



SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थं सत्यनिष्ठा
Dedicated to Truth in Public Interest

**Report of the Comptroller and Auditor General of India
on Performance Audit of
Implementation of Pradhan Mantri
Khanij Kshetra Kalyan Yojana
including
District Mineral Foundation Trusts in Gujarat**

**Government of Gujarat
Report No. 3 of 2025
(Performance Audit-Civil)**

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of India on Performance Audit
of Implementation of Pradhan Mantri
Khanij Kshetra Kalyan Yojana
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Preface

This Report for the period ended March 2024 has been prepared for submission to the Governor of the State of Gujarat under Article 151 of the Constitution of India for being laid before the State Legislature.

The Report contains significant results of the Performance Audit of “Implementation of Pradhan Mantri Khanij Kshetra Kalyan Yojana including District Mineral Foundation Trusts” in Gujarat for the period from 2016-17 to 2023-24. The Audit has been carried out under the provisions of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations on Audit and Accounts, 2007 (amended in 2020) issued thereunder by the Comptroller and Auditor General of India.

The Performance Audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Executive Summary

Executive Summary

The Central Government launched Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY) in September, 2015 to ensure welfare of areas and people affected by mining related operations, using the funds generated by District Mineral Foundations (DMFs). The Government of Gujarat (GoG) established 32 DMFs in the State of Gujarat on 01 April 2016.

The Gujarat Mineral Research and Development Society (GMRDS) is the Nodal agency which coordinates with the various DMFs in the State. The Geologist/ Asst. Geologist are responsible for assessment, demand and collection of DMF receipt. The GDMF Rules stipulate that payments towards contribution to the DMF shall be made along with payment of royalty and the amount payable to each DMF shall be credited into its bank account in the manner specified by the Government.

The implementation of works/ projects under this scheme was carried through Line Departments/Executive Agencies (EA) such as, Taluka Development Officer (TDO); Executive Engineer (EE), Road & Building (R&B) Division; EE, Gujarat Water Supply & Sewerage Board (GWSSB) Divisions; Irrigation Divisions; Districts Education Offices *etc.* The DMF-State Nodal Unit within GMRDS compiles and updates the status of PMKKKY projects based on data received from 32 DMFs in Gujarat.

The Performance Audit (PA) on ‘Implementation of the Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY) including District Mineral Foundation (DMF) Trusts’ was taken up for the period from 2016-17 to 2023-24. The PA was conducted based on PMKKKY guidelines, Mines and Minerals (Development and Regulation) (MMDR) Amendment Act, 2015 and Rules thereof, Gujarat District Mineral Foundations (GDMF) Rules, 2016, and other relevant criteria. The objectives of the PA were to review the planning and institutional arrangements of DMFs, fund management by DMFs, mechanism of the assessment and collection of DMF contribution, implementation of the PMKKKY projects and monitoring mechanism in place. Audit examined the records of the DMF-SNU and five DMFs of Bhavnagar, Mehsana, Devbhumi Dwarka, Porbandar and Surat for review of the effectiveness of implementation of PMKKKY scheme in the State of Gujarat.

The results of the PA on review of the functioning of the DMF-SNU and the five selected DMFs including important findings and recommendation have been narrated in brief in the following paragraphs.

Planning and Institutional Arrangement

There was no specific deadline for the establishment of DMFs as per GDMF Rules, 2016. The Department took six to 48 months in registration of 32 DMFs from the date of Notification (01 April 2016). The Directly Affected Village list in the two DMFs¹ was not updated which led to various developmental and

¹ DMF (i) Devbhumi Dwarka and (ii) Porbandar.

welfare project/ programmes not being carried out in 39 Directly Affected Villages. None of the villages in Gujarat were identified as Indirectly Affected Villages; thereby depriving them of benefit under PMKKKY scheme. No records pertaining affected people/ beneficiaries were available at DMFs. The Annual Plans were not prepared in prescribed time in five DMFs and hence expenditure worth ₹ 1.58 crore for preparation of Annual Plan was unfruitful. Further, the works were carried out under the project in the mining affected areas without approved Annual Plan since beginning of DMF to the year 2023-24. The DMFs had not engaged the minimum staff required at the DMFs as decided by the State Level Coordination Committee which affected the day-to-day functioning of the DMFs.

Fund Management

As on March 2024, the 32 DMFs of Gujarat received DMF contribution of ₹1,608.08 crore, the expenditure incurred for projects under PMKKKY was ₹756.62 crore (47.05 *per cent*) and unutilized DMF contribution was ₹851.46 crore (52.95 *per cent*). The DMFs had incurred the expenditure of ₹756.62 crore on High Priority Areas and Other Priority Areas as per the PMKKKY Guidelines. In High Priority Areas, 93 *per cent* of expenditure was incurred under five Heads, *viz.* Education, Welfare of women and children, Healthcare, Skill development and drinking water supply, with highest 43 *per cent* incurred in Education Head. On the remaining three Heads, *viz.* Environment Preservation, Sanitation and Welfare of aged and disabled people, only seven *per cent* of the expenditure was incurred. In Other Priority Areas, 76 *per cent* of expenditure was incurred on Physical Infrastructure and the remaining 24 *per cent* was incurred on Irrigation, Energy and Watershed Development, and Others.

As per Monthly Progress Report (MPR) of March 2024 of five DMFs, Audit observed that ₹ 134.35 crore was incurred in 2,489 completed and under implementation projects against the sanctioned amount of ₹ 142.78 crore. However, in five DMFs, there was no expenditure on heads of welfare of aged and disabled people and there was negligible expenditure in heads of Environment Preservation and Energy and Watershed development.

Audit noticed under-utilisation of the DMF contribution during 2016-17 to 2023-24. The underutilization of funds indicated that inadequate PMKKKY projects and expenditure were undertaken which did not commensurate with the yearly DMF contribution being received in Gujarat and in the five DMFs.

Audit noticed that 65.36 *per cent* of the total in-principle approved projects in five DMFs were given administrative approval (AA) thereby converting these projects into actual projects which could be implemented under PMKKKY scheme. This conversion ratio was lowest of 49.83 *per cent* in case of DMF Mehsana and highest of 92.01 *per cent* in case of DMF Surat. Audit observed that in-principle approved projects were cancelled due to non-availability/ non-furnishing of TS from the line departments within prescribed time frame of three months and the projects being taken up through other government schemes. Audit noticed that the Environmental Compensation Fund of ₹ 83.61 crore out of total collection of ₹ 84.46 crore by the DMFs in Gujarat which were to be utilized for PMKKKY projects remained unutilized. Further,

the DMF funds were not invested by four² DMFs thereby not earning adequate interest on government funds, which is against financial prudence.

Assessment, demand and collection of receipts under DMFs

There were cases of non/short payment of DMF contribution in five DMFs, resulting in outstanding DMF contribution of ₹22.74 crore from major mineral leaseholders and ₹11.45 crore from minor mineral leaseholders. Further, four³ DMFs did not calculate the interest for the delay in payment of DMF contribution as per rules in the notices issued to the leaseholders.

Implementation of scheme to achieve desired outcomes

There were deficiencies in the process for selection of agency for work. Audit noticed instances of award of work worth ₹9.04 crore to agency on nomination basis without inviting tender leading to undue benefit. The project of Blood Bank at Chhotaudepur was not completed even after delay of more than four years and payment of ₹ 39.53 lakh done for project presently remained unfruitful. In DMF Devbhumi Dwarka, undue benefit of repeat order worth ₹ 155.79 lakh was given to the agency. There was excess payment of ₹ 63 lakh in the work of installation of Educational Ceramic Chart in 42 schools under DMF Devbhumi Dwarka.

Monitoring and Evaluation

The Executive Committee and the Governing Council meetings of the DMFs were not conducted as per the frequency prescribed in the GDMF Rules. The DMF Surat did not obtain the approval of the Gram Sabha prior to taking up projects and did not provide any Report on implementation of projects in the Scheduled Areas in Surat district which was not as per GDMF Rules. Four DMFs⁴ did not maintain the prescribed registers⁵. GDMF Rules stipulate that the Governing Council shall approve the Annual Report and Audited accounts of the DMF within four months from the close of the previous year. Audit noticed that there were significant delays in preparation & finalisation of Annual accounts and the Annual Reports of DMFs at District level. A total 32 Annual Accounts and 30 Annual Reports were not prepared (as on November 2024).

DMFs prepared and sent the Annual Report and Audited Accounts to DMF-SNU, Gandhinagar since 2016-17 for onward submission to the State Government for laying the same before the State Legislative Assembly. Audit noticed that DMF-SNU had not submitted any of the Annual Reports and Audited Accounts prepared by DMFs to the State Government for laying before the Legislative Assembly.

As per DMF Rules, Commissioner Geology and Mines had to propose the

² DMF (i) Devbhumi Dwarka, (ii) Bhavnagar, (iii) Mehsana and (iv) Surat.

³ DMF (i) Porbandar, (ii) Bhavnagar, (iii) Mehsana and (iv) Surat.

⁴ DMF (i) Devbhumi Dwarka, (ii) Bhavnagar, (iii) Mehsana and (iv) Surat.

⁵ (i) Register of Mining related operations, (ii) Register of Receipt, (iii) Register of Expenditure, (iv) Register of Beneficiaries and (v) Register of various Committees.

Social Audit of DMFs, Audit noticed that Social Audit was not carried out by any of the five selected DMFs since establishment of DMFs upto March 2023. This led to non-assessment of the social impact of the projects executed by DMFs.

Recommendations

Recommendation 1: The DMFs should ensure the preparation of Annual Plans before the start of each financial year, in accordance with the GDMF Rules.

Recommendation 2: The DMFs should establish a system to identify projects that address the needs of the broader public in mining-affected areas, ensuring the timely and effective utilization of DMF contributions.

Recommendation 3: The DMFs should ensure the timely collection of all outstanding DMF contributions, along with the applicable interest, in line with the Rules.

Recommendation 4: The Annual Report and Audited Accounts should be prepared by DMFs and submitted by DMF-SNU on time to the State Legislative Assembly, with steps taken to initiate a Social Audit to assess the effectiveness of the projects.

Chapter I

**Introduction and Audit
Framework**

Chapter I - Introduction and Audit Framework

1.1 Introduction

The Government of India (GoI) launched (16 September 2015) a scheme of Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY) to ensure welfare of areas and people affected by mining related operations, using the funds generated by District Mineral Foundations (DMFs). The objectives of PMKKKY scheme were:

- (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.

1.2 Audit Objectives

The Performance Audit on implementation of 'Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY) including District Mineral Foundation (DMF) Trusts' was conducted to assess whether:

- (i) There are effective planning and institutional arrangements for the implementation of the scheme as per GDMF Rules, 2016/ PMKKKY Guidelines;
- (ii) Fund management of DMFT was economic and efficient;
- (iii) The system of assessment, demand and collection of receipts under DMF was reliable and efficient;
- (iv) The scheme was implemented effectively to achieve desired outcomes and could bring positive changes in the affected area and life of people; and
- (v) Monitoring and evaluation of the implementation of the scheme was adequate and effective.

1.3 Audit Criteria

The audit findings are based on the criteria derived from the following sources:

- PMKKKY guidelines and relevant notifications;
- GDMF Rules, 2016 (as amended time to time);
- MMDR Amendment Act, 2015; Mineral Concession Rules 1960;
- Gujarat Minor Minerals Concession Rules, 2017;
- Circulars on Rates of Royalty as provided by Government of India and Monthly price notification published by Indian Bureau of Mines (IBM) alongwith Government Notifications and guidelines for royalty;

- Gujarat Treasury Rules, Gujarat Purchase Policy 2016;
- Gujarat Public Trusts Act, 1950 and Other Circulars and notifications for issued by Government of India (GoI) and Government of Gujarat (GoG).

1.4 Audit Scope and Methodology

The Government of Gujarat had notified the creation of the District Mineral Foundation (DMF) for 32 districts¹ out of 33 Districts of Gujarat on 01 April 2016. The Performance Audit covering the period from April 2016 to March 2024 was conducted from July 2023 to October 2023. Audit initially reviewed the records for the period from 2016-17 to 2022-23 of DMF-SNU, Gandhinagar and the five test-checked DMFs, viz. Bhavnagar, Mehsana, Devbhumi Dwarka, Porbandar and Surat. Thereafter, the information for the period 2023-24 was called (November-2024) from the DMF-SNU, Gandhinagar and accordingly the Report was updated.

Audit reviewed the records to examine the creation of the DMF Trusts, the functioning of the DMFs and the areas of planning, fund management of the DMF contribution, the mechanism for assessment and collection of DMF contribution, the implementation of the various PMKKKY projects and the monitoring of the DMFs and the projects executed under PMKKKY scheme.

An Entry Conference was held (July 2023) with the Additional Chief Secretary, Industries and Mines Department (I&MD), Government of Gujarat (GoG) and Commissioner of Geology and Mining (CGM) wherein the audit scope, methodology and objectives were discussed. The field audit included examination of records of the DMF-SNU at Gandhinagar and the five DMFs of Bhavnagar, Mehsana, Devbhumi Dwarka, Porbandar and Surat. Joint physical inspection of 149 PMKKKY projects were conducted with the representatives from the DMFs and Line Departments. The audit observations were issued to the respective units and the Exit Conference for the Performance Audit was held in October 2024. The replies, wherever received, were appropriately incorporated in the Report.

1.5 Audit Sampling

In order to arrive at a representative sample, all Districts were assigned weighted scores as per the following scoring methodology – DMFT Fund Collection (40 *per cent* weightage), DMFT Expenditure (40 *per cent* weightage), Number of Affected Areas (10 *per cent* weightage), and Tribal Population (10 *per cent* weightage).

Five DMFs, viz. DMF Mehsana, Bhavnagar, Porbandar, Devbhumi Dwarka and Surat have been selected (three districts from high scoring, one district each from medium and low scoring districts) through stratified random sampling.

Similarly, three *Talukas*² for each district were selected (two *talukas* having highest completed projects and one *taluka* based on random sampling) and three

¹ DMFs have been established in 32 districts excluding Dang district as mining related operations are not undertaken there.

² Block of a district is named as Taluka in Gujarat.

Gram Panchayats from each selected taluka were selected based on random sampling. The list of the selected Districts, *Talukas* and *Gram Panchayats* is given in *Appendix I*.

The Audit team, along with representatives from the sample DMF and the relevant Line Departments, carried out joint physical inspections of up to five projects executed under the PMKKKY scheme in the selected Gram Panchayats. The audit team also conducted beneficiary survey across 43 Gram Panchayats with 15 residents selected from each Gram Panchayat. However, in absence of unsatisfactory remarks from the beneficiaries regarding the implementation of the Scheme, observation on the same was not included in the Report.

1.6 Acknowledgement

Audit acknowledges the cooperation and assistance extended by the DMF-SNU at Gandhinagar and the DMFs of Bhavnagar, Mehsana, Devbhumi Dwarka, Porbandar and Surat, alongwith other project implementing agencies for PMKKKY scheme.

1.7 Legal Framework of DMF in Gujarat

As per Mines and Minerals (Development and Regulation) (MMDR) Amendment Act, 2015, the State Governments shall by notification establish a District Mineral Foundation (DMF) in every district in the country affected by mining operations. Further, the Rules for the functioning of the DMFs are to be prescribed by the State Government.

In exercise of the powers conferred by Section 9B, 15A and 15(4) of the Mines and Minerals (Regulation and Development) Act, 1957, the Government of Gujarat (GoG) framed (01 April 2016) the Gujarat District Mineral Foundation (GDMF) Rules, 2016 as per the directions of the Government of India (GoI). The GoG also issued (01 April 2016) notification for establishment of DMF in 32 Districts³ of Gujarat.

The GDMF Rules, 2016 deemed to have come into force on 12 January 2015 onwards and included various provisions related to composition, functions, and manner of working of the District Mineral Foundation Trusts (DMFTs), regulation of the contributions made in DMF Fund and its utilization, records and registers to be maintained and audit and miscellaneous matters.

Subsequently, the Ministry of Mines, Government of India, issued revised PMKKKY Guidelines under Section 9(B)(3) of the MMDR Act, 1957, on 15th January 2024, with new directions to ensure effective utilisation of funds by DMFs. These Guidelines supersede the order number 16/7/2015-M.VI (Part) dated 16 September 2015, except with respect to things done or omitted to be done before such supersession. The Ministry directed the State Governments and Union Territories to incorporate the revised Pradhan Mantri Khanij Kshetra Kalyan Yojana, 2024 (PMKKKY 2024) into the rules framed by them for District Mineral Foundations and to implement the said Scheme.

³ In one district viz. Dang, no mining activities were undertaken. Thus, DMF was not established.

In accordance with the above Guidelines, the Gujarat DMF Rules, 2024 were notified on 12 December 2024 by Industries and Mines Department, Government of Gujarat.

1.8 Institutional Arrangement and Planning for PMKKKY scheme

The institution defined under PMKKKY for functioning of the scheme is the District Mineral Foundation (DMF). The GoG issued (01 April 2016) notification for establishment of DMF in 32 districts of Gujarat. The various aspects of institutional arrangement and planning are described below:

Formation of DMF Trust: DMF for districts were established through notification issued by the Government. It comprises of a Governing Council and Executive Committee. As per notification issued by the Government, DMF was to be registered as a Public Trust.

Identification of Affected Areas: Affected Areas is an area which is affected by mining related operations. The Executive Committee (EC) identifies Affected Areas and classifies them between Directly and Indirectly Affected Areas.

Identification of Affected People: Affected People means people affected by mining operations. Upon identification of Affected Areas, the EC shall prepare a list of Affected people which will be further classified into Affected Family, Displaced Family and any other Persons as appropriately identified by the Gram Sabha concerned.

Identification of Beneficiaries: Beneficiaries means those Affected People who have been identified as beneficiaries of plans, programmes or projects.

Annual Plan: Annual Plan is prepared as per Rule 16 of GDMF Rules by Executive Committee and approved by Governing Council. Annual Plan contains particulars of plans, programmes and projects including type, quantum, budget and time for completing the same. It shall contain measurable time-bound performance benchmarks for its implementation and consider the local needs and priorities of the Affected Areas. It shall also contain the details of the available fund allocated towards “High Priority Areas” and “Other Priority Areas.”

Social Audit: The Rule 25 (2) of GDMF Rules stipulate that in addition to the financial audit, there may be an independent Social Audit by the GC in the manner specified by the SLCC. The parameters of such Social Audit may include coverage of mining affected people and families with respect to benefit sharing, timeliness of benefit payments, timeliness of developmental schemes/works undertaken, work completion rates, and any such related issues. Audit reviewed the records of DMF-SNU and the five DMFs in order to review the measures taken to strengthen the legal framework of PMKKKY.

The Report has been prepared in two parts. Part A contains the observations relating to overall functioning of PMKKKY in the State and Part B contains the observations on implementation of PMKKKY in selected DMFs. The related observations, including the registration of district DMFs, updation of list of Directly Affected Areas, preparation of list of Indirectly Affected Areas, identification of beneficiaries in Mining Affected Areas, preparation of Annual Plans and the engagement of minimum required staff, are discussed in the following Chapters.

Part - A

Chapter II

Implementation of PMKKKY in overall State

Part A

Chapter II

Implementation of PMKKKY in overall State

2.1 Registration of District DMF Offices as a Trust

The GoG *vide* Notification dated 01 April 2016 established DMFs in 32 districts in the State. The Rule 3(2) of the GDMF Rules, 2016 stipulated that upon issuance of notification under sub-rule (1), the Governing Council (GC) shall take action to get the DMF registered as a Public Trust for charitable purpose under sub-section (13) of Section 2 of the Gujarat Public Trusts Act, 1950.

The State Level Co-ordination Committee (SLCC) also directed (November 2016) that the Commissioner of Geology and Mines (CGM) is to initiate action for establishment of DMF as a Trust. An agency was appointed (December 2016) for registration of DMF as a Trust.

Audit observed that there was no specific deadline for the establishment of DMFs as per GDMF Rules, 2016. The Department took six to 48 months in registration of 32 DMFs in the State from the date of notification (01 April 2016) (*Appendix II*).

2.2 Updation of list of Directly Affected Areas

Rule 7 (2) (g) of GDMF Rules stipulates that EC has to prepare, maintain and update a list of Affected Areas and Affected People. Further, Rule 12 (1) of GDMF Rules stipulates that the Affected Areas shall be classified into two categories of (a) Directly Affected Areas, and (b) Indirectly Affected Areas.

As per Rule 12 (1) (a), Directly Affected Areas are areas where mining related operations (such as excavation, mining, blasting, beneficiation and waste disposal such as overburden dumps, tailing ponds, transport corridors, *etc.*) are located.

The DMFs had prepared a list of Directly Affected villages, affected by mining related operations, for implementation of various developmental and welfare project/ programmes in these villages. The list of the affected villages was consolidated by DMF-SNU and approved by the GoG. As on 31 March 2024, a total of 2,103 villages were identified as Directly Affected villages in Gujarat.

During audit of the selected DMFs, it was observed that certain villages, where active mining operations are ongoing, have not been included in the list of Directly Affected Villages. This exclusion raises significant concerns, as these villages are likely to experience direct socio-economic and environmental impacts from mining activities. The detailed findings are discussed comprehensively in Para 3.1.2 of Part B of the Report. The omission of these villages from the list undermines the equitable allocation of DMF funds and the intended benefits for communities directly impacted by mining.

2.3 Preparation of the list of Indirectly Affected Areas

Rule 12 (1) (b) provided that Indirectly Affected Areas shall be the areas where local population is adversely affected on account of economic, social and environmental consequences due to mining related operations. Such adverse effects could be by way of deterioration of water, soil and air quality, reduction in stream flows and depletion of ground water, congestion and pollution due to mining operations, transportation of minerals or increased burden on existing infrastructure and resources.

The CGM directed (December 2019) all District Collectors to define Indirectly Mining Affected Villages as “villages falling under the radius of 5 KM of mining operations”. The Executive Committee (EC) of the DMF was to review the Directly Affected Areas and Indirectly Affected Areas and submit the revised list of villages (district, block-wise) under the category of “Directly Affected Areas and Indirectly Affected Areas”.

Audit noticed that DMFs had not submitted the list of Indirectly Affected Villages. Thus, as on March 2024, none of the villages in Gujarat were identified as Indirectly Affected Villages as per PMKKKY Guidelines/ GDMF Rules. This deprived the Indirectly Affected Areas/ villages from the benefits of various developmental and welfare project/programmes under PMKKKY.

The DMF-SNU, Gandhinagar accepted the facts and replied (November 2024) that the requirements have been incorporated in the revised DMF Rules, 2024 in accordance with the new guidelines issued in 2024.

2.4 Identification of beneficiary/ people in Mining Affected Areas

Paragraph 1 of PMKKKY guidelines stipulated for identification of Affected Areas and people to be covered under the PMKKKY. Paragraph 1.2 provided that the Affected people include Directly Affected Persons, Affected Family, Displaced Family and Other Persons/ Families as identified by the concerned Gram Sabha. It also provided that DMF should prepare and maintain an updated list of such Affected Persons/ Local Communities.

Similarly, Rule 13 of GDMF Rules stipulated that the EC should prepare a list of Affected People and update the list from time to time. Rule 14 of GDMF Rules stipulated that the EC should prepare a list of beneficiaries (Specific Individuals and a class of population) and in case of Schedule Area¹, approval of the Gram Sabha should be required for identification of beneficiaries.

Audit noticed that no list of Affected people/beneficiaries was prepared by any of the DMFs in Gujarat. Further, it was noticed that no instruction was issued by CGM/ DMF-SNU to the DMFs for preparation of such list of Affected people/ beneficiaries.

¹ Schedule Area includes tribal areas and the Scheduled Area as referred in Clause (1) of Article 244 of the Constitution of India.

The DMF-SNU, Gandhinagar accepted the facts and replied (November 2024) that the requirements have been incorporated in the revised DMF Rules, 2024 in accordance with the new Guidelines issued in 2024.

2.5 Engagement of minimum staff on contractual basis

Rule 7(2)(1) of the GDMF Rules stipulate that EC shall appoint staff on contractual basis for the affairs of the DMF in accordance with the policies and the instructions of the Government. In the first SLCC meeting, it was decided (November 2016) to appoint staff on contractual basis for DMFs. The Committee suggested to categorise the districts based on receipt of fund from a particular District and mining affected areas before segregating districts into Clusters to decide the staff pattern. Accordingly, the districts were segregated into Clusters to decide the staff pattern by the SLCC was as shown in **Table 2.1**.

Table 2.1: Categorisation of districts and staff requirement

Sl. No.	Category	Money value of contribution based on FY 2015-16	Number of contractual staff requirement	No. of Districts as per norms set by SLCC (based on contribution of FY 2015-16)
1	A	₹ 10 to ₹ 35 crore	6-7	05
2	B	₹ 2 to ₹ 10 crore	4-5	11
3	C	Upto ₹ 2 crore	1-2	16

Source: Records provided by DMF-SNU, Gandhinagar.

The details of the sanctioned posts, manpower posted and the vacancy in the DMF-SNU, Gandhinagar and overall DMFs in Gujarat are shown in **Table 2.2**.

Table 2.2: Status of manpower as on 06 November 2024

District	Sanctioned post	Manpower Posted	Post vacant	Percentage of vacancy
In all 32 Districts	116	66	50	43
DMF-SNU, Gandhinagar	7	2	5	71

Source: Records provided by DMF-SNU, Gandhinagar.

The overall shortage of staff in 32 DMFs was 43 *per cent* and the shortage at DMF-SNU, Gandhinagar was 71 *per cent*.

The DMF-SNU, Gandhinagar accepted the facts and replied (November 2024) that the revision of the category of Districts would be made in the next SLCC meeting and DMFs will be notified shortly to fill the vacant post. Inadequate staffing at DMFs disrupted their day-to-day operations, further impeding their effectiveness in achieving the objectives of addressing the adverse impacts of mining and improving the socio-economic conditions of affected communities.

Thus, the Department took six to 48 months in registration of DMFs as no deadline was set for establishment of DMFTs in GDMF Rules. Non-updation of the list of Directly Affected Areas led to the exclusion of certain villages, thereby depriving them of essential development and welfare projects. Similarly, the non-preparation of the list of Indirectly Affected Areas/ Villages prevented these regions from availing the benefits of various developmental and welfare programs under PMKKKY.

2.6 Macro analysis of DMFT Funds

The second objective of this Performance Audit was to evaluate whether the fund management of DMFT was carried out in an economic and efficient manner to support the scheme's implementation. Effective fund management is a fundamental requirement for achieving the objectives of the Scheme. The contribution received and expenditure for projects undertaken by DMFs, the mechanism for collecting and utilizing DMF funds, and the management of Environmental Compensation Fund under the PMKKKY Scheme are discussed below:

2.6.1 DMF contribution and expenditure for projects undertaken by DMF

As per notifications issued by the GoI and GoG and GDMF Rules, the amount of contribution to be made to DMF is a percentage based on the Royalty paid on Major and Minor minerals. The District Geologist/ Assistant Geologist makes the assessment and collection of the royalty for Major and Minor minerals and hence, is also the authority for assessment and collection of the DMF contribution thereon.

As per the PMKKKY Guidelines and GDMF Rules, the DMF contribution is to be utilized for meeting the objectives of DMF. The DMF fund was to be utilized for implementation of various developmental and welfare projects in areas affected by mining operations. The DMF Fund status as on March 2024 is shown in **Table 2.3**.

Table 2.3: DMF Fund status as on March 2024

(₹ in crore)

Total no. of Districts	Total no. of Districts in which DMF has been set up	Amount collected in respect of coal and lignite	Amount collected in respect of Major Minerals (other than coal and lignite)	Amount collected in respect of minor minerals	Total amount collected under DMF
33	32	217.83	690.03	700.22	1,608.08

Source: Information provided by the DMF-SNU, Gandhinagar.

As on March 2024, the total DMF contribution received in Gujarat across all DMFs and the expenditure incurred on various approved projects are shown in **Table 2.4**.

Table 2.4: Details of DMF contribution received and expenditure incurred on approved projects

Year	DMF Contribution received during the year (₹ in crore)	Expenditure during the year on approved projects (₹ in crore)
2016-17	153.44	0
2017-18	186.41	37.44
2018-19	195.60	116.34
2019-20	164.99	106.44
2020-21	192.01	88.74
2021-22	230.89	92.91
2022-23	242.54	154.89
2023-24	242.20	159.86
Total	1,608.08	756.62

Source: Information provided by the DMF-SNU, Gandhinagar.

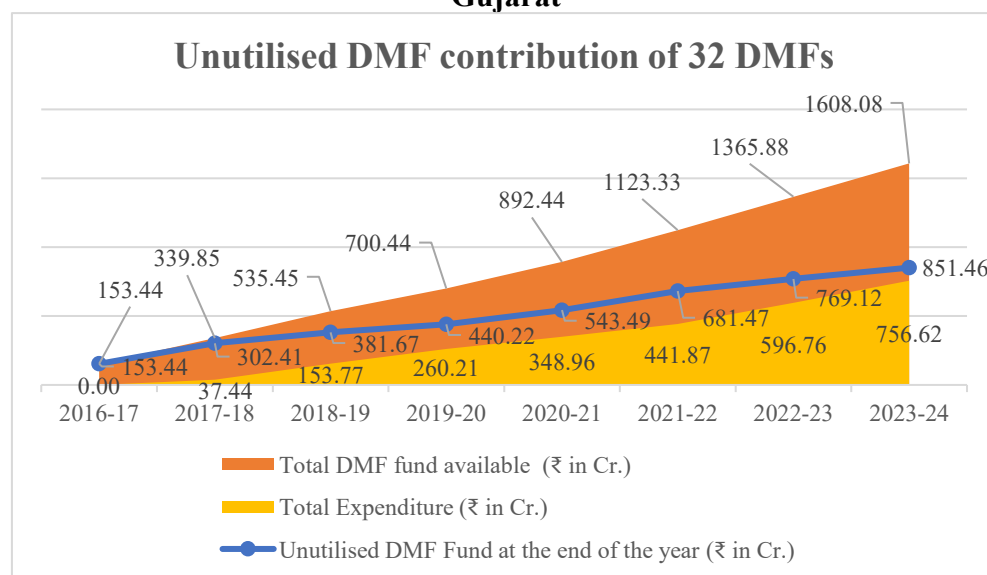
2.6.2 Utilisation of DMF Funds for Project under PMKKKY scheme

The PMKKKY was implemented by the DMFs in 32 districts of the State using the fund accruing to the DMF. The DMF contribution collected is utilized for implementation of developmental and welfare projects/ works for the benefit of people in mining affected areas. It is essential to monitor both the physical and financial progress of these projects to ensure the effective achievement of PMKKKY's objectives.

As on March 2024, 32 DMFs of Gujarat received DMF contribution of ₹ 1,608.08 crore and the expenditure incurred for projects under PMKKKY was ₹ 756.62 crore (47.05 per cent).

Audit reviewed the overall pattern of expenditure in the State DMFs and observed that the gap between contribution and utilisation of the same was increasing on year-to-year basis. **Chart 2.1** shows the year-wise contribution and expenditure details of Gujarat.

Chart 2.1: Details of DMF contribution and expenditure of 32 DMFs of Gujarat



Source: Records provided by the DMF-SNU, Gandhinagar.

As on March 2024, the total unutilised DMF contribution was of ₹ 851.46 crore (52.95 per cent) in Gujarat.

2.6.3 Utilisation of Environmental Compensation Fund

The I&MD issued (September 2018) Government Resolution (GR) regarding imposing Environmental Compensation in case of illegal mining transportation and storage for causing damage to Environment.

The GR stipulated that the Environmental Compensation will be in addition to penalties imposed by the I&MD under the Rules framed under the Mines and Minerals (Development and Regulation) Act, 1957 on the persons involved in illegal mining transportation and storage of any mineral in the State of Gujarat. The amount collected as Environmental Compensation Fund (ECF) shall be deposited into a separate bank account.

The GR also specified that funds collected as Environmental Compensation must be utilized through the DMF Trusts for activities within the following scope: (a) drinking water supply, (b) environmental preservation and pollution control measures, (c) healthcare in High Priority Areas, and (d) other measures to enhance environmental quality in mining districts in Other Priority Areas under the PMKKKY and the GDMF Rules, 2016 for the restoration of the damage caused to the environment by illegal mining.

A total of ₹ 62.12 crore² of ECF was available with 32 DMFs in Gujarat upto March 2023. Out of this fund, no utilisation was made since its collection. During the year 2023-24, 32 DMFs received ECF amounting to ₹ 22.34 crore. Of this, an expenditure of ₹ 0.85 crore was incurred and ₹ 21.49 crore remained unutilized. Thus, total Environment Compensation Fund of ₹ 83.61 crore out of the collected fund of ₹ 84.46 crore remained unutilised. In the five selected DMFs, a total of ₹ 10.65 crore was collected towards ECF during 2023-24 which remained unutilised as on November 2024.

Audit noticed that in spite of clear instructions of the I&MD, neither the DMFs of the State utilised the ECF upto March 2023 nor did the DMF-SNU/ competent authority at State level issue any instruction for its utilisation. Thus, the non-utilisation of funds resulted in under achievement of the objectives of the PMKKKY for stated scopes of High Priority Areas, Other Priority Areas and non-restoration of damage of environment made from the illegal mining in the State.

The DMF-SNU accepted (October 2023) the observation and stated that instructions would be issued to the DMFs to utilize the ECF. Further, the DMFs of Porbandar, Devbhumi Dwarka, Mehsana and Surat replied (October 2023/ December 2023/ March 2024) that the ECF could not be utilised due to non-receipt of project proposals, non-conduct of EC and GC meetings and non-receipt of any instruction for utilisation of ECF from GoG. The reply of DMF Bhavnagar was awaited (November 2024).

The latter reply is not acceptable as the GR issued by the GoG had already provided that the DMFs were to utilise the ECF on specified areas under PMKKKY scheme. As such, there was no need for any further instruction to be issued in this regard.

2.7 DMF contribution and mechanism for collection

The third objective of this Performance Audit was to evaluate the reliability and efficiency of the system for assessing, demanding, and collecting receipts under DMF. The observations related to this objective, including the mechanisms for collecting DMF contributions and the processes for assessment, demand, and receipt collection, are detailed in the following sections.

The amount of contribution to be made to DMF is a percentage based on the royalty paid on Major or Minor minerals in view of notifications issued by GoI and GDMF Rules, 2016 respectively. The details of the amount of DMF contribution for major and minor minerals are explained below.

² ₹ 59.77 crore from collection and ₹ 2.35 crore interest accrued thereof.

Major Minerals

As per GoI Notification (17 September 2015), the amount of DMF contribution in respect of major minerals other than coal and lignite should be 30 *per cent* of the royalty paid in respect of mining leases granted before 12 January 2015 and 10 *per cent* of royalty paid in respect of mining leases or prospecting license-cum mining leases granted on or after 12 January 2015. The I&MD circular (25 April 2018) stipulated that the District Collectors were required to collect DMF from the lease holders holding lease for major minerals other than Coal and Lignite from 17 September 2015 and from the lease holder holding lease for mineral Coal and Lignite from 01 April 2016. The Hon'ble Supreme Court order dated 13 October 2017 stipulated that for the lease holders, who have not made full payments of DMF contribution by 31 December 2017, interest at the rate of 15 *per cent* per annum from the due date, will be levied.

Minor Mineral

The Rule 21(1A) of GDMF Rules stipulates that the amount of DMF contribution should be 10 *per cent* of the royalty paid in respect of minor minerals and the same was to be levied from 26 September 2016 onwards. As per Rule 54 of the Gujarat Minor Mineral Concession Rules, 2017, simple interest at the rate of 18 *per cent* per annum was to be charged on any dues to Government which is delayed beyond thirty days from the due date (the date of payment of royalty) until payment of such amount.

2.7.1 Mechanism for Collection of receipts of DMF contribution

Rule 21(2) of GDMF Rules stipulates that to achieve seamless transfer without delays, payments towards contribution to the DMF should be made along with payment of royalty and the amount payable to each DMF should be credited into its bank account in the manner specified by the Government.

Rule 20 of the GDMF Rules stipulated that DMFTs have to open bank account for DMF contributions. As per SLCC instruction (November 2016) for collection of the DMF contributions, the DMFTs were required to open Bank accounts for DMF contributions received from Major Mineral as well as for DMF contributions received from Minor Minerals. The DMF contribution is required to be credited into the Bank account of respective DMFTs.

The Office of the Commissioner of Geology and Mining, Government of Gujarat (CGM) has been operating Integrated Lease Management System (ILMS) portal linked with the Cyber Treasury Portal for online collection of the revenue receipts of the Government including royalty on minerals.

However, payment relating to non-tax revenue receipts, such as DMF contributions and credit thereof, to the respective Bank accounts of the DMFTs through Cyber Treasury Portal of Finance Department was not possible, as the portal did not have provision for this functionality. So, to facilitate payment of DMF contribution through ILMS, the CGM integrated the ILMS with the SBI E-pay portal, operative from 01 January 2021. After this integration, the DMF contributions were to be deducted automatically based on the Royalty payment

and credited to the relevant DMF account. Sufficient credit by the leaseholder under the head of DMF in ILMS Portal is required, otherwise Royalty Pass could not be generated from 01 February 2021. An analysis on the assessment, demand and collection of funds in the case of five selected DMFs is covered under Para 3.3 of Part B of the Report.

2.7.2 Assessment, demand and collection of receipts under DMFs

The assessment of the DMF contribution on the royalty amounts, its demand and collection are important for the proper implementation of the PMKKKY scheme.

Assessment of DMF contribution

In case of every lease holder conducting mining operations, the royalty is payable to the State Government. Based on the amount of royalty paid, the DMF contribution is determined as a percentage of the royalty paid on Major or Minor minerals.

In Gujarat, the data of royalty paid is captured in the online system of ILMS portal. Based on the amount of royalty paid as per ILMS, the leaseholder was required to pay the DMF contribution. Prior to 01 January 2021, the leaseholders paid DMF contribution directly into bank accounts without any online mechanism to track payments linked to royalty paid. Subsequently, the DMF contribution to be paid was linked to ILMS and was deducted along with royalty.

Audit observed that the manual records and registers for collection of DMF were not properly maintained in DMFs. Hence, the information of online royalty deducted as per ILMS and DMF contribution received for each leaseholder as provided by DMF office was relied upon for assessment of the DMF contribution payable by each lease-holder. An analysis on short collection of DMF contribution in case of five selected DMFs is covered under Para 3.3 of Part B of the Report.

2.7.3 Accounting Treatment in DMFTs

All the 32 DMFs are registered as Public Trusts. The Trusts maintain the books of accounts of the Fund as per the Gujarat Public Trusts Act, 1950. As per Rule 20 and 21 of GDMF Rules, the receipts of the DMF contribution shall include DMF contribution from Major and Minor minerals, interest accrued in bank accounts and any other contribution determined by the Government. Further, the DMFs were to open bank accounts and the GC of DMFs shall approve the modalities for operation of bank accounts and investment of unutilized funds in banks.

The SLCC directed (November 2016) each DMF for opening separate bank accounts for contribution of DMF for Major and Minor minerals and another bank account for routine administrative expenses of DMF. At the State level, an Endowment Fund and a Corpus Fund are kept which are funded through contributions from DMFs. The expenditure for the various projects approved

and implemented under PMKKKY were made through the bank accounts for DMF contribution of Major and Minor minerals.

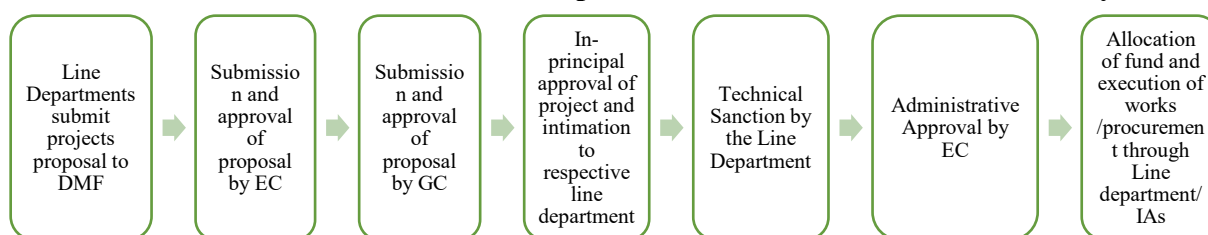
Thus, the integration of ILMS with the SBI E-pay portal made the process of assessing DMF contributions satisfactory. However, instances of shortfalls in demand and collection of DMF contributions were observed in the selected DMFs, as detailed in Para 3.3 of Part B of the Report.

2.8 Implementation of PMKKKY projects

The fourth objective of the Performance Audit was to determine whether the Scheme was implemented effectively to achieve desired outcomes and could bring out positive changes in the affected area and life of people. Implementation of works/ projects under this Scheme are carried out through various Line Departments/ Executive Agencies of Government/ Gram Panchayat. These Departments play a vital role in evolving effective and sustainable short-term and long-term strategies for overall development of the State.

Chart 2.2 below shows the administrative procedure related to approval and implementation of the works / projects, which involved the following:

Chart 2.2: Workflow of implementation of PMKKKY activities by DMFT



Source: Information furnished by DMF-SNU.

As per the information furnished by the DMF-SNU, Gandhinagar, the 32 DMFs sanctioned a total of 26,667 projects to be taken up under PMKKKY. Out of the above sanctioned projects, 14,516 (54 *per cent*) projects were completed, 3,141 (12 *per cent*) projects were ongoing, 3,278 (12 *per cent*) projects were yet to be started and 5,732 (21 *per cent*) projects were scrapped/ cancelled.

2.8.1 Categorisation of approved projects

Paragraph 2(1) of PMKKKY Guidelines and Rules 16 (4) (a) and (b) of GDMF Rules, 2016 stipulated that at least 60 *per cent* of funds should be utilised under the eight specified heads³ of High Priority Areas and up to 40 *per cent* of funds under the four specified heads⁴ of Other Priority Areas.

As on March 2024, a total expenditure of ₹ 756.62 crore had been incurred by 32 DMFs and DMF-SNU for implementation of projects sanctioned under PMKKKY. Out of the total expenditure, a total of ₹ 566.13 crore (74.82

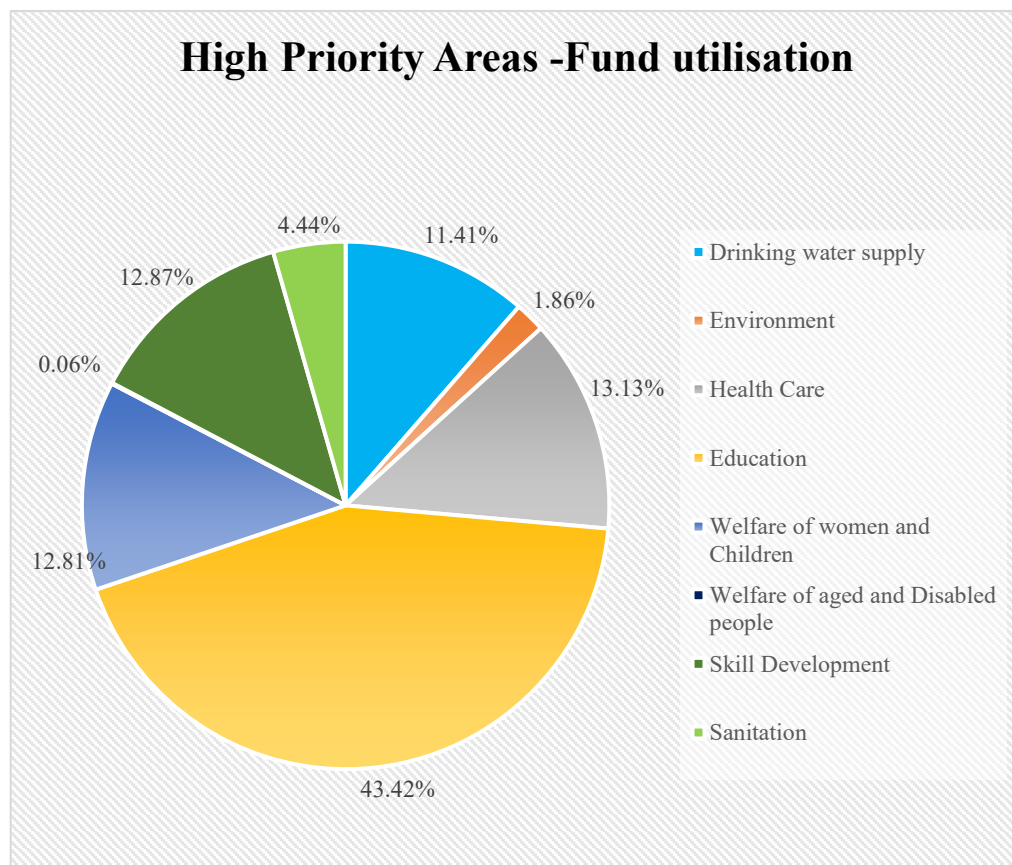
³ 1. Drinking water supply 2. Environment preservation and pollution control measures 3. Health Care 4. Education 5. Welfare of Women and Children 6. Welfare of aged and disabled people 7. Skill development and 8. Sanitation.

⁴ 1. Physical infrastructure 2. Irrigation 3. Energy and Watershed Development and 4. Any other measures for enhancing environmental quality in mining district.

per cent of total project expenditure) was incurred in High Priority Areas and the remaining ₹ 190.49 crore (25.18 per cent of total project expenditure) was incurred in Other Priority Areas.

Audit analysed the details of overall expenditure on High Priority Areas which have been depicted in **Chart 2.3**.

Chart 2.3: Head-wise percentage expenditure in High Priority Areas



Source: Records provided by the DMF-SNU, Gandhinagar.

Out of the expenditure on projects/ works in High Priority Areas, 93.64 per cent of expenditure was incurred under five Heads, viz. Education, Welfare of women and children, Healthcare, Skill development and drinking water supply, with highest 43.42 per cent incurred in Education Head. On the remaining three Heads, viz. Environment Preservation, Sanitation and Welfare of aged and disabled people, only 6.36 per cent of the expenditure was incurred.

Out of the expenditure on projects / works in Other Priority Areas, 75.85 per cent of expenditure was incurred on Physical Infrastructure and the remaining 24.15 per cent was incurred on Irrigation, Energy and Watershed Development, and Others.

2.9 Monitoring mechanism under PMKKKY scheme

The fifth objective of this Performance Audit was to determine whether the monitoring and evaluation of the scheme's implementation were adequate and effective. The audit observations related to accountability and transparency

mechanisms, including the conduct of EC and GC meetings, preparation and approval of Annual Reports and Audited Accounts, presentation of these documents before the State Legislative Assembly, and the conduct of Social Audits of DMF, are detailed in the following paragraphs.

2.9.1 Accountability and Transparency Mechanism

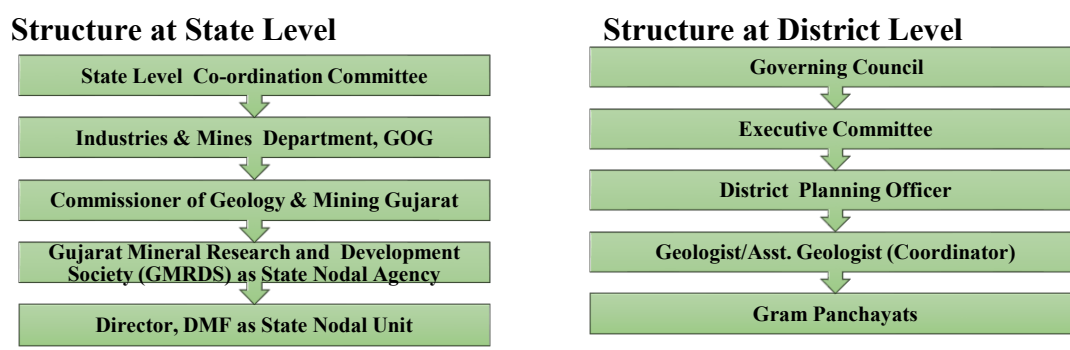
Rule 24 (2) of GDMF, Rules 2016 requires DMF to maintain an Income and Expenditure Statement and a Balance Sheet for every financial year, commencing from 01 April and ending on 31 March. As per Rule 25 (1) of GDMF, Rules 2016, the accounts of the DMFs require to be audited annually upon completion of financial year by Chartered Accountant appointed by the Governing Council from the list of qualified auditors notified by the Accountant General*. Audit observed that all the selected five DMFs appointed Chartered Accountants from the list of the empanelled Chartered Accountants issued by the Comptroller and Auditor General of India.

The GoI Guidelines of January, 2024 provisioned for the audit of the accounts of the DMF by the Comptroller and Auditor General (CAG). This provision for audit of accounts of DMF by CAG was not there in earlier guidelines issued by GoI in September 2015.

2.9.2 Administrative setup of DMFs

The administrative setup of the DMFs is governed as per the GDMF Rules, 2016. The DMF has a two-tier administrative structure comprising of State level and District level. The administrative structure at the State level and District level of the DMF is shown in **Chart 2.4**.

Chart 2.4: Administrative set up of DMF



Source: Records of State Level Coordination Committee provided by the DMF-SNU.

The governance and administration of the District Mineral Foundation (DMF) in Gujarat involve multiple key entities and committees. The State Level Coordination Committee (SLCC), chaired by the Chief Minister and supported by the Commissioner of Geology and Mining (CGM) as Member Secretary, oversees the coordination and timely transfer of funds to DMFs across districts. The Industries and Mines Department (IMD) supervises the CGM office, which manages state-wide mining activities. The Gujarat Mineral Research and Development Society (GMRDS), designated as the State Nodal Authority in

* List of empanelled Chartered Accountants issued by the Comptroller and Auditor General of India.

2016, facilitates DMF operations through its State Nodal Unit (DMF-SNU) based in Gandhinagar. At the district level, each DMF has a Governing Council (GC) and an Executive Committee (EC), both chaired by the District Collector, responsible for planning, approving, and monitoring projects. The District Planning Officer (DPO) manages fund disbursements, while the District Geologist ensures compliance with mining regulations and royalty collection. Additionally, Gram Panchayats identify and execute projects in mining-affected villages, ensuring grassroots involvement in DMF activities.

The CGM issued (December 2019) guidelines for administrative clearances and standard procedures from project designing to project completion for the PMKKKY projects. It stipulated the procedure for stage-wise monitoring of the PMKKKY projects regarding the progress of work, the work quality, community welfare and benefits generated by projects, *etc.* The monitoring/ inspection by the DMFs of the PMKKKY projects is done at two stages (i) during project implementation, and (ii) after the completion of the project.

The DMFs monitor the implementation of the PMKKKY projects and submit Monthly Progress Report (MPR) to DMF-SNU, Gandhinagar providing the details of the projects approved by the EC & GC, projects approved for administrative approval, projects implemented, projects under execution, projects yet to commence and the projects cancelled. The MPR of DMFs also include the details of approved cost and expenditure incurred for various PMKKKY projects.

The GDMF Rules provides the maintenance of certain records and submission of record to government *etc.* as detailed below which will help in monitoring and evaluation of DMF activities by the DMF as well as State Government.

Maintenance of Records and Registers: Rule 24 stipulates that DMF should maintain proper accounts and other relevant records such as various types of registers.

Financial Audit, Annual Report and Social Audit: Rule 25 stipulates that the accounts of DMF be audited annually upon completion of a financial year by Chartered Accountant. In addition to financial audit, an independent Social Audit is to be conducted and Annual Report is to be prepared. All these Reports, *i.e.* Financial Audit Report, Social Audit Report and Annual Report, are required to be laid before the State Legislative Assembly.

2.9.3 Meetings of the Executive Committee and the Governing Council of DMFs

As per GDMF Rules, the Governing Council (GC) and the Executive Committee (EC) of each DMF shall meet at regular intervals to monitor and evaluate the functioning of the DMFs. Rule- 10 (1) and 9 (1) of GDMF Rules stipulate that EC and GC should meet at least once in every three months and once in a year⁵ respectively. It was observed during audit that the number of EC

⁵ Vide Industries and Mines Department notification date 16th September 2017.

meetings and GC meeting required to be held as per Rules were not conducted. The failure to conduct EC and GC meetings violated the Rules and led to several adverse consequences, including delays in plan approvals, underutilization of DMF contributions, inadequate record-keeping at DMFs, and delays in approving Annual Accounts and Reports.

Further, Audit noticed that at State level a website was being operated by DMF-SNU which was integrated with the individual DMF websites and information of each DMFs. Audit reviewed the website of the DMF-SNU and observed (September 2023) that the agenda, minutes and action taken reports with respect to meetings of the EC and the GC was not available in public domain which led to partial compliance of GDMF Rules.

The DMF-SNU, Gandhinagar accepted the facts and replied (October 2023) that the information would be uploaded on websites as per the GDMF Rules.

Audit reviewed the number of the EC and GC meetings held by the five DMFs and the observations on the same are discussed in detail in Para 3.5.1 of Part B of the Report.

2.9.4 Preparation and approval of the Annual Report and Audited Accounts

Rule 25 (3) of the GDMF Rules provides that every year, within three months from the date of closure of the financial year, the EC should prepare an Annual Report on its activities for the respective financial year and shall present before the GC for approval. Upon approval of Annual Report, it shall be submitted to the Government.

Rule 6 (2)(c) of GDMF Rules stipulate that the Governing Council shall approve the Annual Report and Audited accounts of the DMF within period prescribed under the Societies Registration Act, 1860 or four months from the close of the previous year.

During scrutiny of records at DMF-SNU, Gandhinagar of 32 DMFs, Audit observed that there were significant delays in preparation & finalisation of Annual accounts and the Annual Reports of DMFs at District level. A total 32 Annual Accounts⁶ and 30 Annual Reports⁷ were not prepared (as on November 2024).

2.9.5 Laying the Annual Report and Audited Accounts before State Legislative Assembly

Further, Rule 25 (4) of GDMF Rules provides that the accounts of the DMF, together with the Financial Audit Report, the Social Audit Report and the Annual Report shall be forwarded annually to the Government by the DMF. The Government shall cause the reports to be laid before the State Legislative Assembly.

The DMFs prepared and sent the Annual Report and the audited Annual Accounts to the DMF-SNU, Gandhinagar since 2016-17 for onward submission

⁶ 9 for 2022-23 and 23 for 2023-24.

⁷ 3 for 2021-22, 5 for 2022-23 and 22 for 2023-24.

to the State Government for laying the same before the State Legislative Assembly.

Audit however, noticed that DMF-SNU had not submitted any of the Annual Reports and Audited Accounts prepared by the DMFs to the State Government for laying before the Legislative Assembly. Consequently, the State Government and Legislative Assembly was deprived of the information about the works and activities executed under PMKKKY.

The DMF, SNU replied (November 2024) that after compiling, the Annual Reports and Audited Accounts were submitted (5th February 2024) to Industries and Mines Department (IMD), GoG for laying before State Legislative Assembly. The IMD instructed (15th February 2024) that the Reports should be in Gujarati language as the Reports were in English language. The DMF, SNU instructed (29th, February 2024) all District Collectors for the preparation of Reports in Gujarati language. The status of preparation/ submission of Reports as of November 2024 has not been intimated to Audit.

2.9.6 Conducting Social Audit of DMF

The SLCC in its meeting (November 2016) resolved that in the initial phase, Gujarat Minerals Research Development Society (GMRDS) would obtain the support of the Rural Development Department and request the Rural Development Department/ Panchayat Department to conduct the Social Audit exercise of PMKKKY in the first year. After the completion of one year, it shall follow guidelines as proposed by the CGM.

Audit observed that Social Audit was not carried out by any of the five selected DMFs since establishment of DMFs to March 2023. Audit also noticed that no specific directions and guidelines for conduct of Social Audit of DMFs were proposed by GMRDS / CGM upto March 2023.

Thus, not only was the non-conduct of independent Social Audit against the GDMF Rules, but this also led to non-assessment of the social impact of the projects executed by DMFs. Thus, an independent evaluation of the PMKKKY Scheme through Social Audit remained pending.

The DMF-SNU stated (November 2024) that the Social Audit of DMF has not been carried out due to shortage of manpower and COVID-19. Further, the Social Audit of DMF has been excluded from the revised draft rules of GDMF 2024.

The reply of DMF-SNU is not acceptable as only through timely conduct of Social Audit would the authorities concerned be made aware of the extent of their benefit sharing, timeliness of benefit payments, timeliness of developmental schemes/works undertaken, work completion rates, and any such related issues as envisaged in Rule 25 above, among the mining affected people and their families.

The DMFs of Mehsana and Surat replied (December 2023/ April 2024) that Social Audit was not taken up due to non-receipt of instruction and guidelines from GMRDS/ CGM. The DMF Devbhumi Dwarka stated (October 2023) that proposal for Social Audit will be submitted in next EC and GC meetings. The DMF Porbandar stated (October 2023) that a proposal for conducting Social

Audit was made (May 2018) to the District Development Officer, Porbandar, for which reply is awaited. The reply of DMF Bhavnagar on the observation is awaited (November 2024).

The reply may be viewed in light of the fact that Rule 25 (2) of GDMF Rules stipulates that an independent Social Audit has to be carried out by the GC in the manner specified by the SLCC and by not ensuring that they are regularly conducted, the authorities concerned remains unaware of the extent to which the envisaged objectives of the Scheme are met.

Thus, the Audit reviewed the relevant records to assess the effectiveness of monitoring and evaluation mechanisms for DMFs and it was observed that the Executive Committee (EC) and Governing Council (GC) meetings, which are required by the GDMF Rules to ensure proper oversight, were not held as frequently as stipulated. This lack of regular meetings hindered timely decision-making and project implementation. Additionally, there were significant delays in the preparation and submission of the Annual Report and Audited Accounts, which are essential for maintaining transparency and accountability in fund utilization. The DMF-SNU, responsible for coordinating the DMFs at the State level, failed to submit any Annual Report or Audited Accounts to the State Government for presentation before the Legislative Assembly, further undermining the accountability process.

Moreover, the required Social Audits, which are critical for assessing the impact of the projects on local communities and ensuring public participation, were not conducted which indicates a gap in ensuring that the DMF funds were used effectively and in the best interest of the Affected communities.

Part - B

Chapter III

Implementation of PMKKKY in Selected DMFs

Part B

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Implementation of PMKKKY in Selected DMFs

The observations pertaining to the objectives of the Performance Audit are categorised and discussed in detail in subsequent sections to highlight the strengths, weakness, and areas requiring improvement within the selected DMFs.

3.1 Institutional Arrangements and Planning in selected DMFs

The first objective of this Performance Audit was to evaluate whether effective planning and institutional arrangements were made by DMFT for the successful implementation of the scheme and achievement of the PMKKKY objectives.

3.1.1 Registration of District DMF Offices as a Trust

Delay in registration of 32 DMFs as Public Trust is already discussed in Part-A para 2.1. Detailed analysis of five selected DMFs is given in succeeding paragraphs:

Audit reviewed the records of five DMFs and noticed that five DMFs took six to 30 months for registration as a trust as given in **Table 3.1**:

Table 3.1: Details of registration of Trust of five DMFs

Sl. No.	Name of DMFs	Date of Registration of Trust	Time taken in registration (months)
1	Mehsana	20.04.2018	23
2	Devbhumi Dwarka	05.10.2018	30
3	Porbandar	21.09.2017	18
4	Surat	28.09.2017	18
5	Bhavnagar	29.09.2016	06

Source: Records provided by the DMF-SNU, Gandhinagar.

The audit observed that DMFs took more time in registration of the District Mineral Foundation (DMF) as a Trust in the four districts mentioned above. DMFs replied that the primary reasons attributed to these delays include (1) non-completion of work related to registration of Trust by the agency appointed by DMF-SNU (2) inadequate staffing levels at the DMFs (3) delays in obtaining the necessary consent from trustees and (4) delays in the application process for registration.

The DMF-SNU and the DMFs accepted (October 2023 to December 2023) the facts and reiterated the reasons for the delay in registration of DMFs as Trusts.

3.1.2 Updation of list of Directly Affected Areas of the selected DMFs

As already discussed in Para 2.2 and 2.3 of Part A of the Report, the Directly Affected Areas and Indirectly Affected Areas needs to be prepared, maintained and updated by the EC. The details of Directly Affected Villages of the five selected DMFs are shown in **Table 3.2**.

Table 3.2: Directly Affected Villages in five DMFs

Sl. No.	Name of DMF	Number of affected villages (as on March 2023)
1.	DMF Mehsana	40
2.	DMF Bhavnagar	108
3.	DMF Porbandar	67
4.	DMF Devbhumi Dwarka	30
5.	DMF Surat	73

Source: Records provided by the DMF-SNU, Gandhinagar.

As per Rule 12 (1) (a), Directly Affected Areas are areas where mining related operations (such as excavation, mining, blasting, beneficiation and waste disposal such as overburden dumps, tailing ponds, transport corridors, *etc.*) are located.

Audit observed that in DMF Devbhumi Dwarka, out of 67 villages where mining activities were under operation, 37 villages were not included in the list of Directly Affected villages as on 31 March 2023. This was due to the decision taken in GC meeting (December 2019) to only consider villages having DMF collection of more than ₹10.00 lakh yearly as Directly Affected Villages. Audit noticed that such decision of GC of DMF Devbhumi Dwarka to not include Directly Affected Villages based on monetary limit of DMF collection was not supported anywhere in the PMKKKY guidelines and GDMF Rules.

Audit also noticed that DMFs of Porbandar had not included two villages (Kotda and Bhetkadi) in the list of mining affected villages, though these villages were having mining and/or quarry leases for mining operation.

Due to non-inclusion of the above villages in Directly Affected village list in the two DMFs, the implementation of various developmental and welfare project/programmes in these 39 mining affected villages could not be carried out.

The DMF Porbandar accepted the facts and replied (October 2023) that the proposal for inclusion of two villages was previously submitted (December 2020) to Director, DMF-SNU Gandhinagar. However, both villages continued to be excluded in the list of affected villages. He also assured to submit a new proposal for the same to Director, DMF-SNU Gandhinagar. The reply of DMF Devbhumi Dwarka is awaited (November 2024).

The DMF-SNU, Gandhinagar accepted the facts and replied (November 2024) that DMF Gujarat has not yet updated the list of Directly Affected Villages (the last updated list contains 2,103 villages).

The reply may be seen in light of the fact that due to non-inclusion in the list of Affected villages, no development and welfare project/program could be carried out in these above mentioned 39 Affected villages.

The fact that none of the villages in Gujarat were identified as Indirectly Affected villages as per PMKKKY Guidelines/ GDMF Rules by any of the DMFs has already been discussed in Para 2.3 of Part A of the Report.

3.1.3 Preparation of Annual Plans

Rule 15 (3) of the GDMF Rules stipulated that the EC is required to prepare the Annual Plan and submit it to the GC for approval. Annual Plans for the financial year other than the first Annual Plan shall be prepared and approved by the end of the fourth quarter of the previous financial year (*i.e.* by 31st March of previous financial year before commencement of financial year).

The SLCC directed (November 2016) the CGM to appoint agency for preparation of Annual Plan and preparation of consolidated Annual Plan for five-year period from 2014-15 to 2018-19. The CGM instructed (September 2017) the Collector of respective DMFs to hire the agencies at district level for preparation of Annual Plan under PMKKKY scheme. The CGM also provided (May 2018) the list of empanelled agencies to DMFs. After following the tendering process, the agencies were selected at district level by DMFs.

Audit reviewed the details of the five DMFs in respect of preparation of Annual Plans and its approval. Audit noticed that Annual Plans were prepared from the year 2014-15 to 2018-19 only and the Annual Plans for the year 2019-20 to 2023-24 were not prepared by any of the selected DMFs. Audit also reviewed the preparation and approval mechanism of the Annual Plans for the period 2014-15 to 2018-19 at five DMFs. It was observed that work order for preparation of Annual Plans for 2014-15 to 2018-19 were given to various agencies in 2018. The details are provided in **Table 3.3**.

Table 3.3: Details of preparation of Annual Plans by five DMFs

Sl. No	Name of DMF	Date of work order to selected agency	Stipulated date for submission of Draft Plan	Actual date of Draft Plan submission	Delay in submission of Draft Plan in Months	Date of approval of Annual Plan by respective GC of DMF	Payment made to agency for Annual Plan preparation (₹ in lakh)
1	Mehsana	16.10.2018	09.01.2019	02.12.2019	10	Yet to be approved	12.86
2	Bhavnagar	10.05.2018	22.09.2018	25.10.2019	13	01.01.2021	45.63
3	Porbandar	14.05.2018	26.09.2018	30.01.2019	4	Yet to be approved	56.21
4	Devbhumi Dwarka	10.05.2018	22.09.2018	18.03.2021	29	25.05.2021	10.08
5	Surat	10.01.2018	25.05.2018	08.08.2018	2	Yet to be approved	33.25
Total							158.03

Source: Records provided by the respective DMFs.

As per the GDMF Rules, the Annual Plan for the next financial year was to be prepared prior to commencement of the financial year. During audit, it was noticed that all the five selected DMFs had not prepared the annual plan prior to commencement of respective financial year. As the plans were prepared after the year of plan, the expenditure incurred on preparation of Annual Plan worth ₹1.58 crore was unfruitful.

The Annual Plans for 2014-15 to 2018-19 of DMFs of Bhavnagar and Devbhumi Dwarka had been approved by the respective GC of DMFs in January 2021 and May 2021 respectively *i.e.* after completion of the respective years/ period of the Annual Plan with delay of 33 month and 37 months respectively from the stipulated date of approval of Annual Plan for 2018-19 (*i.e.* 31 March 2018). In respect of DMFs of Mehsana, Porbandar and Surat, the Annual Plans from the year 2014-15 to 2018-19 is yet to be approved (November 2024) by the GC of respective DMF.

Audit also noticed that in absence of approved Annual Plans, the five test checked DMFs carried out their activities based on proposal received from the various government departments/ gram panchayats which were approved from respective EC/ GC of DMFs. The CGM issued (December 2019), the guidelines for administrative clearance and standard process required from project designing to project completion to be followed by the DMFs. However, the fact remained that the DMFs carried out the project/ work in the mining affected areas without prior approved Annual Plan from its establishment to 2023-24.

The DMFs of Bhavnagar, Devbhumi Dwarka and Mehsana replied (November/ October / December 2023) that there were delays in selection of agency for work and further agency delayed preparation of Annual plan. DMF Porbandar and Surat replied (November 2023/ October 2024) that Annual plan for the period 2019-20 to 2021-22 was not prepared due to COVID-19 pandemic. The reply of DMF Surat was awaited (September 2024). Further, the DMF-SNU accepted the facts and replied (October 2023) that despite the annual plans not being prepared by DMFs for the year 2019-20 onwards, the work related to the projects of the districts were implemented. Further, it stated that instructions would be issued to DMFs to prepare and implement Annual plan.

The reply of the DMFs and the DMF-SNU reiterated the facts and reasons for delay in preparation of Annual Plans. It is also pertinent to mention that though PMKKKY works/ projects have been carried out by DMFs; the same were without any approved Annual Plans.

3.1.4 Engagement of minimum staff on contractual basis in selected DMFs

Lapses in engagement of minimum staff on contractual basis is already discussed in Part-A Para 2.5. Detailed analysis of five selected DMFs is given in succeeding paragraphs:

The details of the sanctioned posts, manpower posted and the vacancy in the five DMFs are shown in **Table 3.4**:

Table 3.4: Status of manpower

District	Sanctioned post	Category	Manpower Posted	Post vacant	Percentage of vacancy
Porbandar	7	A	2	5	71
Devbhumi Dwarka	7	A	5	2	28
Mehsana	3	C	1	2	67
Bhavnagar	5	B	3	2	40
Surat	4	B	2	2	50

Source: Records provided by DMF-SNU, Gandhinagar.

In the five DMFs, the shortage of contractual staff was ranging between 28 *per cent* and 71 *per cent*. Further, audit also noticed that even though there was a significant increase in collection of DMF contributions from the year 2016-17 (₹ 27.72 crore) to 2023-24 (₹ 43.49 crore) of 5 selected DMFs, the staff remained inadequate. This may affect the day-to-day functioning of DMFs.

The DMF-SNU, Gandhinagar accepted the facts and replied (October 2023) that the revision of the category of districts would be made in next SLCC meeting and DMFs will be notified shortly to fill the vacant post.

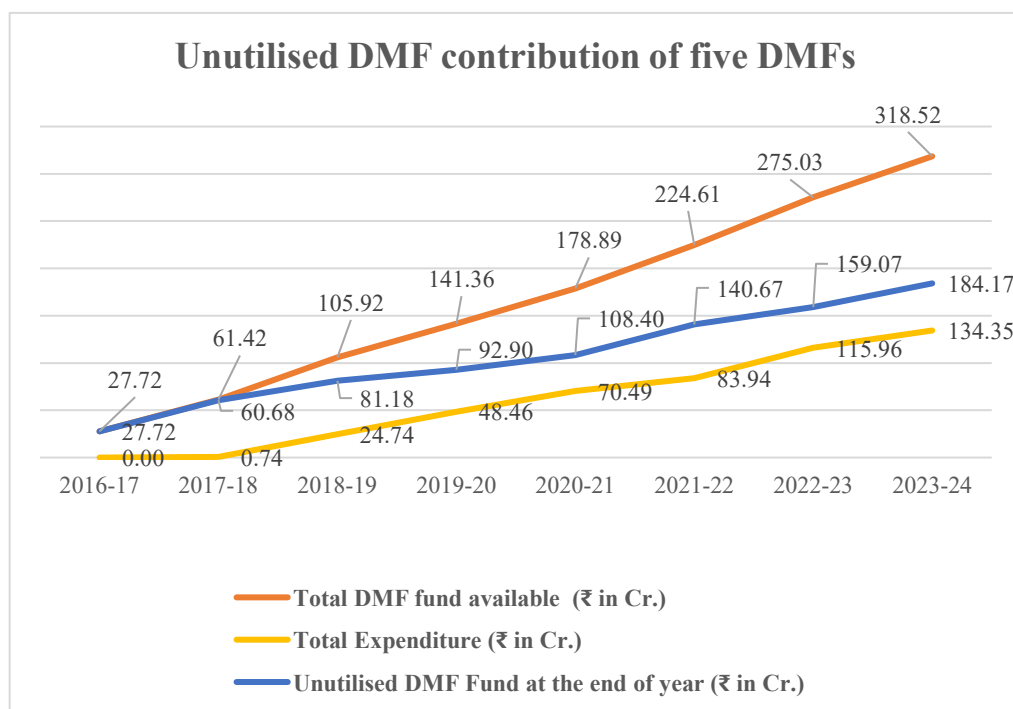
3.2 Fund Management in selected DMFs

The second audit objective of this Performance Audit was to assess whether fund management of DMFT was economic and efficient in implementation of the scheme. Fund Management is the basic criteria to achieve the envisaged objective in implementation of the scheme.

3.2.1 Utilisation of DMF funds for project under PMKKKY in selected DMFs

Under-utilisation of DMF funds for projects under PMKKKY is already discussed in Part-A para 2.6.2 Detailed analysis on utilisation of DMF funds for projects in selected DMFs is discussed below:

Audit reviewed the overall pattern of expenditure in five DMFs and observed that the gap between contribution and utilisation of the same was increasing on year-to-year basis. **Chart 3.1** shows the year-wise contribution and expenditure details of the five DMFs:

Chart 3.1: Details of DMF contribution and expenditure of five DMFs

Source: - Records provided by the DMF-SNU, Gandhinagar

As on March 2024, in case of the five DMFs a total of 57.82 *per cent* of DMF contribution collected remained unutilised. The reasons cited for the underutilisation of funds were delayed conduct of meetings of the EC and GC of the DMFs, COVID-19 pandemic, *etc.*

3.2.2 Investment of unutilised funds

As per Rule 20 (4) of GDMF Rules, the GC of the DMFs may approve investment of any unutilised fund in the bank accounts of DMF so that the investments may be liquidated at any time and there is no risk to principal amount so invested.

Audit reviewed the details of the bank account, investment and unutilised funds available year-wise for the five DMFs. The details of year-end DMF contribution and funds available for investment for these five DMFs are given below in **Table 3.5**:

Table 3.5: Year-wise details of DMF contribution and Expenditure of five DMFs

(₹ in crore)

Year	Opening balance of DMF contribution	DMF Contribution received during the year	Total fund available for utilisation	Total Expenditure	Year-end balance of Unutilised DMF contribution
2016-17	0.00	27.72	27.72	0.00	27.72
2017-18	27.72	33.70	61.42	0.74	60.68
2018-19	60.68	44.50	105.18	24.00	81.18

Year	Opening balance of DMF contribution	DMF Contribution received during the year	Total fund available for utilisation	Total Expenditure	Year-end balance of Unutilised DMF contribution
2019-20	81.18	35.44	116.62	23.72	92.90
2020-21	92.90	37.53	130.43	22.03	108.40
2021-22	108.40	45.72	154.12	13.45	140.67
2022-23	140.67	50.42	191.09	32.02	159.07
2023-24	159.07	43.49	202.56	18.39	184.17
Total		318.52		134.35	

Source: Information received from DMF-SNU, Gandhinagar.

As can be seen, from above Table that unutilised funds increased from ₹27.72 crore in 2016-17 to ₹184.17 crore in 2023-24. Audit noticed that all the five DMFs operated four bank accounts; of which the bank account for DMF contribution for major minerals was operated as Current account; whereas the remaining three bank accounts for (i) DMF contribution for minor minerals, (ii) ECF and (iii) Contingency account for routine operations of DMF were maintained as saving accounts. Audit noticed that only DMF Porbandar had opened an auto-sweep account for investment of the unutilised DMF contribution whereas the remaining four DMFs of Surat, Devbhumi Dwarka, Mehsana and Bhavnagar did not open any fixed deposit for investment of unutilised amounts.

Further, apart from the DMF contribution, the total amount collected under ECF in all these five DMFs were also maintained under saving accounts with banks and were not invested in fixed deposits.

Thus, unutilised DMF contribution was not invested as per Rule 20 (4) in such manner that it may be liquidated at any time and had no risk to the principal amount so invested. This has led to not earning adequate interest on government funds.

The reply of the DMFs is awaited (November 2024).

3.3 Assessment, demand and collection of receipts under selected DMFs

The third objective of this Performance Audit was to evaluate the reliability and efficiency of the system for assessing, demanding, and collecting receipts under DMF. On scrutiny of the records of five DMFs, Audit observed short collection of DMF contribution from leaseholders of Major minerals and Minor minerals. Further, the methodology for collection of the outstanding DMF contribution from concerned leaseholders was deficient as DMFs did not collect interest on delayed payment. The audit findings on the same are discussed below.

3.3.1 Short collection of DMF - Major Minerals

In Gujarat, the DMF contribution on Major Minerals other than Coal/ Lignite was applicable from 17 September 2015 onwards and in case of Coal/ lignite it was from 01 April 2016 onwards. In all the five DMFs, Audit collected the information of online royalty deducted as per ILMS for the period from

17 September 2015 to 31 March 2023¹ and DMF paid for the same period by leaseholders.

Based on the information provided by the five DMFs, there was no Major Mineral Lease at DMF Mehsana. Further, in case of leaseholders for Major Mineral of DMF Bhavnagar there was no DMF contribution amount outstanding. In case of the three DMFs of Porbandar, Devbhumi Dwarka and Surat, Audit reviewed the Royalty deducted and DMF contribution as submitted by the DMFs and observed that the DMF contribution was not in required proportion of the Royalty received. The details are provided in **Table 3.6**.

Table 3.6: Details of outstanding DMF contribution of Major Mineral for the period 2015-2023

Sl. No.	Name of DMF office	No. of leases for major minerals	No. of leases conducting mining operations	No. of leases with outstanding DMF contribution	Total amount of outstanding DMF contribution (₹ in crore)
1	Porbandar	111	71	23	4.03
2	Devbhumi Dwarka	152	110	49	18.43
3	Surat	6	3	2	0.28
Total		269	184	74	22.74

Source: Data provided by respective DMFs.

It was observed that 74 leaseholders² had to contribute ₹ 86.50 crore in respective DMFs. However, the contribution stood at ₹ 63.76 crore only. This resulted in less contribution of ₹ 22.74 crore in these DMFs. Thus, the DMF contribution collection mechanism was not proper which led to considerable amount of outstanding DMF contribution for Major Minerals at three DMFs.

The DMF Porbandar accepted the facts and replied (November 2023) that recovery of outstanding DMF contribution of ₹15.52 lakh has been made fully/ partially in seven cases. However, the supporting documents are yet to be provided (November 2024). For remaining Leaseholders notices (October 2023) were issued for payment of outstanding DMF contribution. The DMF Devbhumi Dwarka replied (December 2023) that two Leaseholders³ have paid DMF contributions. However, the supporting documents for recovery and details thereof are yet to be provided. The DMF Surat accepted the facts and replied (December 2023) that Leaseholders were instructed about reconciliation of outstanding DMF.

Thus, the DMFs accepted the fact that DMF contribution for Major Minerals was short collected. However, the fact remains that the outstanding DMF contribution was yet to be recovered from concerned Leaseholders even after issue of notices.

¹ In this regard, information for the year 2023-24 called (November 2024) for from DMF-SNU, Gandhinagar is awaited. Therefore, the observation relates to the data for the period from 17 September 2015 to 31 March 2023.

² Ignoring outstanding DMF contribution of less than ₹ 500.

³ (i) Lease No. ML 3002004821 and (ii) Lease No. ML 3002010421.

3.3.2 Short collection of DMF - Minor Minerals

In Gujarat, the DMF contribution on Minor Minerals was applicable from 26 September 2016 onwards. In all the five DMFs, Audit collected the information of online Royalty deducted as per ILMS for the period from 26 September 2016 to 31 March 2023⁴ and DMF paid for the same period by Leaseholders.

Based on the information provided the five DMFs, Audit reviewed the Royalty deducted and DMF contribution as submitted by the DMFs and observed that the DMF contribution was not in the required proportion of the Royalty received. The details are provided in **Table 3.7**.

Table 3.7: Details of outstanding DMF contribution of Minor Minerals upto March 2023

Sl. No.	Name of DMF office	No. of leases/ permit for minor minerals	No. of leases/ permit conducting mining operations	No. of leases/ permit with outstanding DMF contribution	Total amount of outstanding DMF contribution (₹ in crore)
1	Porbandar	445	339	76	0.10
2	Devbhumi Dwarka	98	94	8	0.09
3	Surat	1757	1620	828	5.07
4	Bhavnagar	327	290	120	0.61
5	Mehsana	277	261	161	5.58
Total		2904	2604	1193	11.45

Source: Data provided by respective DMFs.

It was observed that 1,193 leaseholders⁵ paid DMF contribution of ₹22 crore against the payable contribution of ₹33.45 crore in respective DMFs. Thus, DMF contribution and collection process was inadequate, leading to a considerable amount of 34 *per cent* uncollected DMF contributions for Minor Minerals in five DMFs.

The DMF Mehsana accepted the facts and replied (December 2023) that after reconciling the outstanding DMF contribution, the recovery would be made. The DMF Devbhumi Dwarka replied (December 2023) that three leaseholders⁶ have paid full amount of outstanding DMF contribution. However, did not furnish the supporting documents for the same. Further, DMF Devbhumi Dwarka stated that one leaseholder⁷ has paid DMF contribution in bank account of DMF Jamnagar, which would be transferred to the bank account of the DMF Devbhumi Dwarka. The replies of DMF Bhavnagar, Porbandar, and Surat are awaited (November 2024).

⁴ In this regard, information for the year 2023-24 called (November 2024) for from DMF-SNU, Gandhinagar is awaited. Therefore, the observation relates to the data for the period from 26 September 2016 to 31 March 2023.

⁵ Ignoring outstanding DMF contribution of less than ₹ 500.

⁶ (i) Quarry Lease No. QL 3003009215 (ii) Quarry Lease No. QL 3003009015 and (iii) Quarry Lease No. ML 3004000604.

⁷ (i) Quarry Lease No. QL 3001001315.

The DMFs accepted the fact that DMF contribution for Minor Minerals was short collected and recoverable from concerned leaseholders.

3.3.3 Collection of interest on outstanding DMF Contribution

As per I&MD circular (25 April 2018) in case of delay in payment of DMF contribution for Major Minerals, interest of 15 *per cent* per annum from the due date was to be levied. Further, in case of delay in payment of DMF contribution for Minor Minerals interest of 18 *per cent* per annum from the due date was to be levied.

Audit noticed that only DMF Devbhumi Dwarka has raised notice of ₹8.73 crore for interest recoverable from leaseholders on account of delay in payment of DMF contribution. The remaining DMFs of Porbandar, Surat, Bhavnagar and Mehsana had not raised notices for interest recoverable from respective leaseholders having outstanding DMF contribution which resulted in non-compliance of IMD circular.

3.4 Implementation of Scheme to achieve desired outcomes by selected DMFs

The fourth audit objective of Performance Audit was whether the Scheme was implemented effectively to achieve desired outcomes and could bring positive changes in life of Affected People after implementation of Scheme.

The PMKKKY Scheme was envisaged for the implementation of various developmental and welfare projects/ programmes in mining Affected Areas. Thus, implementation of the projects under the PMKKKY Scheme to achieve the desired benefit of public at large is a major component for success of the PMKKKY Scheme. A detailed review of projects executed by five selected DMFs revealed several issues, indicating deviations from the intended framework and objectives. These observations highlight areas where the DMFs have not adhered to prescribed guidelines or where inefficiencies in project execution have occurred.

1. Improper Allocation of Funds:

Instances were noted where expenditures in Higher Priority Areas and Other Priority Areas were not aligned with the stipulated percentages. This misallocation undermines the prioritization framework intended to ensure balanced and equitable development in mining-affected areas.

2. Procedural Irregularities:

Significant procedural lapses were identified in the initiation and execution of projects, including:

- Delays in Obtaining Technical Sanction: Approval from the relevant Line Departments was not secured in a timely manner, causing delays in project implementation.
- Scope Changes: Modifications in the originally sanctioned scope of work led to inconsistencies and potential inefficiencies.

- **Overlap with Other Schemes:** Some projects undertaken by the DMFs were also being executed under other schemes, leading to duplication of efforts and potential misallocation of resources.
- **Non-commencement of Projects:** In certain cases, projects could not be initiated despite allocation, highlighting inefficiencies in planning and execution.

These findings collectively point to weaknesses in governance, planning, and adherence to guidelines within the selected DMFs.

In the five selected DMFs, out of 386 completed projects a total of 149 completed projects were selected for audit, having project cost ranging between ₹ 0.35 lakh to ₹ 20.00 lakh. Details of these projects is shown in **Table 3.8**.

Table 3.8: Details of the project selected in Performance Audit

Sl. No.	District	Name of selected Blocks	No. of completed project in selected in Districts	Range of Project cost (₹ in Lakh)
1	Bhavnagar	Umrala, Shihor & Mahuva	12	5.00 to 9.99
2	Devbhumi Dwarka	Kalyanpur, Khmabhaliya & Dwarka	41	0.95 to 20.00
3	Mehsana	Satlasna, Vijapur & Becharji	20	0.50 to 5.47
4	Porbandar	Ranavav, Kutiyana & Porbandar	36	1.00 to 15.80
5	Surat	Mandavi, Mahuva & Bardoli	40	0.35 to 6.93
Total			149	

Source: Records provided by respective DMFs.

Audit reviewed the records of the projects implemented by the five DMFs and also conducted joint physical inspections of these 149 completed projects. Audit observed deficiencies in tender process and selection of implementing agencies, non-completion of works, and implementation of works outside affected areas, instances of projects implemented for private benefit rather than public benefit, instances of undue benefit to agency and instances of excess payment for works. The audit observations are discussed in succeeding paragraphs.

3.4.1 Physical progress and cancellation of projects

As per the administrative procedure for the approval and expenditure of projects, the line departments had submitted proposals with estimated project costs for the in-principle approval of the GC of the respective DMF. Following this, the Technical Sanction (TS), with detailed cost estimates, was prepared by the line department. In some cases, projects were cancelled if they were taken up under other government schemes or if there was a delay in receiving the TS from the line departments for more than three months from the date of in-principle approval. Administrative Approval (AA) was given by the Chairperson of EC of DMF for projects to be executed under the PMKKKY based on the approved cost estimates. The respective line departments or gram panchayats were then informed for execution.

Audit reviewed the records of the projects in case of the five DMFs with respect to projects with in-principle approval, cancelled projects prior to AA, projects approved with AA having approved cost, completed projects, projects under

implementation, projects yet to commence and cancelled projects during execution of work. As on March 2024, the details of the same for the five DMFs are shown in **Table 3.9**.

Table 3.9: Status of PMKKKY projects of five DMFs as on March 2024

DMF	In principle approved projects	Cancelled prior to AA	Projects not initiated for AA	Projects given AA	Conversion Ratio (in %)	Status of projects after approval of AA			
						Completed projects	Under implementation	Projects to start execution	Cancelled
Mehsana	293	11	136	146	49.83	77	68	1	0
Bhavnagar	581	56	228	297	51.12	52	155	61	29
Porbandar	1,531	274	308	949	61.99	423	8	482	36
Devbhumi Dwarka	1,890	774	1	1,115	58.99	944	3	161	7
Surat	1,127	90	0	1,037	92.01	739	20	242	36
Total	5,422	1,205	673	3,544	65.36	2,235	254	947	108

Source: Monthly Progress Reports of respective DMFs.

3.4.2 Inefficiencies in project approval

Audit noticed that for the five selected DMFs, a total of 3,544 projects were approved for execution by providing Administrative approval (AA) out of 5,422 in-principle approved projects. Rest of the projects were either cancelled or not initiated yet due to not receiving AA approval from EC concerned of the respective DMF. Thus, only 65.36 *per cent* of the total in-principle approved projects in five DMFs were given AA, thereby converting these projects into actual projects which could be implemented under PMKKKY scheme. This conversion ratio was lowest at 49.83 *per cent* in case of DMF Mehsana and highest at 92.01 *per cent* in case of DMF Surat.

As per Rule 16(4) of GDMF Rules, the total sanctioned amount of the project should not exceed 1.5 times of the available DMF contribution / fund. Audit observed that Chairperson of GC DMF Devbhumi Dwarka in principle approved (October 2017) a total of 1,052 projects amounting to ₹59.83 crore as against the available fund of ₹ 4.36 crore (upto September 2017). This was 13.72 times of the available DMF fund, which exceeded the limit of 1.5 times prescribed under GDMF Rules. Subsequently, 637 projects amounting to ₹43.61 crore out of the 1052 projects approved in October 2017 were cancelled by GC. The reason for cancellation of above 637 projects as stated by DMF Devbhumi Dwarka was that these were unnecessary projects and TS was not available.

3.4.3 Expenditure of DMF in High Priority Areas and Other Priority Areas

To achieve the envisaged objective of the PMKKKY scheme, DMF has to consider the rules and instruction of categorisation of the particular project/ programme under the sector of High Priority Areas or Other Priority Areas at the time of sanctioning the project proposal received from the line departments. Audit reviewed the records of five DMFs for selection and approval of projects / works under PMKKKY to examine categorisation of projects.

During test-check of Monthly Progress Report (MPR) of March 2024 of five DMFs, Audit observed that ₹134.35 crore was incurred in 2,489 completed & under implementation projects against the sanctioned amount of ₹ 142.78 crore. Further, it was observed that the five DMFs had not covered all areas of High Priorities and Other Priorities as detailed in **Table 3.10**.

Table 3.10: Details of projects covering the areas of both priorities

(Figures in percentage)

Percentage of sanctioned cost of completed and ongoing projects on areas of both Priorities						
Areas	Priorities	Mehsana	Bhavnagar	Porbandar	Devbhumi Dwarka	Surat
Drinking water supply	High Priority Area	8.83	26.22	9.35	17.37	10.55
Environment preservation and pollution control measures		0	0	0	0	2.29
Health care		14.36	0	1.95	3.18	31.11
Education		16.56	43.70	31.13	42.40	19.23
Welfare of Women and Children		12.76	9.19	23.24	7.09	1.33
Welfare of aged and disabled people		0	0	0	0	0
Skill development-		0	0	9.97	2.41	4.13
Sanitation		7.12	0	2.18	0.60	1.47
Sub-Total (High Priority Area)		59.63	79.11	77.83	73.05	70.12
Physical infrastructure	Other Priority Area	40.37	0	21.72	26.38	29.71
Irrigation		0	20.89	0.09	0	0.17
Energy and Watershed Development		0	0	0	0.58	0
Any other measures for enhancing environmental quality in mining district		0	0	0.36	0	0
Sub-Total (Other Priority Area)		40.37	20.89	22.17	26.95	29.88
Total		100.00	100.00	100.00	100.00	100.00

Source: Records provided by DMF-SNU Gandhinagar.

It could be seen from the above that major expenditure in case of DMFs of Bhavnagar, Porbandar and Devbhumi Dwarka was on Education. In case of DMF Mehsana it was on Physical Infrastructure and in case of DMF Surat, on Healthcare. The expenditure by the five DMFs was mainly concentrated on a

few Heads, such as (i) Education, (ii) Healthcare, (iii) Physical Infrastructure, and (iv) Drinking Water Supply.

DMFs of Mehsana, Bhavnagar, Porbandar and Devbhumi Dwarka had not taken up any project related to Environment Preservation and Pollution Control Measures. It was also noticed that there was negligible expenditure in the two Heads of (i) Energy and Watershed Development, and (ii) Others. Further, no expenditure/ project was on the Head of Welfare of Aged and Disabled people, leading to potential deprivation of benefits to the beneficiaries of Affected villages.

The DMFs of Porbandar, Devbhumi Dwarka and Surat replied (October 2023) that projects in various Heads of High Priority and Other Priority Areas were not taken up due to non-receipt of the proposals, non-approval of projects and also due to cancellation of in-principle approved projects. The reply of DMF Bhavnagar was awaited (November 2024).

Thus, the lapses in project execution highlight significant shortcomings in planning, coordination, and oversight mechanisms. Delays in initiating and completing projects, inadequate monitoring, poor coordination between DMFs and line departments, and inefficient utilization of funds have collectively undermined the intended objectives of the Scheme. These issues not only delay the delivery of benefits to the Affected communities but also raise concerns about the effectiveness and accountability of the overall implementation process. To address these gaps, it is imperative to strengthen institutional frameworks, enhance interdepartmental coordination, and implement robust monitoring systems for timely and effective project execution.

3.4.4 Deficiencies in process of selection of the agency for work

As per the SLCC direction (November 2016), the DMFs were to follow the guidelines of the Government and comply with the Gujarat State Purchase Policy 2016. Thus, the process for invitation of tender, award of work and selection of agency for work was to be done as per the extant Government guidelines. Audit observed instances where the DMFs awarded works to an agency without inviting tender leading to undue benefit to agency. The observations are discussed below.

3.4.4.1 Award of project to the agency on nomination basis without inviting tender

The GoG introduced (November 2006) e-procurement⁸ policy in all the Government Departments, Boards and Corporations *etc.* of the State Government with effect from 01 June 2007 for transaction value of ₹ 10 lakh and above. Subsequently, transaction value for e-procurement was reduced (July 2011) from ₹ 10 lakh to ₹ 5 lakh and above.

On review of records related to process of award of works/ projects by DMF Devbhumi Dwarka, it was noticed that the GC approved (October 2017) four

⁸ e-procurement is the process wherein the physical tendering policy is carried out online using the internet and associated technologies.

projects which were awarded without invitation of tender. The details of projects are shown in **Table 3.11**:

Table 3.11: Details of projects awarded without inviting tender

Sl. No.	Project Name	GC in-principle approved cost	Work order date	Name of agency	Work awarded based on a tender invited at Narmada district in month	Remarks
1	Terafill tank of 1000 litre capacity in 57 schools	₹1.71 crore	August 2018	Veer Enterprises, Bardoli	September 2017	The agency requested DPO to award these works with reason stated that similar project carried out in Narmada District through tendering process. DMF Devbhumi Dwarka awarded these projects to the same agency without tendering process.
2	Playing equipment in 57 Primary schools	₹3.13 crore (₹5,50,000 per unit)	July 2018	Veer Enterprises, Bardoli	January 2018	
3	Educational Ceramic Charts (ECC) in 57 Primary schools	₹1.71 crore (₹3,00,000 per Unit)	March 2018	Veer Enterprises, Bardoli	September 2017	
4	Educational Ceramic Charts (ECC) in 55 Anganwadi	₹1.43 crore (₹2,60,000 per unit)	February 2018	Veer Enterprises, Bardoli		

Source: Records provided by DMF Devbhumi Dwarka.

Audit observed that the cost of each of these four projects was more than ₹5 lakh and hence required invitation of open tender as per policy. However, the DMF Devbhumi Dwarka accorded administrative approval and awarded (between March 2018 to August 2018) these works to the M/s. Veer Enterprises, Bardoli (agency) accepting the request that similar works⁹ were carried out by the agency in Narmada District following the tendering process.

This non-adherence to the procurement policy deprived DMF Devbhumi Dwarka in obtaining competitive rates and also led to undue benefit to the agency. Further, Audit also observed excess payment of ₹ 63 lakh in one of the above works, which is discussed under Para 3.4.8 of this Report.

The reply of DMF Devbhumi Dwarka is awaited (November 2024).

3.4.4.2 Splitting of work to bypass the tender process

The I&MD, GoG issued (February 2021) a Resolution regarding method of procurement of goods through Government e-Marketplace (GeM) portal for all Government Organisations. The Clause 7 of *ibid* Resolution stipulates that any work having financial limit of procurement of goods above ₹ 5 lakh may be procured through Open Bid (Tender) and/ or Reverse Auction process and the work having the financial limit of procurement of goods below ₹ 5 lakh may be procured through GeM suggested L1.

⁹ In Narmada district tender was invited (between September 2017 and January 2018) for the similar project.

The Education Department submitted (January 2021) a TS for the project of installation of CCTV cameras in 50 schools to the DMF Devbhumi Dwarka. The DMF Devbhumi Dwarka accorded (January 2021) AA for the project of installation of CCTV cameras in 34 Primary and Secondary Schools of the district for amount of ₹1.06 crore. The District Level Purchase Committee (DLPC) decided (March 2021) to procure the items through GeM.

The Education Department issued (March 2021) work orders to five agencies for installation of CCTV cameras in schools. The project was completed (April 2021). The details of work assigned to agencies is as shown in **Table 3.12**.

Table 3.12: Installation of CCTV cameras works awarded to the agencies

Sl. No.	Agency Name	Amount (₹ in lakh)
1	Advantage Networking & Solutions Pvt. Ltd.	14.99
2	Asian System, Ahmedabad	21.23
3	Genious Enterprise, Ahmedabad	23.77
4	Global Infosystems, Ahmedabad	27.44
5	Shakti Enterprise, Ahmedabad	18.21
	Total	105.64

Source: Records provided by DMF Devbhumi Dwarka.

Audit observed that though the total value of the work was ₹ 1.06 crore, the Education Department did not invite an open tender on GeM portal. Instead, the Education Department split the components required for CCTV cameras at various schools in such a manner that they did not have to invite open tender on GeM portal and procured through GeM suggested L-1. Audit noticed that the items were split and comparison sheet from GeM portal was kept wherein the L-1 in each case remained below ₹ 5 lakh. Further, there were instances wherein the procurement of one single item was done at two different time on same date and two separate lowest bidders were selected in such a manner that the overall value of one single order remained below ₹ 5 lakh.

Thus, due to non-invitation of open tender for the project having estimated cost of ₹ 1.06 crore, the possibility of not receiving competitive rates for the project cannot be ignored. Finally, the overall work was executed at ₹ 1.06 crore through five different agencies against established Procurement Rules and Regulations.

The DMF Devbhumi Dwarka replied (November 2023) that the project was awarded to the five agencies who were suggested by GeM as L-1.

The reply is not acceptable as the work should have been awarded through open tender and splitting up the work was against the GoG approved purchase policy.

3.4.5 Project for Blood Bank at Chhotaudepur

The DMF-SNU had taken up (October 2018) a project of setting up a Blood Bank along with manpower and operation for a period of three years at Chhotaudepur District at the cost of ₹ 3.74 crore based on a proposal received (October 2018) from Gujarat State Council of Blood Transfusion (GSCBT)¹⁰ considering that the district does not have a Blood Bank.

DMF-SNU has issued a work order (28 February 2019) for the project to the GSCBT as a Project Implementing Agency (PIA). As per the time period

¹⁰ A society working under the Commissioner of Health, Government of Gujarat.

provided in the work order, the infrastructure and procurement of equipment was to be completed within a period of six months and operations were to commence from 9 months onwards for a total period of three years from the issue of the work order.

The DMF-SNU, Gandhinagar released 1st instalment of ₹ 7.50 lakh to the PIA on 08 May 2019 for civil and refurbishment of Blood Bank building. The Collector of Chhotaudepur allocated the land & building in the district hospital to setup and operationalize the DMF Blood Bank. The same was handed over (November 2019) for the establishment of Blood Bank, which was found to be in dilapidated condition. The GSCBT obtained September 2019 and January 2020 the estimates¹¹ of civil and electricity work from Roads and Buildings Division, Chhotaudepur at the cost of ₹ 50.17 lakh. The GSCBT requested (January 2020) DMF-SNU to revise the cost of infrastructure work to ₹ 50.17 lakh from ₹ 25.00 lakh which was approved (February 2020). Thus, the project cost was increased from ₹ 3.74 crore to ₹ 3.99 crore.

As per GoI instructions (July 2021), no sanction or approval of any expenditure out of DMF Fund shall be done at the State level. In view of the above, the DMF-SNU decided (November 2021) to transfer the project to the DMF Chhotaudepur for further execution.

Audit noticed that subsequent to approval of revised cost for infrastructure in February 2020, the PIA did not contact the DMF-SNU till November 2021 which had resulted in non-operationalisation of the project. The DMF Chhotaudepur informed (October 2023) that civil and electrical work at the identified building had been completed and funds worth ₹ 25.16 lakh for civil work and ₹ 6.87 lakh for equipment had been released (February 2022 and June 2022 respectively). However, the necessary Blood Bank equipment had not been purchased, and while the Blood Bank was initially expected to become operational by February 2024, the project in Chhotaudepur district remained non-functional as of September 2024.

Thus, delay in work execution by the Project Implementing Agency (PIA), and lack of coordination between the DMF and the PIA resulted in significant delays in completing the critical Blood Bank project in Chhotaudepur district. Despite an expected timeline (August 2020) of six months after approval of the revised estimates (February 2020), for infrastructure development and equipment procurement, the required equipment had not yet been procured. Furthermore, the Blood Bank, which was to be operational within nine months (November 2020), remains non-functional and the beneficiaries deprived of the intended healthcare services despite expenditure of ₹ 39.53 lakh.

DMF-SNU accepted the delay and replied (November 2024) that the project is under progress.

3.4.6 Undue benefit of repeat order given to agency in order to utilise available funds

The GC of DMF Devbhumi Dwarka approved (October 2017) the project of installation of Physical Exercise Equipment (PEE) in all the 16 Affected villages

¹¹ Estimate received in September 2019- ₹16.25 lakh and in January 2020- ₹33.92 lakh.

of the district at the cost of ₹ 2.40 crore (₹ 15.00 lakh per set of PEE). The primary approval (September 2019) and TS (October 2019) was accorded by District Sport Officer (DSO). The DMF Devbhumi Dwarka accorded (October 2019) AA for the project in 16 villages.

As land was available at only five villages, the District Sports Officer invited (July 2020) tender for installation of PEE in five¹² villages out of 16 villages. After following the tender process, the DSO issued (July 2020) work order to M/s. Shri Veer Enterprises, Bardoli (agency) at the tender cost of ₹ 15.03 lakh per set of PEE. On the basis of request (November 2020) received from Gram Panchayat of these five villages for additional five items¹³ of ₹ 4.67 lakh in place of a solar illuminated block of ₹ 3.59 lakh, the DMF approved (November 2020) the revised cost of ₹ 16.11 lakh for these villages. The work at five villages was completed (March 2021) by the agency at cost of ₹ 80.58 lakh.

Subsequently, out of remaining 11 villages, the DSO intimated (March 2021) that four villages¹⁴ requested to cancel the projects as the Gram Panchayats did not have land for installation of PEE and seven villages¹⁵ requested for additional thirteen items¹⁶ costing ₹ 11.34 lakh in place of solar illuminated block and main gate costing ₹ 4.11 lakh. DMF approved (March 2021) this proposal and issued a new work order to the above agency for installation of PEE in seven villages at the rate of ₹ 22.26 lakh instead of ₹ 15.03 lakh per village. The work at seven villages was completed (April 2021) by the agency at cost of ₹ 155.79 lakh.

Audit observed that:

- The AA by DMF Devbhumi Dwarka for providing PEE at all 16 mining Affected villages in district was improper as there was no availability of land at four villages which should have been ascertained before according approval.
- As per Gujarat State Purchase Policy 2016, repeat order can be placed to existing agency of not more than 50 *per cent* of the original contract value / quantity. Audit noticed that the agency was given an order for ₹ 155.79 lakh for PEE at seven villages on nomination basis without tender which led to undue benefit to agency. Further, the value of repeat order given to the agency of ₹ 155.79 lakh for PEE at seven villages was more than 207 *per cent* of the original contract value of ₹ 75.15 lakh for PEE at five villages.

Thus, though total approved amount for project was spent due to appropriations in cost and requirements of villages and undue benefit was extended to the agency due to non-invitation of tender and repeat order being placed. This was against financial prudence and established Rules for award of work.

¹² (i) Raan, (ii) Mevasa, (iii) Mahavedia, (iv) Gorinja and (v) Batisa.

¹³ Two Ganesh slide, two chest press and one combination of 4 in 1 set.

¹⁴ (i) Keneddy, (ii) Bhogat, (iii) Virpur and (iv) Mota Asota.

¹⁵ (i) Kanchanpur, (ii) Dharampur, (iii) Pachhtar, (iv) Paneli, (v) Gaangdi, (vi) Lamba and (vii) Gandhvi.

¹⁶ Three seated puller, three chest press, three ganesh slide, three 4 seat swing and 300 Sq.ft. Paver block.

Audit also conducted (August 2023) the joint physical inspection of four projects¹⁷ under test-checked villages. The photographs as shown below:



Open Gym in Dharmapur at Khambhaliya Taluka
Photograph taken on 11.08.2023



Open Gym in Kanchanpur at Khambhaliya Taluka
Photograph taken on 10.08.2023



Project of Open Gym in Gorinja at Dwarka Taluka. Photograph taken on 23.08.2023



Project of Open Gym in Jam Batisa at Dwarka Taluka. Photograph taken on 24.08.2023



Audit observed that most of the equipment were in deteriorated condition and some of the equipment were uprooted. As per the Administrative approval, the maintenance of the equipments was the responsibility of the Gram Panchayats. Thus, lack of proper maintenance and monitoring by Gram Panchayat resulted in project not benefitting general public at large.

The reply of DMF Devbhumi Dwarka is awaited (November 2024).

¹⁷ (i) Dharmapur, (ii) Gorinja, (iii) Kanchanpur and (iv) Jam Batisa.

3.4.7 Excess payment to agency for Educational Ceramic Chart project

The DMF Devbhumi Dwarka accorded (February 2018) AA for ₹1.43 crore for the project of installation of Educational Ceramic Chart (ECC) in 55 schools and it was decided that the work shall be implemented by M/s. Veer Enterprises, Bardoli (agency) considering that the agency had executed the same work (September 2017) in Narmada District where it was selected through tender process. The work order was issued (March 2018) to the agency. Subsequently, DMF Devbhumi Dwarka revised (July 2018) AA for project of installation of Educational Ceramic Chart (ECC) at 55 schools with the cost of ₹1.65 crore at the rate of ₹3.00 lakh *per* ECC.

The work was completed (June 2018) at 42 schools and the status of remaining works were not found in records produced to Audit. The DMF Devbhumi Dwarka had issued the final payment order (August 2018) and a total of ₹ 1.26 crore was paid to the agency.

Audit observed that in Narmada District, the agency had carried out work of ECC and indoor game equipment kit at the rate of ₹2.60 lakh *per* school¹⁸ whereas for the works executed under PMKKKY at 42 schools, the agency had installed only the ECC.

Thus, due to deficient scrutiny of the estimate for the project by DMF Devbhumi Dwarka, the work of ₹ 1.50 lakh *per* ECC was paid at ₹ 3 lakh *per* ECC to the agency. This resulted in excess payment of ₹ 63.00 lakh¹⁹ to the agency apart from the undue benefit to agency in award of work at nomination basis.

The reply of DMF Devbhumi Dwarka is awaited (October 2024).

The above findings indicate that the Scheme is not being implemented effectively by the selected DMFs.

3.5 Monitoring and Evaluation by selected DMFs

The fifth audit objective of the Performance Audit was whether monitoring and evaluation of the implementation of the scheme was adequate and effective.

Monitoring and evaluation play a pivotal role in ensuring the success of projects and programs. By systematically collecting and analysing data, monitoring and evaluation provides valuable insights into the progress and effectiveness of implementation. Its primary objective is to identify the strengths and weaknesses and areas that require improvement, enabling informed decision-making and strategic planning to achieve the objective of the scheme.

The audit observations pertaining to the five selected DMFs are discussed in succeeding paragraphs.

¹⁸ ECC at the rate of ₹1.50 lakh *per* unit and indoor game equipment kit at the rate of ₹1.10 lakh *per* unit.

¹⁹ ₹1.5 lakh *42 schools=₹63.00 lakh.

3.5.1 Meetings of the Executive Committee and the Governing Council of DMFs

Audit reviewed the number of the EC and GC meetings held by the five DMFs and the details are provided in **Table 3.13** below:

Table 3.13: Details of Executive Committee and Governing Council meetings of five DMFs

Name of the DMF	Date of Registration of DMF	Number of EC meetings:		Number of GC meetings:	
		To be held as per Rules ²⁰	Actually held	To be held as per Rules ²¹	Actually held
Mehsana	20.04.2018	19	3	4	2
Porbandar	21.09.2017	22	7	5	5
Surat	28.09.2017	22	13	5	10
Bhavnagar	29.09.2016	26	4	6	3
Devbhum Dwarka	15.10.2018	17	12	4	7
Total		106	39	24	27

Source: Information provided by DMFs.

In respect of EC meetings, Audit observed that only 39 EC meetings were held against 106 EC meetings to be held after the registration of the respective DMF trusts. In none of the five DMFs, the EC meetings were held as per the frequency mentioned in the GDMF Rules. The shortfall in the EC meetings for the five DMFs ranged from 29 to 85 *per cent*.

In respect of GC meetings, Audit observed that the GC meetings were held as per the frequency mentioned in GDMF Rules at DMF Porbandar, Surat and Devbhumi Dwarka. However, the GC meetings were not held as per the frequency of meetings mentioned in GDMF Rules at Mehsana and Bhavnagar.

Thus, non-conducting of EC and GC meetings was against Rules and also had corresponding impact of delayed approval of plans, underutilization of DMF contribution, non-maintenance of adequate records at DMFs, delayed approval of Annual Accounts and Annual Reports, *etc.*

The DMFs of Mehsana and Porbandar accepted (December 2023/ October 2023) the facts and assured compliance to GDMF Rules in future. DMF Devbhumi Dwarka replied (October 2023) that there was structural change in composition of the GC in 2021-22 and subsequently EC and GC meetings were conducted conjointly so that issues, if any, can be resolved quickly for benefit of the affected people at the earliest. The DMF Surat accepted the facts and replied (October 2024) that the meetings were not conducted due to a shortage of staff during 2016-17 & 2017-18 and of COVID-19 during 2019-20 to 2021-22. The reply of DMFs of Bhavnagar is awaited. (October 2024).

²⁰ EC meeting for the quarter in which the DMF was registered has been ignored.

²¹ GC meeting for the year in which the DMF was registered has been ignored.

The reply of DMF Devbhumi Dwarka is not acceptable as EC meeting was required to be held at least once every three months whereas the GC meeting was to be held only once a year. Thus, if both the GC and EC meetings shall be held conjointly, then in that case there shall be shortfall in EC meetings as per GDMF Rules. This is evident from the fact that from 2021-22 onwards, three EC meetings were held against eight EC meetings to be held.

3.5.2 Adherence of provision of Scheduled Areas in implementation of DMF projects

Rule 19 of the GDMF Rules stipulate that the process to be adopted for utilization of PMKKKY funds in the Scheduled Areas shall be guided by the provisions contained in Article 244 read with Schedule V and Schedule VI to the Constitution relating to administration of the Scheduled Areas and Tribal Areas and the Provisions of the Panchayats (Extension to the Scheduled Areas) Act, 1996 and the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006.

Rule 14 (2) of GDMF Rules stipulate that approval of the Gram Sabha shall be required for identification of beneficiaries. Rule 16(1) provided that in case of a Scheduled Area, approval of the Gram Sabha shall be required for formulation and implementation of all plans, programmes and projects. Under Rule 17(5) related to implementation of Annual Plan, it was stipulated that in Scheduled Areas, after completion of every financial year, the report of the work undertaken in each village in each financial year should be furnished to the respective Gram Sabha.

Audit reviewed the implementation of the above provisions related to Scheduled Areas in the five DMFs. Audit noticed that only DMF Surat had Scheduled Areas and observed that the Line Departments submitted the proposal of projects of Mandavi, Mahuva and Bardoli blocks to the DMF Surat without consent of the project obtained from the Gram Sabha and the proposal was accepted by the DMF. The DMF did not call for the consent of the Gram Sabha from the Line Departments though these blocks were covered in Scheduled Areas of Surat district.

Audit also observed that DMF Surat had not furnished any report on the work undertaken in each village in each financial year to the respective Gram Sabha after completion of every financial year.

Thus, non-obtaining of Gram Sabha approval prior to taking up projects and not providing any report on implementation of works/ projects led to non-adherence of GDMF Rules. Further, this restricted the decision-making process and participation of Gram Sabha in developmental works/ projects in Scheduled Areas.

DMF Surat replied (September 2023) that the requisite procedure in respect of the projects carried out in Schedule Areas has not been followed so far. However, the same will be implemented henceforth.

3.5.3 Maintenance of Prescribed Registers

Rule 24(1) of the GDMF Rules stipulate that the DMF should maintain proper accounts and relevant records with respect to all its activities. The DMFs are required to maintain the registers namely: - (a) Register of Mining related

Operations, (b) Register of Receipt (c) Register of Expenditure (d) Register of Beneficiaries, and (e) Register of various Committees.

On review of the records being maintained at five DMFs, Audit observed that the above-mentioned registers and records were not maintained by four DMFs of Devbhumi Dwarka, Mehsana, Surat and Bhavnagar whereas DMF Porbandar maintained the same in electronic format. The above-mentioned registers are important documents for various information in respect of DMF *i.e.* receipts, expenditure, beneficiary, mining related operations and various Committees. In absence of the Register of Receipt, particulars of all payments made to DMFs, including payment made by persons holding mineral concessions, Audit could not ascertain correctness of date wise payment/ contribution made to DMF by individual lease/ concession holder and interest leviable in cases of non-payment/ short payment or delayed payment to District DMF.

The DMF-SNU replied (October 2023) that instructions would be issued to DMFs to maintain the prescribed registers and records as per the guidelines. The DMFs of Devbhumi Dwarka, Mehsana and Surat accepted (October/ December 2023/ October 2024) the observation and assured that prescribed registers will be maintained. The reply of DMF of Bhavnagar on the observation was awaited (November 2024).

3.5.4 Preparation and approval of the Annual Reports and Audited Accounts in selected DMFs

This paragraph discusses the preparation and approval of the Annual Report and Audited Accounts for the selected DMFs, as referenced in detail in Part-A, para 2.9.4.

Audit reviewed the preparation of Annual Accounts and the Annual Report and its approval at the five DMFs. Based on information provided, Audit observed that the Accounts of the DMFs for the period 2016-17 to 2022-23²² were audited by Chartered Accountants with delay ranging from one month to 40 months and the Annual Reports of the DMFs were approved with delay ranging from two to 44 months.

Thus, the DMFs did not prepare and approve the Annual Reports and Audited Accounts in time as per provisions of the GDMF Rules. Further, it also resulted in delayed communication of the financial and physical performance of the DMF for the financial year to various stakeholders and general public.

The replies of five DMFs on the observation was awaited (November 2024).

3.5.5 Information, Education and Communication Activities

As already discussed in para 2.9.3 of Part A of the Report, every DMF shall maintain a website wherein certain basic information²³ must be provided and

²² In this regard, information for the year 2023-24 called (November 2024) for from DMF-SNU, Gandhinagar which is awaited. Therefore, the observation relates to the data for the period from 2016-17 to 2022-23.

²³ Composition of the DMF including particulars of members of the GC and the EC, particulars of affected areas and affected people, quarterly contribution made to DMF, Agenda, minutes and action taken reports with respect to meetings of GC and EC, Annual Plan, Annual Report, Audit Report and implementation status or progress of all the plans, programmes and projects being undertaken by the DMF, including description of work, details of beneficiaries, estimated cost, name of implementing agencies, expected date of commencement and completion along with the Physical and Financial Progress Report of the approved plans, programmes and projects.

updated on a periodic basis and shall include agenda, minutes and action taken reports with respect to meetings of the SLCC.

Audit reviewed the website of the five DMFs and observed (September 2023) that the following information/facts has not been made available on the website of the DMFs which led to partial compliance of GDMF Rules:

- Agenda, minutes and action taken reports with respect to meetings of the EC and the GC were not uploaded on the individual DMF websites. However, this information was available on the DMF-SNU website which could be accessed only by employees of DMFs. Thus, the information about EC and GC of each DMFs was not available in public domain.
- Annual Plan, Annual Report and Audit Report were not available on the website of the individuals DMFs.

Thus, the above lapses indicate that monitoring and evaluation of the implementation of the scheme by the selected DMFs was not adequate and ineffective.

3.6 Conclusion

The Performance Audit highlighted several issues in the implementation of the PMKKKY. Firstly, non-updation of lists of Directly Affected Villages, along with the non-identification of Indirectly Affected Villages and beneficiaries, hindered the effective welfare of communities impacted by mining activities. As a result, the funds generated by District Mineral Foundations (DMFs) for PMKKKY projects remained largely underutilized. Additionally, the Environmental Compensation Fund, meant to address the environmental damage caused by illegal mining, also went unused.

A comprehensive Social Audit is essential to assess the equitable distribution of benefits, the timely disbursement of payments, and the prompt completion of development projects under the Yojana. Since Social Audit was not conducted as per GDMF Rules 2016, it led to non-assessment of the social impact of the projects executed by the DMFs.

When implementing the revised Gujarat DMF Rules, 2024, it is crucial to address these shortcomings to enhance the effectiveness of the Yojana.

3.7 Recommendations

Recommendation 1: The DMFs should ensure the preparation of Annual Plans before the start of each financial year, in accordance with the GDMF Rules.

Recommendation 2: The DMFs should establish a system to identify projects that address the needs of the broader public in mining-affected areas, ensuring the timely and effective utilization of DMF contributions.

Recommendation 3: The DMFs should ensure the timely collection of all outstanding DMF contributions, along with the applicable interest, in line with the Rules.

Recommendation 4: The Annual Report and Audited Accounts should be prepared by DMFs and submitted by DMF-SNU on time to the State Legislative Assembly, with steps taken to initiate a Social Audit to assess the effectiveness of the projects.



(BIJIT KUMAR MUKHERJEE)

**Principal Accountant General (Audit-II),
Gujarat**

**Ahmedabad
The 28 JULY 2025**

Countersigned



(K. SANJAY MURTHY)

Comptroller and Auditor General of India

**New Delhi
The 29 JULY 2025**

Appendices

Appendix I

List of the sample of selected Districts, Talukas and Gram Panchayats for detailed review under Performance Audit

(Referred to in Paragraph No. 1.5)

List of Selected Districts, Blocks & Gram Panchayats		
District	Block	Gram Panchayat
1. Bhavnagar	1. Umrالا	1. Umarala
		2. Hadmatala
		3. Golarama
	2. Shihor	1. Jambala
		2. Piparla
		3. Juna jaliya
	3. Mahuva	1. Bhadra
		2. Nana Asarna
		3. Moda
2. Devbhumi Dwarka	1. Kalyanpur	1. Khakhrada
		2. Kalyanpur
		3. Premsar
	2. Khmabhaliya	1. Dhrampur
		2. Kanchanpur
		3. Vinjalpar
	3. Dwarka	1. Gorinja
		2. Jam batisa
		3. Vasai
3. Mehsana	1. Satlasna	1. Hadoi
		2. Samrapur
		3. Vedasama
	2. Vijapur	1. Devpura
		2. Sanghpur
		3. Dhanpuri (Ghatu)
	3. Becharji	1. Suraj
4. Porbandar	1. Ranavav	1. Narena
		2. Digvijaygadh
		3. Yadotra
	2. Kutiyana	1. Bildi
		2. Vadala
		3. Dhruvada
	3. Porbandar	1. Pata
		2. Ambarama
		3. Kolikhada
5. Surat	1. Mandavi	1. Titoi
		2. Un
		3. Vankla
	2. Mahuva	1. Aamchak
		2. Jol
		3. Velanpur
	3. Bardoli	1. Vaghecha
		2. Kadod
		3. Miyavadi

Appendix II

Time taken for registration of District Mineral Foundation Trusts from the date of notification

(Referred to in Paragraph No. 2.1)

Sl. No.	Name of District Mineral Foundation	Date of Registration of Trust	Time taken in months from the date of notification on 01.04.2016
1	Ahmedabad	31.03.2017	12
2	Amreli	08.07.2018	27
3	Anand	19.05.2017	13
4	Aravalli	27.03.2019	36
5	Banaskantha	10.09.2018	29
6	Bharuch	28.03.2017	12
7	Bhavnagar	29.09.2016	06
8	Botad	29.09.2016	06
9	Chhotaudepur	22.12.2016	9
10	Dahod	27.05.2017	14
11	Devbhumi dwarka	05.10.2018	30
12	Gandhinagar	16.02.2018	22
13	Girsomnath	12.07.2017	15
14	Jamnagar	21.06.2018	27
15	Junagadh	12.06.2017	14
16	Kachchh	05.01.2017	9
17	Kheda	07.04.2017	12
18	Mehsana	20.04.2018	23
19	Mahisagar	22.09.2017	18
20	Morbi	20.09.2017	17
21	Narmada	14.02.2017	10
22	Navsari	03.08.2018	28
23	Panchmahal	25.05.2017	14
24	Patan	20.04.2020	48
25	Porbandar	21.09.2017	18
26	Rajkot	19.07.2017	15
27	Sabarkantha	28.03.2018	24
28	Surat	28.09.2017	18
29	Surendranagar	23.08.2017	17
30	Tapi	10.05.2017	13
31	Vadodara	29.10.2016	7
32	Valsad	18.07.2018	27

Glossary of Abbreviations

Abbreviation	Full form
AA	Administrative Approval
AMC	Annual Maintenance Contract
CGM	Commissioner of Geology and Mining
DLPC	District Level Purchase Committee
DMF-SNU	District Mineral Foundation, State Nodal Unit
DMFT	District Mineral Foundation Trust
DPO	District Planning Officer
DSO	District Sports Officer
EA	Executive Agency
EC	Executive Committee
ECC	Educational Ceramic Chart
ECF	Environmental Compensation Fund
EE	Executive Engineer
GC	Governing Council
GDMF	Gujarat District Mineral Foundation
GeM	Government e-Marketplace
GMRDS	Gujarat Mineral Research and Development Society
GR	Government Resolution
GSCBT	Gujarat State Council of Blood Transfusion
GWSSB	Gujarat Water Supply & Sewerage Board
IBM	Indian Bureau of Mines
ILMS	Integrated Lease Management System
IMD	Industries and Mines Department
MMDR	Mines and Minerals (Development and Regulation)
MPR	Monthly Progress Report
PIA	Project Implementing Agency
PMKKKY	Pradhan Mantri Khanij Kshetra Kalyan Yojana
PEE	Physical Exercise Equipment
R&B	Roads & Buildings
SLCC	State Level Co-ordination Committee
TDO	Taluka Development Officer
TS	Technical Sanction

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