18 *per cent*) of the total receipts of ₹6,150.42 crore since inception without a budgetary framework.

The Managing Committee submits a list of proposed works and activities from implementing agencies to the Governing Council. Upon approval, the Managing Committee issues administrative sanctions. The utilisation of funds by the Trusts without budgetary framework may lead to lack of financial discipline, inability to prioritize spending, lack of clear goals and objectives.

Further, due to non-preparation of annual plan and budget, the same were not forwarded to the Zila Panchayat, and District Administration for publication on the respective websites as required under Rule 25 of CGDMFT Rules, 2015.

During the Exit Conference, it was stated that a few amendments are proposed in this regard, in accordance with the new PMKKKY guidelines, 2024.

For optimum utilisation of resources and to maintain financial discipline, the Trusts funds should be spent based on approved annual budget and annual plan with clear goals and objectives.

2.2.2 Irregular transfer of Contribution Fund into State Level DMF Cell

Director, Geology and Mining, Chhattisgarh directed (February 2020) to transfer 0.25 *per cent* from the Contribution Fund of the districts to the State-level DMF Cell constituted in November 2019 to meet the expenses for the arrangement of financial resources on office infrastructure/establishment/ vehicle/stationery.

However, the GoI, in exercise of the powers conferred under the provision of sub-section (3) of Section 9B of the MMDR Act, 1957, directed (12 July 2021) not to transfer the funds in any manner from the DMF to the state exchequer or state level fund.

Audit observed that ₹1.68 crore (Balod: ₹0.42 crore; Bilaspur: ₹0.03 crore and Korba: ₹1.23 crore) was transferred to the State-level DMF Cell by the Trusts after July 2021 despite the clear instruction of GoI for not to transfer the DMF funds to State level fund.

Further, Audit observed that an amount of ₹10.82 crore was outstanding in the accounts of the State-level DMF Cell as of March 2024, which was not returned to the Trusts.

On being pointed out in audit, the State Government stated (August 2025) that pursuant to GoI letter dated 12 July 2021, the State Government on 1 April 2022 directed the Trusts not to transfer further funds and was approved by the SLMC on 25 September 2022. The amount received from the districts after 1 April 2022 were pertaining to the period before 31 March 2022.

The fact remains that the outstanding fund amounting to ₹10.82 crore lying with the State-level DMF Cell was yet to be returned to the Trusts.

2.2.3 Banking arrangements

As per the instruction (November 2015) issued by the State Government, two separate bank accounts were opened by the Trusts in 12 sampled districts in nationalised banks viz., (i) District Contribution Fund Account for receiving and managing contribution payments and (ii) District Trust Fund Account for receiving and managing the contribution share provided by the SLMC. These accounts were being jointly operated by the Chairperson (District Collector) and the Member-Secretary of the Managing Committee (CEO, Zila Panchayat).

As per Rule 15(8) of CGDMFT Rules, 2015, the Managing Committee of the Trust shall invest the funds in a diligent manner. Further, as per Rule 22 (9) of the Rules, *ibid*, the Trust should keep a reasonable sum of annual receipts as endowment fund for providing sustainable livelihood.

Audit observed that in 12 sampled districts, no separate endowment fund has been established and maintained for sustainable livelihood by the respective DMFTs. The entire money received under Contribution Fund and Trust Fund were kept in savings bank accounts. Moreover, none of the DMFTs opted for auto sweep/flexi/deposit/multi option deposit account facility available for savings bank accounts, which allows the bank to automatically convert the amount exceeding a particular minimum balance in the saving bank account of a customer into fixed deposits (FDs) at prevailing higher interest rates resulted in receipt of lower rates of interest into the bank accounts of both Contribution and Trust Fund.

Audit noticed that the Trusts in five[2] sampled districts have maintained an average minimum balance ranging from ₹19.27 crore (Bemetara) to ₹117.40 crore (Korba) in their Contribution Fund accounts during 2023-24.

On being pointed out in audit, the State Government stated (August 2025) that DMFT is a non-profit making organisation whose main objective is to improve the living standards of the people of the mining affected area, earning interest on the amount deposited in the concerned account is not the main objective. The priority is to complete the works approved by the Trust within the time limit, in which the amount is paid regularly which is a continuous process in such a situation, it is justified to keep the amount of the Trust in the savings account only.

The reply is not acceptable as Trusts did not prepare annual budget and plan to ascertain the expected receipts and expenditure in a financial year for optimal utilisation of available resources and invest surplus fund, if any. Though earning interest is not a main objective, however, sweep/flexi deposit facility is an additional service being provided by the bank to all savings bank account holder which can be availed without any extra effort and cost.

The Trust should opt for auto sweep/multi deposit facility in savings bank account for balance Contribution and Trust funds after transfer of funds for incurring expenditure, in a diligent manner for financial prudence.

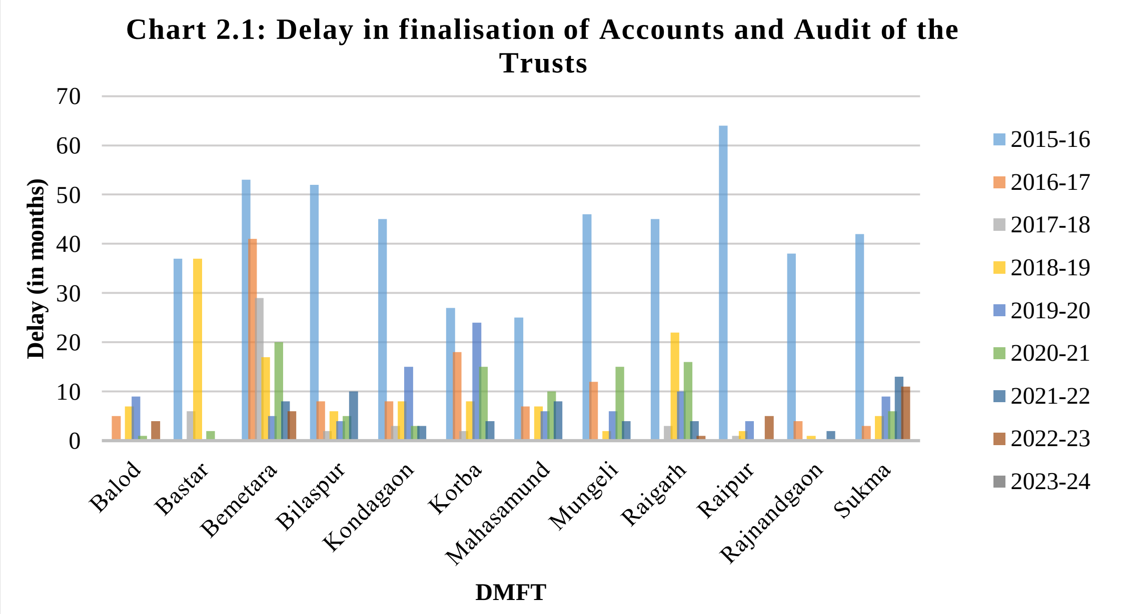
2.2.4 Finalisation of Accounts and Audit of Trusts

As per provision stipulated in Rule 25 of CGDMFT Rules, 2015, the accounts of the Trust should be audited at least on completion of a year by a qualified auditor appointed by the Governing Council from the list of Chartered Accountants (CAs) empanelled by the CAG of India.

The Trust shall forward the approved Annual Report and approved Audit Report immediately after their approval from Governing Council within three months of close of financial year to the Zila Panchayat and to the State Government for their publication on their respective websites.

Audit observed that there was a delay in the audit of the Trusts' accounts in the initial years following their inception (2015-16), which has been gradually streamlined by the Trusts in recent years, as depicted in the ***Chart 2.1.***

[2] Balod: ₹20.52 crore, Bemetara: ₹19.27 crore, Korba: ₹117.40 crore, Mahasamund: ₹30.31 crore and Raigarh: ₹37.72 crore



As of June 2025, the accounts of five Trusts (Bastar, Mahasamund, Mungeli, Raipur and Rajnandgaon) were audited up to 2023-24, while in six Trusts (Balod, Bemetara, Bilaspur, Kondagaon, Raigarh and Sukma), the audit of accounts was completed up to 2022-23 and in one Trust (Korba), audited up to 2021-22.

Moreover, the Trusts never prepared the Annual Report as stipulated in the rules and failed to forward the approved Audit Report to the Zila Panchayats and the State Government for publication on their respective websites.

On being pointed out in audit, it was stated (August 2025) that in the initial years of formation of the Trusts, the delay was mainly due to lack of adequate manpower with the Trusts.

Annual report of the Trusts should be prepared in a timely manner and submitted to the State Government alongwith auditor's report for public disclosure.

2.2.5 Social Audit

As per Rule 12 (3) and 3 (a) of CGDMFT Rules, 2015, the Governing Council shall be responsible for conducting Social Audits of the developmental schemes/works executed from the Trust Fund in the Gram Sabha. The Social Audit shall be conducted by empanelled agencies that are authorised by the State Government for conducting Social Audit in schemes like MGNREGS and other welfare schemes/projects in the State and approved by the Governing Council.

The process of Social Audit shall be conducted in two phases. The first phase shall be related to the identification of requirements of the affected area and the second phase shall be related to implementation and quality of the relevant works undertaken.

In the administrative sanctions issued by the Collector-cum-Chairperson of the Trusts, implementing agencies have been directed to conduct social audit as stipulated under CGDMFT Rules.

Audit observed that in 12 sampled districts, the Trusts never conducted social audit of the works and activities executed from the Trust fund since inception (2015-16).

The Trusts delegated the responsibility of conducting social audits to the implementing agencies through sanction orders but failed to stipulate guidelines for conducting social audits of their works and activities. However, the implementing agencies did not also get social audit conducted and the Trust also failed to enforce compliance to conditions of sanction of funds.

Since the social audits assess program effectiveness and outcomes, enhancing transparency and accountability and inform the stakeholders including beneficiaries, about resource utilisation and objective achievement, the Trusts' failure to conduct social audits led to lack of transparency in scheme implementation, weak accountability and limited beneficiary engagement in monitoring and evaluation.

During exit conference (August 2025), it was agreed to conduct the social audit at the earliest.

2.2.6 Diversion of Trust Fund

Audit observed that the Nagar Palika Nigam (NPN), Bilaspur diverted the Trust funds of ₹2.13 crore allocated (03 April 2017) to them for 'Development of Science College Ground of Bilaspur' for execution of other works such as construction of community centre, raised cemented platform and shed etc. in the Nigam area without obtaining approval from the Governing Council. The work of 'Development of Science College Ground of Bilaspur' was completed from the funds sanctioned (April 2017) by the Urban Administration and Development Department (UADD), GoCG. However, fund obtained from DMFT, Bilaspur were not refunded and Trust also failed to monitor the utilisation of funds.

On being pointed out in audit, the information provided by the NPN, Bilaspur was forwarded by the State Government, in which it was stated that during 2016-17, the amount of ₹2.13 crore was received in two installments and fully spent for the same purpose.

The reply is not acceptable because funds obtained from DMFT were not utilised on the purpose for which it was sanctioned.

2.2.7 Non-refund of accrued interest by implementing agencies

As per Rule 20 of CGDMFT Rules, 2015, the interest accrued on the deposits of Trust fund should form part of the Trust Fund.

Audit observed that the Managing Committee allocates funds in advance to implementing agencies for execution of works, which are held by them in their bank accounts and utilised as work progresses. However, the implementing agencies have not transferred the accrued interest on unspent balances in these accounts to the Trust Fund account.

Consequent upon audit enquiry, four[3] implementing agencies of Bastar district and one[4] of Bilaspur district paid an amount ₹47.94 lakh into the Trust fund, while in Mahasamund district, an amount of ₹15.64 lakh earned by six[5] implementing agencies were not yet (September 2025) paid in the Trust fund account. Remaining implementing agencies of 12 Trusts failed to furnish the details of interest accrued in their bank accounts despite repeated request by Audit. Thus, the Trusts need to collect remaining interest amount from all implementing agencies.

On being pointed out in audit, the Trusts agreed to collect the accrued interest from the implementing agencies for which they are making efforts and have issued directions to the implementing agencies.

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[3] Janpad Panchayat: Bakawand and Lohandiguda; Assistant Commissioner, Tribal Development Bastar and SDO, Light Machinery, Tubewell and Gate Division (LMTWD), Jagdalpur.

[4] Bilaspur Smart City Limited

[5] Janpad Panchayat: Mahasamund, Saraipali, Pithora and Basna; Assistant Commissioner, Tribal Development, Mahasamund and District Education Offier, Mahasamund