

# **CHAPTER-III**

## **NON-TAX RECEIPTS**



## CHAPTER - III: NON-TAX RECEIPTS

### MINES AND GEOLOGY DEPARTMENT

#### 3.1 Tax administration

Levy and collection of royalty in the State is governed by the Mines and Minerals (Development and Regulation) Act, 1957, the Mineral Concession Rules, 1960 and the Jharkhand Minor Mineral Concession Rules, 2004.

At the Government level, the Secretary, Mines and Geology Department and at the Directorate level, the Director of Mines, is responsible for administration of the Acts and Rules. The Director of Mines is assisted by an Additional Director of Mines (ADM) and Deputy Director of Mines (DDM), at the headquarters level. The State is divided into six circles<sup>1</sup>, each under the charge of a DDM. The circles are further divided into 24 district mining offices, each under the charge of a District Mining Officer (DMO)/Assistant Mining Officer (AMO). The DMOs/AMOs are responsible for levy and collection of royalty and other mining dues. They are assisted by Mining Inspectors (MIs). DMOs and MIs are authorised to inspect the leasehold areas and review production and dispatch of minerals.

#### 3.2 Results of audit

During 2020-21, Audit test-checked the records of six<sup>2</sup> out of 51 auditable units (12 *per cent*) of the Mines and Geology Department. Out of 520 mining leases (39 of major minerals and 481 of minor minerals) in the test-checked units, Audit examined records of 128 mining leases (19 of major minerals and 109 of minor minerals). In addition, an audit on 'Working of the District Mineral Foundation Trust in Jharkhand' was also conducted. The receipts of the Department, during 2019-20, were ₹ 5,461.36 crore of which the audited units had collected ₹ 594.42 crore (11 *per cent*). Audit noticed irregularities, amounting to ₹ 336.69 crore, in 78 cases, as detailed in **Table-3.1**.

**Table-3.1**

(₹ in crore)

| Sl. No.      | Categories  | No. of cases | Amount        |
|--------------|---|--------------|---------------|
| 1            | Working of the District Mineral Foundation Trust in Jharkhand | 1            | 55.88         |
| 2            | Non-levy of penalty for delayed submission of monthly returns | 4            | 0.39          |
| 3            | Non-levy of penalty on short account of stock                 | 1            | 259.20        |
| 4            | Non-levy of penalty for unauthorised extraction of minerals   | 3            | 12.32         |
| 5            | Non-levy of penalty for excess extraction                     | 1            | 1.65          |
| 6            | Short levy of royalty   | 7            | 7.12          |
| 7            | Other cases   | 61           | 0.13          |
| <b>Total</b> |   | <b>78</b>    | <b>336.69</b> |

The Department accepted audit observations of ₹ 56.93 crore in 10 cases pointed out in 2020-21.

<sup>1</sup> Chaibasa, Palamu, Dhanbad, Dumka, Hazaribag and Ranchi.

<sup>2</sup> Director of Mines, Ranchi, District Mining Offices, Dumka, Godda, Gumla, Pakur and Sahibganj.

### 3.2.1 Allotment of mining leases of minor minerals

The Code of Conduct, issued by the Ministry of Home Affairs (MHA), Government of India, stipulates that a Minister shall, after taking office, and as long as he/she remains in office (under Para 2 (c) of the Code), refrain from starting, or joining, any business.

Mining lease for extraction of minor minerals, in Jharkhand, is allotted to seeking applicants as per Jharkhand Minor Minerals Concession (JMMC) Rules, 2004. An applicant who intends to get a mining lease for minor minerals under Rule 9 (2) of the JMMC Rules, 2004 shall submit an application in Form A with required documents as mentioned in Rule 9 (3) to 9 (8) *ibid*. Rule 9 (3) provides for submission of three passport size photographs of the applicants and proof of temporary and permanent addresses, Rule 9 (4) provides for deposit of application fee of ₹ 5,000 and submission of details of land and copy of *khatiyān* wherever necessary, Rule 9 (5) provides for submission of a royalty clearance certificate regarding payment of royalty or dead rent and surface rent pertaining to last financial year, Rule 9 (6) provides for submission of an affidavit regarding declaration of income tax details, Rule 9 (7) provides for submission of an affidavit declaring possession of other mining leases or submission of other applications, Rule 9 (8) provides for submission of surface rights from the land owners where the land is *raiyaatee*. Rule 9 (9) *ibid* further provides that if the documents as mentioned in sub-rules 3 to 8 are not enclosed with the application, the competent authority will summarily reject the application within 30 days from the date of receipt of the application for mining lease.

Audit reviewed the allotment of mining leases of minor minerals in the Ranchi and Sahibganj districts by the respective DMOs during the last five years (2017-22), where cases of irregular allotment of mining lease had been highlighted in newspapers. Out of 65 cases (32 in Ranchi and 33 in Sahibganj) of mining leases granted during 2017-22, 24 cases (12 cases in each district) were test-checked in audit. The cases were examined to ascertain the standard practices adopted by the mining offices for allotment of mining lease.

Audit examination revealed that mining leases were granted in an irregular manner to the applicants without complying with the JMMC Rules (Rule 9 (3) to 9 (8)). The violations had resulted from submission and acceptance of a single affidavit with incomplete particulars in place of two affidavits; accepting Royalty clearance certificate, only when the applicants have stated to be in possession of another lease; admitting single declarations in the form of an affidavit that there were no mining dues against the applicant in place of royalty clearance certificate. The detailed observations are as under:

- In all the 24 cases, only single affidavit was attached with the application against separate affidavits required under Rule 9 (6) and Rule 9 (7) of JMMC Rules 2004.
- In 17 out of 24 cases, where the applicants had declared that they had no mining dues, Royalty Clearance Certificate, as mentioned in Rule 9 (5) of JMMC, Rules 2004, was not found attached with the applications. Further, in one case, in Ranchi district, neither Royalty Clearance Certificate was submitted nor was it declared in the affidavit that the applicant had no mining dues.

- In District Mining Office (DMO), Ranchi, one applicant had declared (in affidavit) that he was having a mining lease but did not submit Royalty Clearance Certificate though called for by the DMO.
- In seven out of 24 cases, the single affidavit attached with the applications contained all the three clauses<sup>3</sup> of Rule 9 (6) while in three other cases only clause (b & c) was declared. In one case, only clause (a & c) was declared and in 10 cases, only clause (b) was declared. In three cases, no particulars of all the clauses were mentioned in the affidavit.
- In nine out of 24 cases, the single affidavit attached with the applications contained (out of three clauses<sup>4</sup>) only clause (a) of Rule 9 (7) while in three cases clause (a) & (b) was declared. In the rest 12 cases, no particulars of the clauses were mentioned in the affidavit.
- Subsequent application along with prescribed fee was submitted by 20 applicants after previous applications became time barred, i.e., after 120 days from the date of submission of application as per Rule 11(c). However, no new documents were submitted with the subsequent applications in 15 cases and in four (three in Ranchi and one in Sahibganj) cases, fresh affidavits were submitted. In one case in Ranchi, photographs, village map in tracing paper along with fresh affidavit was submitted.
- In three (two in Ranchi and one in Sahibganj) out of 24 cases, Letter of Intent (LoI) was found issued beyond 120 days from the date of last application after the applications became time barred.
- As per Rule 9 (1) (ख) of JMMC Rules, if an applicant fails to submit Environment Clearance Certificate (ECC) within 180 days from issuance of LoI, the application becomes time barred. In five (two in Ranchi and three in Sahibganj) out of 24 cases, the applicants had submitted the ECC after 180 days from issuance of LoI. However, these were accepted and lease was granted by the DCs.
- In two out of 24 cases, the DMO, Ranchi sought Royalty Clearance Certificate after issue of LoI. However, in the affidavits the applicants had mentioned that they did not owe any mining dues to the State.
- In all 24 cases, applications for mining lease were admitted, processed and lease was granted despite non-submission of Royalty Clearance Certificate and on the strength of affidavits which were non-compliant to Rule 9 (6 & 7).
- Of the 24 sampled cases, in DMO, Ranchi, an applicant, who was the Chief Minister of Jharkhand and Minister-in-Charge of Mines and Geology, had applied (May 2021) for a stone mining lease (minor mineral), in his own name, in 0.88 acres of land, at village Angara, which had been granted in October 2021. The lease had been registered on 3 February 2022 and surrendered on 4 February 2022, without start of mining activities.

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<sup>3</sup> Declaration that: (a) Upto date income tax return has been filed (b) Income tax charged on the applicant has been paid and (c) Income tax has been paid on the basis of self-assessment if tax under IT Act, 1961.

<sup>4</sup> Declaration that the applicant, individually or jointly with other persons (a) Holds a mining lease (b) Applied but lease was not granted till date and (c) Applying simultaneously.

In response to Audit seeking (March 2023) information on the provisions, in the State, for allotment of mining lease to State Ministers, the Department of Cabinet Secretariat and Vigilance, Government of Jharkhand informed (April 2023) that no rules/guidelines or Code of Conduct for Ministers has been issued by the Department. On further enquiry (May 2023) by Audit about the applicability of Code of Conduct issued by MHA in the State, no reply was furnished by the Department of Cabinet Secretariat and Vigilance (March 2024).

Audit observed that the acceptance of single affidavits, with incomplete particulars, in place of the affidavits required under Rules 9 (6) and 9 (7), as well as acceptance of single declarations in the form of affidavits, in place of Royalty Clearance Certificates, was irregular and violative of the prescribed rules.

Further, Audit did not find any evidence to support the existence of any system, in the Department, to ensure that grant of mining leases was made: (i) only to persons who were not associated with/overseeing the process of grant of mining leases, in a direct or indirect capacity to avoid any conflict of interest; (ii) in keeping with the Code of Conduct for Ministers, issued by the Ministry of Home Affairs, Government of India and (iii) in compliance with the provisions provided in the JMMC Rules, 2004.

Thus, the practice of grant of mining leases in Ranchi and Sahibganj districts by the Department of Mines and Geology was in violation of JMMC Rules, and against the essence of the Code of Conduct issued by the MHA.

The matter was reported to the Mines and Geology Department in November 2023 followed by a reminder in December 2023. However, no reply has been received (March 2024) from the Department except an endorsement of the letter from Joint Secretary, Mines and Geology Department addressed to the Director of Mines, Jharkhand, Ranchi for extending their feedback in the light of the audit findings on allocation of mines.

### **3.3 Working of the District Mineral Foundation Trust in Jharkhand**

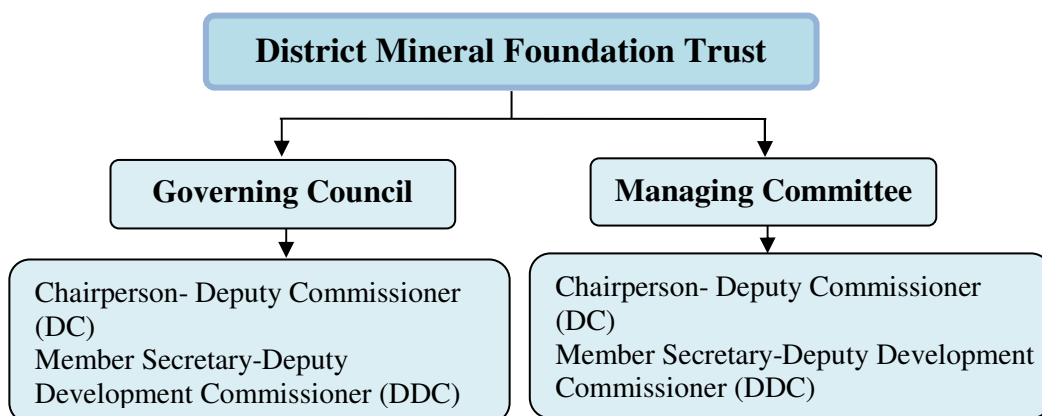
#### **3.3.1 Introduction**

The Ministry of Law and Justice (Legislative Department) Government of India, amended (March 2015) the Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act), effective from 12 January 2015. Section 9B of the Act *ibid* provides for the establishment of a trust, called the District Mineral Foundation Trust (DMFT), that would function as a non-profit body, to work for the interest and benefit of persons and areas affected by mining related operations. The Act broadly outlines an amount that mining lease holders are required to pay to the DMFT annually, for extraction of major minerals. Accordingly, the Government of India notified (September 2015) the amount to be paid to DMFT, by the lease holders of major minerals, under the MMDR Act.

Government of India also launched (September 2015) the *Pradhan Mantri Khanij Kshetra Kalyan Yojana* (PMKKKY) and issued directives to the State Governments, under Section 20A of the MMDR Act, laying down the guidelines for implementation of PMKKKY. The States were required to incorporate the same in the Rules framed by them for DMFTs.

Government of Jharkhand (GoJ) issued (November 2015) notification for constitution of DMFT in each district of Jharkhand and framed (March 2016) the Jharkhand District Mineral Foundation (Trust) Rules (JDMFT Rules), incorporating the PMKKKY guidelines, with retrospective effect from 12 January 2015. GoJ also notified (January 2017) the rate of contribution payable by the lease holders of minor minerals.

The State Government constituted (March 2019) a State Level Monitoring Committee (SLMC), comprising of nine members (as detailed in **Appendix-XII**) and a Member Secretary (Director of Mines), under the Chairmanship of the Chief Secretary, for monitoring and review of various schemes carried out under DMFT/PMKKKY. At the district level, the Deputy Commissioners (DCs) function as Chairpersons of the Governing Councils (GCs) having 14 members each (as detailed in **Appendix-XIII**) and Managing Committees (MCs) having five members each (as detailed in **Appendix-XIV**), for management of the DMFTs. The organisational set up of these two bodies at the district level, is as under:



The Joint/Deputy Secretary, Department of Mines and Geology (henceforth Department), Government of Jharkhand, executes a Model Trust Deed, with the Member Secretary (DDC) of each DMFT, in the capacity of Settlor.

### Status of mining receipts in Jharkhand

Jharkhand is a mineral rich State. The State has 40 *per cent* of total mineral resources of the country and more than 30 types of minerals are found in the State. The State occupies first position in coal reserves, second in iron ore reserves, third in copper ore reserves, seventh position in bauxite ore reserves and is the sole producer of prime coking coal.

The Department of Mines and Geology administers central legislations *viz.*, the Mines and Minerals (Development and Regulation) (MMDR) Act, 1957, the Minerals (other than Atomic and Hydro Carbon Energy Minerals) Concession Rules, 2016 and the Mineral Conservation and Development Rules (MCDR), 1988 for major minerals. The Department also administers the Jharkhand Minor Mineral Concession Rules, 2004 for minor minerals.

As per available data/information on the Department's web-portal status of mining leases of the State as on September 2022 is depicted in **Table-3.2**.

**Table-3.2****Circle-wise status of mining leases**

| Name of Mining Circle | Leases of major minerals |                       |                           | Leases of minor minerals |                       |                           |
|-----------------------|--------------------------|-----------------------|---------------------------|--------------------------|-----------------------|---------------------------|
|                       | No. of total leases      | No. of working leases | No. of non-working leases | No. of total leases      | No. of working leases | No. of non-working leases |
| Dhanbad               | 138                      | 59                    | 79                        | 542                      | 82                    | 460                       |
| Dumka                 | 20                       | 3                     | 17                        | 1,422                    | 250                   | 1,172                     |
| Hazaribag             | 52                       | 21                    | 31                        | 554                      | 56                    | 498                       |
| Kolhan                | 97                       | 11                    | 86                        | 453                      | 52                    | 401                       |
| Palamu                | 20                       | 7                     | 13                        | 222                      | 66                    | 156                       |
| Ranchi                | 58                       | 21                    | 37                        | 647                      | 83                    | 564                       |
| <b>Total</b>          | <b>385</b>               | <b>122</b>            | <b>263</b>                | <b>3,840</b>             | <b>589</b>            | <b>3,251</b>              |

**Source:** Department's web-portal.

From the table, it can be seen that total 385 leases of major minerals and 3,840 leases of minor minerals are there in the State. Out of these, 263 and 3,251 leases of major and minor minerals respectively are non-working.

Details of revenue raised by Mines and Geology Department during the period 2016-17 to 2020-21 are given in the **Table-3.3**.

**Table - 3.3****Mining receipts****(₹ in crore)**

| Year    | Receipts | Percentage increase (+) or decrease (-) over previous years |
|---------|----------|---|
| 2016-17 | 4,094.25 | (-) 6.62  |
| 2017-18 | 5,941.36 | (+) 45.11   |
| 2018-19 | 5,934.64 | (-) 0.11  |
| 2019-20 | 5,461.36 | (-) 7.97  |
| 2020-21 | 5,012.47 | (-) 8.22  |

**Source:** Finance Accounts of the Government of Jharkhand.

As depicted in the above table, mining receipts of the State was not consistent. Mineral receipts has been the highest contributor to non-tax receipts (66.27 per cent) and second highest contributor to State's own receipts (20.51 per cent) during the last five years.

Audit, covering the period 2015-21, was conducted between December 2020 and April 2022, in six<sup>5</sup> out of 24 DMFTs, along with scrutiny of records made available to Audit, in the District Mining Offices (DMOs), as also the offices of the Director of Mines and Secretary of the Department.

In the light of restrictions imposed by the State Government due to the COVID-19 pandemic, the scope of audit was limited to examination of DMFT contribution and application of resources, to assess whether (i) collection of the DMFT contribution and financial management was proper and effective (ii) planning and selection of schemes were in conformity with PMKKKY guidelines and DMFT Rules and (iii) the monitoring mechanism was adequately exercised. The audit sample was selected on the basis of

<sup>5</sup> Bokaro, Chatra, Dhanbad, Hazaribag, Lohardaga and Ranchi.



accessibility to the audited units, in keeping with the protocols exercised by the State Government, under the Disaster Management Act.

However, Audit covered 52.79 *per cent* of the total DMFT collection of the State in six sampled districts as shown in **Table 3.4**.

Table-3.4

| Total DMFT collection in the State during 2015-21 | Details of total DMFT collection in sampled districts during 2015-21 |                  | Percentage |
|---|--|------------------|------------|
|   | Name of district   | Total collection |            |
|   | 6,855.81   | Bokaro           | 613.58     |
| Chatra  |  | 849.37           |            |
| Dhanbad   |  | 1,724.95         |            |
| Hazaribag   |  | 312.25           |            |
| Lohardaga   |  | 22.28            |            |
| Ranchi  |  | 97.05            |            |
| <b>Total</b>                                      |  | <b>3,619.48</b>  |            |

**Source:** Director of Mines.

An entry conference was held on 16 December 2020, with the Secretary, Department of Mines and Geology, in which the objectives, scope, sample and methodology of audit was explained. The exit conference was held on 5 July 2022, with the Secretary of the Department, in which major audit findings and recommendations were discussed in detail. The response of the Government/ Department has been suitably incorporated in the Report.

### 3.3.2 Management of the DMFT

As per the Jharkhand District Mineral Foundation (Trust) Rules, 2016, read with the Model Trust Deed, the Governing Council (GC) is responsible for overall management of the Trust, preparation and approval of the Annual Budget, approval of the Annual Action Plan, list of beneficiaries and ratification of the Annual Report, for submission to the Government, for laying in the State Legislature.

The Managing Committee (MC) is responsible for collection of funds in the prescribed manner, coordinating with GC in preparing Annual Budget, identification of beneficiaries, developing the Annual Action Plan, approving the lists of work as per guidelines of PMKKKY, awarding work orders and releasing funds thereof, monitoring the physical and financial progress of schemes, preparation of the Annual Report and undertaking such other activities as are in furtherance of the objective of the Trust.

The Trust is required to forward the approved Annual Budget and Annual Action Plan, along with schemes and projects for the next financial year, to the District *Panchayat*, District Administration and the State Government, for publication on their respective websites.


### 3.3.3 Utilisation of DMFT funds

The PMKKKY guidelines provide for utilisation of DMFT Fund in the following manner:

- at least 60 *per cent* of the funds are to be utilised for high priority areas, i.e.:

- (i) drinking water supply;
  - (ii) environment preservation and pollution control measures;
  - (iii) health care;
  - (iv) education;
  - (v) welfare of women and children;
  - (vi) welfare of aged and disabled people;
  - (vii) skill development; and
  - (viii) sanitation.
- up to 40 *per cent* of the funds are to be utilised for undertaking works on:
- (i) physical infrastructure;
  - (ii) irrigation;
  - (iii) energy and watershed development; and
  - (iv) any other measures for enhancing environmental quality in the mining district.

**3.3.4 Fund flow arrangements**

|   |   |
|---|---|
| <b>DMFT's Bank Account</b>  | <p><b>In case of major minerals:</b></p> <ul style="list-style-type: none"> <li>• 30 <i>per cent</i> of the royalty paid in respect of mining leases or prospecting licence-cum-mining lease granted before 12 January 2015.</li> <li>• 10 <i>per cent</i> of the royalty paid in respect of mining leases or prospecting licence-cum-mining lease granted on or after 12 January 2015.</li> </ul> <p><b>In case of minor minerals:</b></p> <ul style="list-style-type: none"> <li>• 30 <i>per cent</i> of the royalty for the existing leases which are not granted through auction.</li> <li>• 10 <i>per cent</i> of the royalty for leases which are granted through auction.</li> <li>• Works contractors, agencies or private companies, involved in execution of construction works, shall pay DMFT contribution, in addition to payment of royalty, with effect from 14 March 2019.</li> </ul> |
|  |   |
| <b>Executing Agencies</b>   | From DMFT as advance and subsequent payment for execution of work awarded by DMFT.  |

### 3.3.5 Constraints faced by Audit

The audit findings are restricted to deficiencies noticed in the financial management of the trust funds, planning and selection of schemes and deficiencies in monitoring the funds etc. As Audit was not provided access to crucial records/information in managing the funds, the actual reasons for lapses/deficiencies by individual officials could not be examined and reported upon. However, non-compliance of Act/Rules provisions, noticed in sampled districts, which could not be vouchsafed in the absence of complete sets of records, were flagged. Factors which hindered the audit examination and limited the scope are as under:

- The Department did not provide any information on the functioning (policy decisions, instructions, corrective measures, monitoring etc.) of the State Level Monitoring Committee (SLMC) on DMFT, despite requisitions and reminders (between September 2021 and April 2022) by Audit, to the Secretary of the Department and Director of Mines, followed by active pursuance.
- Audit requested (October 2021) the Chief Secretary (CS) of the State, who is also the Chairperson of SLMC, to intervene in the matter, in providing access to the functions rendered by the SLMC in handling the DMFT funds. However, no response was received, even after a lapse of more than six months. This impeded the audit mandate, as SLMC is the only body established to handle the DMFTs centrally at the State level. Denial of access to records of SLMC prevented Audit from examining and reporting on the performance of SLMC in managing the DMFTs, during the audit period.
- The Secretary of the Department and Director of Mines, were also requested and reminded (between August 2021 and April 2022), for production of monthly collection reports of DMFT contribution and royalty. However, these were not responded to, even after a lapse of more than seven months (19 April 2022). In the absence of these records, Audit was not able to ascertain the correctness of the DMFT contribution levied and the additional contribution that could have been collected by the State, if the promulgation of the DMFT Rules had not been delayed.
- The Department did not provide, despite repeated reminders, any records in regard to the methodology adopted for selection and prioritisation of schemes, or for identification of people and areas directly/indirectly affected by mining operations, in compliance with the Act/Rules. Such non-production of records prevented examination of the basis on which resources were allocated, without identification of the persons and areas affected by mining operations.
- The Director of Mines assured to provide all the above records/data/information etc. (which were not produced), besides the data dump of the Jharkhand Integrated Mines and Mineral Information System (JIMMS) portal. The records were, however, not produced, when the Audit teams again visited (between November 2021-April 2022) the office of the Director of Mines, who informed Audit that data/information, called for from the field offices

(DMOs), had not been received. In the name of data dump, a CD containing excel sheets of DMO-wise daily collection of DMFT contributions was sent (November 2021) to Audit. No information was available in the CD (excel sheets), as to how these contributions had been arrived at. Thus, Audit was not able to verify the system of collection and computation of DMFT contributions being captured in JIMMS. The Director of Mines was informed (December 2021) that it was not a data dump, but excel sheets without any information on the royalty and payable DMFT contribution. Further request (April 2022) to provide the data dump was not responded to (18 May 2022).

Thus, restrictions on access to crucial and primary records to Audit, despite assurance of full cooperation by the Secretary of the Department, in the entry conference, especially when all the audit procedures and criteria for conducting audit had been explained in the entry conference and the CS of the State Government had been taken onboard, with the request to produce records, indicates the need for further investigation/examination in this regard.

In reply (June 2022), the Secretary of the Department stated that year-wise details of receipts of the contribution of every DMFT had been provided. It was also stated that all the required documents had been provided to the Audit team.

The reply of the Secretary is not factually correct, as the Department did not provide copies of the monthly collection reports of the DMFT contribution, proceedings of the SLMC meetings, data dump of the JIMMS portal and information/records relating to the methodology adopted for selection and prioritisation of schemes or identification of people and areas directly/indirectly affected by mining related operations.

## Audit Findings

### 3.3.6 Collection of funds and financial management

Under the provisions of Rule 6 of the JDMFT Rules, 2016, the MC is responsible for collection of funds from the lessees/licensees/permit holders/auctioneers at the prescribed rates. The Rule further specifies that the mode of payment of contribution shall be by way of bank draft.

#### 3.3.6.1 Collection and accounting of DMFT Funds

The total collection of DMFT funds, as intimated by the Director of Mines, from the lease holders/contractors, during 2015-21, was ₹ 6,855.81 crore. The Director of Mines also informed (April 2022) that ₹ 5,163.96 crore (75.32 *per cent*) was sanctioned for various schemes/programmes of which ₹ 3,000.74 crore (43.77 *per cent*) was spent during 2015-21. The year-wise collection of DMFT funds is shown in **Table-3.5**.

**Table-3.5**  
**Collection of DMFT funds**

| (₹ in crore) |                       |
|--------------|-----------------------|
| Year         | Total DMFT collection |
| 2015-16      | 433.98                |
| 2016-17      | 1,332.37              |
| 2017-18      | 904.89                |
| 2018-19      | 1,364.87              |
| 2019-20      | 1,481.45              |
| 2020-21      | 1,338.25              |
| <b>Total</b> | <b>6,855.81</b>       |

**Source:** Director of Mines.

- In the six test-checked districts, the total collection of DMFT funds (as recorded in the books of Director of Mines), from the leaseholders/contractors, during 2015-21, was ₹ 3,619.48 crore. However, the test-checked DMFT offices, headed by DCs, recorded the total collection of DMFT funds as being ₹ 3,537.40 crore, during the same period. These discrepancies were noticed by Audit, upon cross-checking the records maintained by the Director of Mines, with the collection details (bank statements and Auditor's report) maintained by the test-checked DMFT offices. The mismatch in collection of funds, in the six test-checked districts, during 2015-21, is shown in **Table-3.6**.

**Table-3.6**  
**Comparison of figures of the Director of Mines and bank statements**

| District     | During the period 2015-16 to 2020-21                  |  |               |
|--------------|---|--|---------------|
|              | DMFT collection as per bank statement of DMFT offices | DMFT collection as per Director of Mines | Difference    |
| Bokaro       | 583.55  | 613.58                                   | -30.03        |
| Chatra       | 788.09  | 849.37                                   | -61.28        |
| Dhanbad      | 1,740.41  | 1,724.95                                 | 15.46         |
| Hazaribag    | 306.88  | 312.25                                   | -5.37         |
| Lohardaga    | 23.67   | 22.28                                    | 1.39          |
| Ranchi       | 94.80   | 97.05                                    | -2.25         |
| <b>Total</b> | <b>3,537.40</b>                                       | <b>3,619.48</b>                          | <b>-82.08</b> |

**Source:** Director of Mines and Bank account and Auditor's Report of concerned DMFTs.

As could be seen from the table, there is a mismatch in the figures between the figures of actual collection and the figures recorded by the Director of Mines. The Department has not informed (27 May 2022) whether reconciliation of the figures of DMFT collection, between these two sets of records, for the period 2015-21, had been carried out, though it had been flagged by Audit in October 2021.

- Audit observed that levy of DMFT contributions, for major minerals other than coal, lignite and sand (for stowing), was effective from 17 September 2015; for coal, lignite and sand (for stowing), from 20 October 2015; and for minor minerals, from 13 January 2017. As the Department did not provide monthly collection reports of Royalty and DMFT contributions for the period 2015-17, Audit could not analyse the collection of

DMFT contribution *vis-à-vis* royalty collection, for the period 2015-17, in view of different cut off dates for levy of DMFT contribution. However, Audit analysed the collection of DMFT contribution *vis-à-vis* royalty collected for the period 2017-21, in the State and the six test-checked DMFTs. The findings in this regard are discussed below:

- The position of collections of DMFT contribution in the State is shown in **Table- 3.7**.

**Table- 3.7**  
**Comparison of figures of the Director of Mines and the contribution payable on the basis of royalty collected**

(₹ in crore)

| Period       | Royalty collected | DMFT contribution leviable @ 30 per cent <sup>6</sup> of royalty | DMFT contribution collected as per Director of Mines | Difference    |
|--------------|-------------------|--|--|---------------|
| 2017-18      | 4,902.50          | 1,470.75   | 904.89   | 565.86        |
| 2018-19      | 5,411.48          | 1,623.44   | 1,364.87   | 258.57        |
| 2019-20      | 4,874.08          | 1,462.22   | 1,481.45   | -19.23        |
| 2020-21      | 4,676.74          | 1,403.02   | 1,338.25   | 64.77         |
| <b>Total</b> | <b>19,864.80</b>  | <b>5,959.43</b>  | <b>5,089.46</b>                                      | <b>869.97</b> |

**Source:** Director of Mines.

In comparison to the reported figures of the Director of Mines, there was a shortfall in collection of contribution of DMFT, by ₹ 869.97 crore. In the absence of month-wise data on collection of royalty and corresponding DMFT collections in the State, Audit could not calculate and comment on the leviable DMFT contribution, against royalty collections in the State.

The Department, therefore, should take steps to compile the figures of royalty collected in the State, work out the leviable DMFT contribution, and ensure that it is levied and collected.

- In the six test-checked DMFTs, Audit compared the DMFT contribution leviable on the basis of royalty collected, collection as per the bank statement of DMFTs and the figures furnished by the Director of Mines. The mismatch between these figures is shown in **Table-3.8**.

<sup>6</sup> The rate of 30 per cent has been applied to calculate the DMFT contribution leviable, as this rate was applicable in all cases, across the 6 test-checked districts.

**Table-3.8**  
**Comparison of figures of the Director of Mines with the contribution payable**  
**on the basis of royalty collected and bank statement**

| District     | Royalty collected as per Director of Mines (during 2017-21) | DMFT contribution leviable @ 30 per cent of royalty | DMFT contribution collected as per bank statement    |                 |
|--------------|---|---|--|-----------------|
|              |   |   | DMFT contribution collected as per Director of Mines |                 |
| Bokaro       | 1,473.51  | 442.05  | 401.44   | 432.04          |
| Chatra       | 1,983.96  | 595.19  | 528.15   | 586.65          |
| Dhanbad      | 4,805.07  | 1,441.52  | 1,388.37   | 1,219.99        |
| Hazaribag    | 973.71  | 292.11  | 256.56   | 261.93          |
| Lohardaga    | 113.44  | 34.03   | 17.60  | 16.63           |
| Ranchi       | 304.65  | 91.40   | 70.93  | 73.11           |
| <b>Total</b> | <b>9,654.34</b>   | <b>2,896.30</b>                                     | <b>2,663.05</b>                                      | <b>2,590.35</b> |

**Source:** Director of Mines and Bank statement of respective DMFTs.

As against the leviable contribution of ₹ 2,896.30 crore, the actual collection was only ₹ 2,663.05 crore, as per the bank statement. This resulted in short levy of ₹ 233.25 crore. Further, the Director of Mines had recorded collection of only ₹ 2,590.35 crore, which was short by ₹ 305.95 crore, when compared with the DMFT contribution leviable (30 per cent of the royalty collected) in the respective districts. This mismatch needs to be reconciled.

- In the six test-checked districts, Audit called for mineral-wise, payee-wise and year-wise data, in regard to royalty and DMFT collections, for the period 2015-21, to further analyse the differences in reported collections at different levels and the DMFT leviable as per the royalty collection.

In response, the District Mining Office (DMO), Chatra and Hazaribag, furnished the data for 2016-21, while the other four DMOs did not furnish the requisite data. Audit cross-verified the data furnished by these two DMOs, with the bank accounts of the respective DMFTs and figures furnished by the Director of Mines, as shown in **Table-3.9**.

**Table-3.9**  
**Comparison of figures of Director of Mines, DMO and bank statement**

| District           | Year    | DMF collection as per bank statements |   |                 |
|--------------------|---------|---------------------------------------|---|-----------------|
|                    |         | DMF collection as per DMO's report    | DMF collection as per Director of Mines |                 |
| Chatra             | 2016-17 | 259.94                                | 252.87                                  | 262.71          |
|                    | 2017-18 | 130.90                                | 129.60                                  | 142.43          |
|                    | 2018-19 | 139.31                                | 144.91                                  | 155.03          |
|                    | 2019-20 | 118.51                                | 111.45                                  | 135.00          |
|                    | 2020-21 | 139.43                                | 135.93                                  | 154.20          |
| <b>Total</b>       |         | <b>788.09</b>                         | <b>774.76</b>                           | <b>849.37</b>   |
| Hazaribag          | 2016-17 | 50.32                                 | 50.32                                   | 50.32           |
|                    | 2017-18 | 40.00                                 | 40.48                                   | 40.48           |
|                    | 2018-19 | 70.23                                 | 70.20                                   | 70.23           |
|                    | 2019-20 | 76.12                                 | 80.42                                   | 79.59           |
|                    | 2020-21 | 70.21                                 | 71.44                                   | 71.63           |
| <b>Total</b>       |         | <b>306.88</b>                         | <b>312.88</b>                           | <b>312.25</b>   |
| <b>Grand Total</b> |         | <b>1,094.97</b>                       | <b>1,087.64</b>                         | <b>1,161.62</b> |

**Source:** Records of Director of Mines, respective DMOs and Bank statement of respective DMFTs.

On comparison of the mineral-wise, payee-wise and year-wise data of DMO Chatra and Hazaribag, with the bank statements of the DMFTs and the figures reported by the Director of Mines, it was noticed that, both the DMFTs had recorded short collection over the figures of Director of Mines while DMFT, Chatra recorded excess collection over the figure of DMO and DMFT, Hazaribag recorded short collection over the figure of DMO. These discrepancies for the period 2016-17 to 2020-21 were not reconciled despite being pointed out by Audit in October 2021.

Audit observed that, except for the above two districts, mineral-wise, payee-wise and year-wise records were not maintained by the MCs, to monitor the demand, collection and balance of DMFT contribution. There was lack of coordination between the DMFTs and District Mining Offices, with regard to exchange of data/records on royalty and DMFT contribution. The Department needs to investigate reasons for non-maintenance of these records, fix responsibility on the erring officials and take corrective measures in this regard.

- During examination of records in the test-checked DMOs, Audit noticed that the Department had commissioned an IT enabled system, called the Jharkhand Integrated Mines and Mineral Management System (JIMMS), for administration of all the leases/licenses/minerals/mining operations in the State. Further, JIMMS provides facility for online payment of rent, royalty, fees etc., and the data related to these payments was being captured electronically in JIMMS. Initially, such payments were being accepted in both -online and offline modes- but payment of royalty was subsequently restricted only to the online mode.

Audit noticed, from bank statements of the DMFTs, that DMFT contribution was being deposited in the respective bank accounts, through three means:

- through the payment gateway of JIMMS, from January 2017 onwards;
- by way of NEFT; and
- by way of cash.

In the test-checked districts, Audit analysed the data in respect of payment of royalty and DMFT contribution, captured in JIMMS, during 2017-20 and compared the amount of DMFT contribution payable in proportion to royalty, with the actual payment of DMFT captured in JIMMS and the amount collected, as per bank statements (actual collection), as shown in **Table-3.10**.

**Table-3.10**  
**Comparison of figures of DMFT contribution payable on the basis of royalty with figures captured in JIMMS and figures reflected in Bank Statement**  
(₹ in crore)

| Period  | Royalty collected as per JIMMS | DMFT contribution payable @ 30 per cent of royalty | DMFT contribution collected as per JIMMS | DMFT contribution collected as per bank statement |
|---------|--------------------------------|--|--|---|
| 2017-18 | 2,186.53                       | 655.96   | 173.27                                   | 630.53  |
| 2018-19 | 2,642.86                       | 792.86   | 653.11                                   | 635.02  |
| 2019-20 | 2,357.59                       | 707.28   | 718.34                                   | 758.14  |

**Source:** JIMMS data of respective DMOs and bank statement of respective DMFTs.



There was mismatch in figures between the DMFT contribution payable on the basis of royalty, the DMFT contribution captured in JIMMS and the DMFT contribution actually collected as per bank statements. The Department needs to investigate the reasons for the mismatch in the figures and take corrective action in this regard.

The Department, after introduction of JIMMS, should have allowed the IT enabled system as a single window (by making suitable modifications, if required) for collection of DMFT contribution, rather than allowing deposit of DMFT contribution through three different modes.

- Scrutiny of the cash books and bank statements, in four out of the six test-checked districts, revealed that an amount of ₹ 55.29 lakh had been collected by way of cash, instead of being collected through bank drafts in contravention of Rule 6.3 of JDMFT Rules, 2016, as detailed in **Table-3.11**. These cash transactions did not reveal the names of the depositors and the months to which these amounts pertained. Further, the purpose for which they were deposited was not mentioned, either in the cash books or in the bank statements.

**Table-3.11**  
**DMFT contribution made by way of cash**

|              |                  |         | (₹ in lakh)      |
|--------------|------------------|---------|------------------|
| Sl. No.      | Name of district | Period  | Amount Deposited |
| 1            | DMFT, Chatra     | 2019-21 | 17.85            |
| 2            | DMFT, Dhanbad    | 2016-21 | 9.82             |
| 3            | DMFT, Lohardaga  | 2016-20 | 24.50            |
| 4            | DMFT, Ranchi     | 2019-20 | 3.12             |
| <b>Total</b> |                  |         | <b>55.29</b>     |

**Source:** Bank Statement of respective DMFTs.

Thus, the collection of DMFT contribution and its accounting did not provide any assurance about its correctness, as three sets of figures were maintained (by Director of Mines, DMOs and the DMFTs), without any reconciliation. The Director of Mines, who is also the Member Secretary of SLMC and responsible for overall monitoring and management of DMFTs in the State, reported figures of DMFT contribution, which did not tally with the bank statements of DMFTs. Reconciliation of figures of contribution was not carried out even once, even after being pointed out by Audit. Further, Reports/returns were not prescribed, by the SLMC, to monitor the collection and reconciliation of DMFT collections, with royalty collections and bank accounts.

The Department accepted the facts and stated (July 2022) that the mismatch in figures was due to various modes of payment of DMFT contribution and assured reconciliation of the figures and evolving a single window system for collection of DMFT contributions.

*To sum up:*

- *There was no coordination between the DMFTs and District Mining Offices with regards to correctness of DMFT contributions levied on the basis of royalty collected;*

- The DMFT contribution reflected in bank accounts of DMFT did not tally with the figures compiled by District Mining Offices and Director of Mines as there was no mechanism for reconciliation of figures; and
- As such, the Department had not put in place an effective system to monitor the levy of DMFT contribution, its accounting and to verify the correctness of DMFT contributions.

### 3.3.6.2 Annual budget

The DMFT Deed provides for preparation and approval of annual budget by the GC, one month prior to the commencement of the financial year. The MC assists the GC in preparation of the annual budget. If, for any reason, the GC does not prepare and approve the annual plan and budget within the specified time, the Chairperson (Deputy Commissioner of the district) of the Trust is required to prepare and approve the annual action plan and the budget of the Trust and forward the same to the District Panchayat, District Administration and the State Government.

The PMKKKY guidelines provides that, at least 60 per cent of the Trust fund should be utilised for activities categorised as ‘high priority’ areas and up to 40 per cent for the activities under ‘other priority’ areas.

In the six test-checked districts, scrutiny of records revealed that ₹ 2,732.20 crore, out of the total collection of ₹ 3,537.40 crore, was sanctioned for various schemes, during 2015-21. Of these, ₹ 2,676.01 crore (75.65 per cent) was sanctioned for schemes under ‘high priority’ areas and ₹ 56.19 crore (1.59 per cent) under ‘other priority’ areas, as shown in **Table-3.12**.

**Table-3.12**  
Priority-wise sanction

| Name of DMFT | Total collection | Amount sanctioned for ‘high priority’ areas | Percentage over total collection | (₹ in crore)                                 |                                  |
|--------------|------------------|---|----------------------------------|--|----------------------------------|
|              |                  |   |                                  | Amount sanctioned for ‘other priority’ areas | Percentage over total collection |
| Bokaro       | 583.55           | 494.05                                      | 84.66                            | 18.38  | 3.15                             |
| Chatra       | 788.09           | 357.54                                      | 45.37                            | 20.83  | 2.64                             |
| Dhanbad      | 1,740.41         | 1,682.09                                    | 96.65                            | 8.64   | 0.50                             |
| Hazaribag    | 306.88           | 112.82                                      | 36.76                            | 0.48   | 0.16                             |
| Lohardaga    | 23.67            | 9.54  | 40.30                            | 3.23   | 13.65                            |
| Ranchi       | 94.80            | 19.97                                       | 21.07                            | 4.63   | 4.88                             |
| <b>Total</b> | <b>3,537.40</b>  | <b>2,676.01</b>                             | <b>75.65</b>                     | <b>56.19</b>                                 | <b>1.59</b>                      |

**Source:** Data received from respective DMFTs.

Audit scrutiny revealed the following:

- In four<sup>7</sup> out of the six test-checked districts, the amount sanctioned for different schemes, under ‘high priority’ area, ranged between 21.07 and 45.37 per cent of the total amounts collected. The reasons for low application of resources were neither recorded in files, nor explained to Audit.
- None of the GCs in the test-checked DMFTs had prepared annual budgets during the last five years. The Chairpersons of the Trusts (DCs of the concerned districts) also did not prepare the annual budgets (though they were

<sup>7</sup> Chatra, Hazaribag, Lohardaga and Ranchi.

required to ensure this, on failure of the GCs to do so), or provided the same to the State Government, as provisioned in the DMFT deed. In reply (between March and October 2021), the DCs/DDCs of the test-checked DMFTs accepted non-preparation of the annual budgets and four (out of six) DMFTs stated that they would be prepared, henceforth. The DDC-cum-Member Secretary, DMFT, Hazaribag, informed that expenditure from DMFT Fund had been incurred on the instructions of Chief Secretary and Chief Minister of the State. However, no reasons were furnished for failure to comply with the mandatory requirements of preparing the annual budget. No action in this regard, on the part of the State Government, was available on record.

- The SLMC, headed by the Chief Secretary of the State and the Director of Mines (as Member Secretary), along with the Secretary of the Department (besides other members), is responsible for monitoring and review of DMFTs in the State. Audit called for (15 September 2021) details of monitoring of the Fund and interventions made by the SLMC from the Member Secretary-cum-Director of Mines, SLMC, followed by reminders, between 23 September 2021 and 1 October 2021. Further, the matter was also informed (11 October 2021) to the Secretary of the Department, followed by reminder on 18 October 2021, endorsing a copy to the Chief Secretary of the State, followed by reminders to the Director of Mines on 25 November 2021 and 4 April 2022. However, no reply was received from the Department (26 May 2022). Thus, the Department could not produce any documentary evidence in regard to monitoring of the Fund, at the State level, by the SLMC.

The Department stated (July 2022) that necessary instructions have already been given to the districts and that corrective action would be taken.

### **3.3.6.3 Promulgation of DMFT Rules**

Government of India prescribed (17 September 2015) the amount of DMFT contribution to be paid by lease holders of major minerals. The State Government promulgated (22 March 2016) the DMFT Rules, 2016, but notified the amount of DMFT contribution, to be paid by lease holders of minor minerals, only on 13 January 2017 i.e., 21 months after the MMDR Act was amended (March 2015) by the GoI. As a result, no contribution could be collected from the lessees of minor minerals for 21 months (from April 2015 to December 2016).

Further, after a lapse of 25 months of this notification, the State Government amended the Jharkhand Minor Mineral Concession Rules, in March 2019, to provide for collection of DMFT contribution from contractors, agencies or private companies, involved in the execution of construction works, on the amount of royalty being levied from them on consumption of minor minerals.

The Director of Mines did not furnish month-wise collection of royalty for the period from 2015 to 2020, though called for (August 2021). Audit was, therefore, unable to work out the additional contribution that could have been collected by the State, if the promulgation of the DMFT Rules had not been delayed.

In the test-checked districts, the DMFT contribution leviable, in respect of minor minerals and works contract, had the Government promulgated the

Rules immediately after promulgation of the Act (Amended), is shown in **Table-3.13**.

**Table-3.13**  
**Opportunity loss of DMFT contribution**

| (₹ in lakh)       |  |   |   |   |                     |
|-------------------|--|---|---|---|---------------------|
| Name of districts | Royalty collection from lessees of minor minerals during April 2015 to December 2016 | DMFT leviable at rate of 30 per cent of royalty | Royalty collected from works contractors during February 2017 to March 2019 | DMFT leviable at rate of 30 per cent of royalty | Total DMFT leviable |
| Bokaro            | 907.85   | 272.36  | 435.26  | 130.58  | 402.93              |
| Chatra            | 618.24   | 185.47  | 1,011.27  | 308.38  | 488.85              |
| Dhanbad           | 686.80   | 206.04  | 1,679.04  | 503.71  | 709.75              |
| Hazaribag         | 393.59   | 118.08  | 1,525.28  | 457.58  | 575.66              |
| Lohardaga         | 105.33   | 31.60   | 820.78  | 246.23  | 277.83              |
| Ranchi            | 988.79   | 296.64  | 6,419.58  | 1,925.87  | 2,222.51            |
| <b>Total</b>      | <b>3,700.60</b>  | <b>1,110.18</b>                                 | <b>11,891.21</b>  | <b>3,567.36</b>                                 | <b>4,677.54</b>     |

**Source:** Director of Mines.

During April 2015 to December 2016, royalty of ₹ 37.01 crore was collected from lessees of minor minerals and during February 2017 to March 2019, royalty of ₹ 118.91 crore was collected from works contractors, in the selected districts.

The Department could have collected an additional amount of ₹ 11.10 crore (from lessees of minor minerals) and ₹ 35.68 crore (from contractors) as DMFT contribution, had the State Government formulated the DMFT Rules immediately, upon promulgation of the Section 9B in MMDR Act, 2015. Thus, the State could have collected an additional amount of ₹ 46.78 crore as DMFT contribution from lessees of minor minerals and work contractors, in the six test-checked districts, if the promulgation of DMFT Rules had not been delayed. The State Government should investigate the reasons for delay in notifying the rates of DMFT contribution to be paid by lease holders of minor minerals and fix responsibility on the erring officials.

In response, the Department did not furnish specific reply.

### 3.3.7 Planning and selection of schemes

The primary mandate of the Fund is to: (i) implement various developmental and welfare projects/programs in mining affected areas (ii) minimise/mitigate the adverse impacts, during and after mining, on the environment, health and socio-economic condition of people in mining districts and (iii) ensure long-term sustainable livelihood of the affected people in mining areas.

The JDMFT Rules, 2016, Trust Deeds and PMKKKY guidelines, stipulate identification of people and areas directly/indirectly affected by mining related operations by the Managing Committee. An updated list of identified directly/indirectly affected areas and people/local communities are to be prepared and maintained.

PMKKKY guidelines stipulate that the State Government shall specify the radius from a mine, or cluster of mines, for identification of directly affected areas. The indirectly affected areas are defined as areas where the local population is adversely affected on account of mining related operations. The

directly affected people are defined under Section 3(C) (affected family<sup>8</sup>) and 3(K) (displaced family) of Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement (RFCTLARR) Act, 2013 and any other provision as appropriately identified by the concerned *gram-sabha*.

The following provisions govern the selection of schemes for people and areas directly/indirectly affected by mining operations:

- (i) The MC is required to circulate the quantum of fund, in proportion to the population of an affected area, to the respective *gram-sabha*, for selection of schemes/projects.
- (ii) The *gram-sabha* is to identify the developmental schemes/works for the village supported by the Trust Fund, by fixing priorities.
- (iii) Within the ambit of the available fund, the MC is to begin the process of developing the annual action plan in the fourth quarter of every financial year, on the principles of bottom-up approach, involving the *gram-sabha* of the affected areas, in consultation with the *Mukhiya/Up-Mukhiya*. These works, upon approval, are to be executed in the following financial year.
- (iv) The MC shall send the annual action plan to the GC for review and approval. Once done, the MC shall supervise and ensure the implementation of annual action plan and the approved schemes and projects, accord sanction to the projects, release and disburse the Trust Fund for the purpose and monitor the progress of utilisation of these funds.
- (v) For villages situated within the scheduled areas affected by mining, approval of the *gram-sabha* is required for all plans, programmes and projects to be taken up and identification of beneficiaries under the existing guidelines of the Government. Further, a report on the work undertaken is required to be furnished to the *gram-sabha*, after completion of every financial year.
- (vi) The Trust is to forward the approved annual action plan, along with schemes and projects for the next financial year, to the State Government. The SLMC is responsible for monitoring and review of the schemes carried out under the DMFT/PMKKKY.

### 3.3.7.1 Annual Action Plan

Audit observed significant departures from the JDMFT Rules, 2016, Trust Deeds and PMKKKY guidelines, as detailed below:

- (i) None of test-checked districts had prepared the annual action plan in any of the financial years. Accountability was neither fixed, nor contemplated against the DCs (in the capacity of Chairperson of GCs/MCs) of the districts, in this regard.
- (ii) There were no records or file notings, in any of the test-checked districts, to show that the concerned MCs had informed any *gram-sabha* about the area-wise quantum of funds, proportionate to the population of the concerned village. Lists of beneficiaries, identified under the RFCTLARR

<sup>8</sup> Persons affected by mining operations having legal and occupational rights over the land being mined, including those having usufruct and traditional rights.

Act, 2013, or schemes/projects selected by any *gram-sabha*, if any, in the test-checked districts, were not produced to Audit.

(iii) In three (Bokaro, Dhanbad and Ranchi) out of six test-checked districts, the concerned MCs had not identified the people or areas directly/indirectly affected by mining operations, for reasons not on record. These districts incurred expenditure of ₹ 1,563.14 crore on various schemes, during 2016-21, as shown in **Table-3.14**, without identification of the people or areas directly or indirectly affected by mining operations.

**Table-3.14**

| (₹ in crore) |                  |                 |                        |                 |
|--------------|------------------|-----------------|------------------------|-----------------|
| Period       | Name of district | DMFT collection | No. of scheme selected | Expenditure     |
| 2016-21      | Bokaro           | 583.55          | 57                     | 413.47          |
|              | Dhanbad          | 1,740.41        | 103                    | 1,136.09        |
|              | Ranchi           | 94.80           | 171                    | 13.58           |
| <b>Total</b> |                  | <b>2,418.76</b> | <b>331</b>             | <b>1,563.14</b> |

**Source:** Data received from respective DMFTs.

Audit further observed that the schemes and projects for these districts were not forwarded, by the DCs, to the State Government. In the absence of identification of mining affected areas and non-involvement of *gram-sabhas*, the selection and execution of schemes, by the DCs of the concerned districts, at their own level, without informing the Department, was irregular and needs further investigation.

(iv) In the other three test-checked districts (Chatra, Hazaribag and Lohardaga), the MCs had identified the people or areas directly/indirectly affected by mining operations, on the basis of information provided by the DMOs and Circle Officers, in violation of PMKKKY guidelines. It was also seen that DMFT, Hazaribag, identified the affected areas only during 2019-20, though the schemes were selected and executed from 2016-17. On enquiry, DDC-cum-Member Secretary, DMFT, Hazaribag, stated (January 2021) that expenditure from the DMFT Fund had been incurred on the instructions of Chief Secretary and Chief Minister of the State. The three DMFTs incurred expenditure of ₹ 339.80 crore, on various schemes, during 2016-21, as shown in **Table-3.15**.

**Table-3.15**

| (₹ in crore) |                  |                 |                         |               |
|--------------|------------------|-----------------|-------------------------|---------------|
| Period       | Name of district | DMFT collection | No. of schemes selected | Expenditure   |
| 2016-21      | Chatra           | 788.09          | 32                      | 223.44        |
|              | Hazaribag        | 306.88          | 143                     | 106.34        |
|              | Lohardaga        | 23.67           | 109                     | 10.02         |
| <b>Total</b> |                  | <b>1,118.64</b> | <b>284</b>              | <b>339.80</b> |

**Source:** Data received from respective DMFTs.

(v) In case of DMFTs falling under schedule areas (Lohardaga and Ranchi), the list of plans, programmes and projects undertaken, as well as the identification of beneficiaries (required to be approved by the *gram-sabha*) were not found on record. Further, reports on works undertaken after completion of every financial year were also not found on record.

(vi) Audit observed that the State Government had not specified any radius from mines or clusters of mines, for identification of areas directly affected by

mining operations, in any of the test-checked districts. Thus, expenditure from the DMFT fund had been incurred without identification/irregular identification of affected areas/persons, area-wise quantum of proportionate funds, selection/approval of schemes/ projects by *gram-sabhas* and without preparation of the annual action plan, in contravention of Rules and guidelines, defeating the purpose of creation of DMFTs.

(vii) Though there was significant and persistent violation of guidelines at the district level (as mentioned above), the SLMC could not produce any evidence to Audit (though called for in September and October 2021), that it had taken any steps to establish a mechanism, by way of reports/returns, to monitor, review and ensure preparation of annual budgets, annual action plans, identification of mining affected areas/people, selection of schemes in consultation with *gram-sabhas* and progress thereof, to meet the objectives of setting up the DMFTs. This paved the way for violation of the Act/Rules of the Fund by the DCs/DDCs, at the DMFT level.

In reply, the Department assured (July 2022) that modalities for identification of people and areas directly/indirectly affected by mining operations would be worked out.

### **3.3.7.2 Approval of schemes and expenditure from DMFT fund**

PMKKKY guidelines and DMFT Rules stipulate that:

- (i) at least 60 *per cent* of the DMFT fund is to be utilised for eight types of services *viz.* drinking water supply, environment preservation and pollution control measures, health care, education, welfare of women and children, welfare of aged and disabled people, skill development and sanitation.
- (ii) up to 40 *per cent* of the fund is to be utilised for undertaking works relating to physical infrastructure, irrigation, energy and watershed development and any other measures for enhancing environmental quality in the mining district.
- (iii) the developmental and welfare activities to be taken up should be, as far as possible, in the nature of complementing the ongoing schemes/projects being funded by the State as well as the Central Government.
- (iv) DMFT funds should be utilised on the schemes selected by the *gram-sabha* of mining affected areas and included in the annual action plan for the next financial year.
- (v) An amount not exceeding six *per cent* of the annual receipts of the Foundation may be utilised for administrative, supervisory and overhead costs of the Foundation.
- (vi) As far as possible, no temporary/permanent posts should be created. Any creation of temporary/permanent posts and purchase of vehicle by the foundation shall require prior approval of the State Government. However, minimum required staff can be engaged on contractual basis.

### 3.3.7.3 Skewed approval of specific schemes

The Director of Mines reported that an amount of ₹ 4,444.05 crore was sanctioned, in the State, for schemes on piped drinking water and Individual House Hold Latrines (IHHLs), during 2016-21, against the total fund collection of ₹ 6,855.81 crore, as shown in **Table-3.16**.

**Table-3.16**

(₹ in crore)

| Name of scheme       | Total collection | Amount sanctioned | Percentage of sanctioned over collection | Amount spent    |
|----------------------|------------------|-------------------|--|-----------------|
| Piped drinking water | 6,855.81         | 3983.07           | 58.10                                    | 2,309.24        |
| IHHL                 |                  | 460.98            | 6.72                                     | 377.11          |
| <b>Total</b>         | <b>6,855.81</b>  | <b>4,444.05</b>   | <b>64.82</b>                             | <b>2,686.35</b> |

**Source:** Data furnished by Director of Mines.

In the test-checked districts also, the sanction of schemes was highly skewed and ₹ 2,560.44 crore (93.95 per cent of total sanction), out of the total sanction of ₹ 2,725.24 crore, was on water supply and IHHLs, as shown in **Table-3.17**.

**Table-3.17**

(₹ in crore)

| Name of district | Total DMFT collection | Total amount sanctioned for various schemes | Amount sanctioned for piped drinking water supply | Amount sanctioned for IHHLs | Total amount sanctioned for water supply and IHHLs | Percentage over total amount sanctioned |
|------------------|-----------------------|---|---|-----------------------------|--|---|
| Bokaro           | 583.55                | 512.42                                      | 406.19  | 10.00                       | 416.19   | 81.22                                   |
| Chatra           | 788.09                | 378.37                                      | 271.16  | 69.91                       | 341.07   | 90.14                                   |
| Dhanbad          | 1,740.41              | 1,690.74                                    | 1,561.35  | 117.95                      | 1,679.30   | 99.32                                   |
| Hazaribag        | 306.88                | 106.34                                      | 94.08   | 10.85                       | 104.93   | 98.67                                   |
| Lohardaga        | 23.67                 | 12.77                                       | 8.79  | 0                           | 8.79   | 68.83                                   |
| Ranchi           | 94.80                 | 24.60                                       | 7.20  | 2.96                        | 10.16  | 41.30                                   |
| <b>Total</b>     | <b>3,537.40</b>       | <b>2,725.24</b>                             | <b>2,348.77</b>                                   | <b>211.67</b>               | <b>2,560.44</b>                                    | <b>93.95</b>                            |

**Source:** Information provided by respective DMFTs.

Audit further observed, from scrutiny of the scheme files, replies to the audit questionnaire and information furnished by the concerned DMFTs, that:

- Approval/selection of schemes/projects, in scheduled and non-scheduled areas, by the *gram-sabhas*, was not done.
- As observed from minutes of meetings of the Chief Minister (August 2016) with DCs and review meeting on DMFTs by the Chief Secretary (October 2016), the schemes on Piped Drinking Water and IHHLs were selected on the instructions of the Chief Minister and Chief Secretary of the State, to meet the scheme targets. The Chief Secretary had also raised (October 2016) concerns that the Department had not taken any measures for implementing schemes from the DMFT fund.
- Need-based assessment, involving people of affected areas, was not conducted during 2016-21.

Thus, the envisaged bottom-up approach, involving *gram-sabhas* (people) affected by mining related operations, in the approval/selection of schemes, was defeated. In its place, top down approach was adopted, in contravention of the Act/PMKKKY, as a major portion of the expenditure was incurred



selectively on two schemes, under 'high priority' area, for which no justification was available on record.

In reply (July 2022), the Government stated that the Department would be directed to issue necessary instructions to the districts.

### 3.3.7.4 Expenditure from DMFT beyond the scope of PMKKKY

In four<sup>9</sup> out of six test-checked districts, ₹ 9.02 crore was spent on schemes executed during 2016-20, beyond the scope of PMKKKY guidelines, as shown in **Table-3.18**.

**Table-3.18**

| Sl. No.      | Name of district | Name of scheme/work  | No. of schemes/work                        | Amount sanctioned (₹ in crore) |
|--------------|------------------|--|--|--------------------------------|
| 1            | Bokaro           | 24 nos. of open gym  | 1  | 1.08                           |
| 2            | Chatra           | Construction of 9 common toilets at 8 police stations and 1 at police centre.  | 1  | 1.15                           |
| 3            |                  | Tube wells– (i) For payment of outstanding bill related to general repair work carried out during 2017-18 and (ii) General repair work and starting dormant ones to be carried out during 2018-19. | 1  | 4.25                           |
| 4            |                  | Renovation of 18 mini water supply schemes   | 1  | 0.53                           |
| 5            |                  | Construction of DC office building   | 1  | 0.22                           |
| 6            |                  | Construction of DC office meeting hall   | 1  | 0.25                           |
| 7            |                  | Purchase of generator for DC office  | 1  | 0.04                           |
| 8            |                  | Renovation of 1 <sup>st</sup> floor of DC office   | 1  | 0.25                           |
| 9            |                  | Construction of toilet and retiring room of DC office  | 1  | 0.09                           |
| 10           |                  | Purchase of furniture, sound system etc. for meeting hall of DC office   | 1  | 0.15                           |
| 11           |                  | Lohardaga  | Renovation of conference hall of DC office | 1                              |
| 12           | Ranchi           | Construction of one Dak-bungalow at Mcluskiganj  | 1  | 0.86                           |
| <b>Total</b> |                  |  | <b>12</b>                                  | <b>9.02</b>                    |

**Source:** Data/information received from respective DMFTs.

Thus, approval of these schemes/works and expenditure incurred was in violation of DMFT Rules and PMKKKY guidelines. These are illustrated in the following case studies:

<sup>9</sup> Bokaro, Chatra, Lohardaga and Ranchi.

### **Case Study-1**

The District Planning Office, Bokaro, finalised tender (October 2019) for installation of 24 open gyms, at a cost of ₹ 1.08 crore, in different sectors of the Bokaro Steel Plant residential township, which falls under the administrative control of Bokaro Steel Limited and beyond the jurisdiction of the Bokaro Municipality. The gyms were installed between November 2019 and January 2020. Audit noticed that DC, Bokaro, granted (February 2020) post-facto approval for payment of the said works from DMFT funds. However, proceedings/approval of *gram-sabha*, a pre-requisite for selection and approval of schemes/projects under DMFT, was not taken. The installation of open gyms was approved under health care, but such an activity is not specified in the scope of work relating to health care, under PMKKKY. Thus, the DMFT fund was mis-utilised by DC, Bokaro, in violation of Act/Rules/ PMKKKY provisions. The Government should fix responsibility and take action against officials responsible for utilising DMFT funds, in violation of DMFT Rules and PMKKKY guidelines.



**Picture 1: Open gym in Sector XII of Bokaro Steel Plant Township area.**

### **Case Study-2**

In Chatra and Lohardaga districts, an amount of ₹ 1.15 crore was approved by concerned DCs, for seven different works of construction, renovation and repair of DC office/Collectorate building. Audit noticed that these works were executed and expenditure was booked as 'administrative expenses'. However, construction, renovation and repair work of DC office/Collectorate building does not fall under the category of administrative expenses, according to the provisions of the PMKKKY guidelines. Thus, incurring such expenditure from DMFT funds was in gross violation of provisions. The Government should fix responsibility and take action against the officials responsible for utilising DMFT funds, in violation of DMFT Rules and PMKKKY guidelines.

**Case Study-3**

In DMFT, Ranchi, an amount of ₹ 85.86 lakh was sanctioned (May 2017), by GC, for construction of Dak-bungalow at McCluskieganj. Accordingly, this work was awarded (March 2018) to the *Zila Parishad*. Audit noticed that this work was completed in September 2020 and expenditure was booked as 'Skill development and Livelihood'. However, such construction work does not fall under the category of 'Skill development and Livelihood' under PMKKKY guidelines. Thus, incurring such expenditure from DMFT funds was a case of misutilisation of DMFT funds, as the objective of creating this Fund is defeated by such activities, by the Chairperson of the Trust itself. The Government should fix responsibility and take action against the officials responsible for utilising DMFT funds, in violation of DMFT Rules and PMKKKY guidelines.



**Picture 2: Dak-bungalow, McCluskieganj.**

**Case Study-4**

In DMFT, Chatra, two schemes relating to 'Repair and Maintenance', of the Drinking Water and Sanitation (DWS) Department, were sanctioned for ₹ 4.78 crore, during 2017-19, out of which ₹ 4.52 crore was spent. 'Repair and Maintenance' of tube wells and water supply system was not an ongoing scheme/project funded by the State Government. It was, instead, a routine and recurring work of the DWS Department, which was to be carried out from the budget of the DWS Department. Further, DMFT, Chatra, sanctioned one scheme of ₹ 1.15 crore, related to construction of nine common toilets at eight police stations and one at the police centre. As such, sanction of these schemes, under DMFT, was not admissible and was beyond the scope of the PMKKKY guidelines. The Government should fix responsibility and take action against officials responsible for utilising DMFT funds, in violation of DMFT Rules and PMKKKY guidelines.

**3.3.7.5 Post-facto approval of schemes**

In DMFTs, Bokaro and Chatra, *post-facto* approval was granted, for nine out of 64 schemes, selected by DCs/DDCs and executed at a cost of ₹ 247.08 crore during 2016-20, as shown in **Table-3.19**.

Table-3.19

| Name of district | Name of scheme   | No. of schemes | Amount sanctioned (₹ in crore) | Remarks                                |
|------------------|--|----------------|--------------------------------|--|
| Bokaro           | Purchase of one ultrasound machine                             | 1              | 0.19                           | Post-facto approval and excess payment |
|                  | Provision of one smart classroom each in 62 Government schools | 1              | 0.98                           | Post-facto approval                    |
|                  | 24 open gyms   | 1              | 1.08                           | Post-facto and beyond the scope        |
| Chatra           | Drinking water supply in Sampoon Tandwa                        | 1              | 233.33                         | Post-facto approval                    |
|                  | Grameen Jalapurti Yojana                                       | 1              | 9.31                           | Post-facto approval                    |
|                  | Police station-Construction of 9 common toilets                | 1              | 1.15                           | Post-facto and beyond the scope        |
|                  | Purchase of four ambulances                                    | 1              | 0.50                           | Post-facto approval                    |
|                  | Construction of Dhalkigda check-dam                            | 1              | 0.51                           |  |
|                  | Libraries in 50 primary schools                                | 1              | 0.03                           |  |
| <b>Total</b>     |  | <b>9</b>       | <b>247.08</b>                  |  |

**Source:** Data/information received from respective DMFTs.

The DMFTs are required to prepare and approve annual action plans, before commencement of the financial year, in coordination with *gram-sabhas*. Thus, post-facto approval of schemes was in gross violation of DMFT Rules and PMKKKY guidelines.

### 3.3.7.6 Excess expenditure from DMFT fund

- DC, Bokaro, approved (September 2018) and incurred (July 2020) expenditure of ₹ 18.48 lakh, from DMFT Funds, on purchase of Ultrasonography (USG) machine (colour doppler) for Sadar Hospital, Bokaro.

Audit noticed that the District Purchase Committee, under the Chairmanship of CS-cum-CMO, Bokaro, approved (September 2018) the bid of L2 supplier, who quoted a price of ₹ 25.31 lakh, over the quote of L1 supplier (₹ 18.48 lakh), on grounds of non-submission of documents for technical qualification. The supply order was given to the L2 supplier.

Audit further observed, from scrutiny of files, that the L1 supplier had already been declared technically qualified (July 2018), by the District Purchase Committee and the DDC, Bokaro, had noted in the file that all documents, with regard to technical qualification, were available in the file.

Thereafter, it was decided (October 2019) by the District Purchase Committee that payment would be made at the rate tendered by the L1 supplier. In order to fix the lapses, a part (4D volume convex probe 4.0-7 omhz), costing ₹ 4.70 lakh, was returned to the supplier to meet the L1 price of ₹ 18.48 lakh. However, the L1 supplier had quoted a price of ₹ 18.48 lakh for the machine, which included all its peripherals, attachments and accessories. Hence, the CS-cum-CMO purchased the machine at L1 price, by compromising on a vital component worth ₹ 4.70 lakh.

Convex probes are primarily used for abdominal scans, due to their wider depth and deeper penetration. In the absence of this probe, reliable abdominal scans may not be possible.

Thus, ₹ 18.48 lakh was spent from DMFT funds, on a USG machine, without a vital component.

On this being pointed out, DDC-cum-Member Secretary, DMFT, Bokaro, stated that detailed compliance would be made, after examining the matter.

- In DMFT, Dhanbad, a Project Management Unit (PMU) was hired (August 2019) for a tenure of 24 months, to increase the efficiency and effectiveness of the DMFT, at a cost of ₹ 86.51 lakh *per annum* (₹ 54 lakh for professional fee of five members of core team, management fee of ₹ 32.51 lakh (60.20 *per cent* of the professional fee and Goods and Services Tax).

Scrutiny of the Request for Proposal (RFP), Memorandum of Understanding (MoU) and payment file revealed that ₹ 10.43 lakh was paid to the PMU against professional fee and management fee for the period August to October 2019 and February 2020. However, Audit computed the amount of professional fee and management fee, and observed that only ₹ 6.44 lakh was payable on the basis of date of joining of the individual PMU members. As such, excess payment of ₹ 3.99 lakh stands recoverable, either from the PMU or from the officials responsible for making the excess payments.

On this being pointed out, DDC-cum-Member Secretary, DMFT, Dhanbad, replied that detailed compliance would be made after examining the matter.

### 3.3.7.7 Creation of avoidable liability

DDC-cum-Member Secretary, DMFT, Dhanbad, executed (August 2019) an MoU with M/s Ernst and Young (EnY) LLP, to function as PMU for DMFT, Dhanbad, for ₹ 86.51 lakh *per annum* for an initial period of 24 months which can be further extended to another 24 months subject to satisfactory performance and mutual consent of both the parties. The MoU contained provisions for payment of all travel and other costs, out of pocket expenses (incurred by consultants as per actuals) and an increment of 10 *per cent* in fee, after a period of 12 months.

Audit examined the RFP and financial bid of M/s EnY LLP, which revealed that the offer price was fixed and not subject to any upward revision on any account throughout the period of engagement. Thus, the provision of increment of 10 *per cent* in fee, after a period of 12 months, in the MoU, in disregard to the financial bid and RFP, was incorrect and in violation of financial propriety mandated in Financial Rules, besides being indicative of lack of diligence on the part of the DMFT administration.

Audit further noticed that the DDC-cum-Member Secretary, DMFT, Dhanbad, approved the increment (December 2020) of 10 *per cent* on completion of 12 months of the engagement period. This resulted in avoidable liability of ₹ 8.65 lakh per month, besides other expenditure.

On this being pointed out, DDC-cum-Member Secretary, DMFT, Dhanbad, stated that detailed compliance would be made after examination of the matter.

The Department should fix responsibility on the erring officials and initiate action to stop payment beyond RFP conditions.

### 3.3.7.8 Pending projects/schemes

Scrutiny of scheme files, in the six test-checked DMFTs, revealed that 625 schemes had been awarded to various executing agencies, during 2016-21, out of which 133 schemes, with an estimated cost of ₹ 2,269.48 crore, were pending for completion, beyond the stipulated date of completion, as shown in Table-3.20.

**Table-3.20**

(₹ in crore)

| District     | No. of schemes awarded to executing agencies | Amount transferred | No. of incomplete schemes | Estimated cost of incomplete schemes | Expenditure incurred on incomplete schemes | Range of delay beyond completion date (months) |
|--------------|--|--------------------|---------------------------|--------------------------------------|--|--|
| Bokaro       | 57   | 413.48             | 24                        | 356.09                               | 263.75                                     | 1-16   |
| Chatra       | 32   | 237.10             | 18                        | 276.12                               | 156.12                                     | 1-29   |
| Dhanbad      | 103  | 1,136.52           | 14                        | 1,551.13                             | 993.04                                     | 2-45   |
| Hazaribag    | 143  | 106.34             | 5                         | 73.80                                | 62.24                                      | 0-2  |
| Lohardaga    | 109  | 10.02              | 39                        | 2.33                                 | 1.44                                       | 27-34  |
| Ranchi       | 181  | 18.04              | 33                        | 10.01                                | 2.33                                       | 6-14   |
| <b>Total</b> | <b>625</b>                                   | <b>1,921.50</b>    | <b>133</b>                | <b>2,269.48</b>                      | <b>1,478.92</b>                            |  |

**Source:** Data/information provided by respective DMFTs.

Audit observed that ₹ 1,478.92 crore had been spent on schemes which were delayed beyond their completion schedules by one month, to more than three years, despite availability of funds.

On this being pointed out, DDC-cum-Member Secretary, DMFT, Bokaro, stated that directions had been issued to the executing agencies to complete the schemes at the earliest. DMO, Chatra, and DDC-cum-Member Secretary, DMFT, Dhanbad and Ranchi, stated (between March and September 2021) that detailed compliance would be made after examination of the matter. DC, Lohardaga, stated (March 2021) that 88 out of 97 schemes, sanctioned between 2017-18 and 2019-20, had been completed and work of remaining nine schemes was under different stages of completion. DDC-cum-Member Secretary, DMFT, Hazaribag, did not furnish (October 2021) specific reply.

### 3.3.7.9 DMFT fund lying with executing agency

Scrutiny of records of DMFT, Dhanbad, revealed that MC of DMFT, Dhanbad, sanctioned (June 2018) ₹ 33.90 lakh for two schemes, related to construction of public toilets and transferred ₹ 33.90 lakh to the executing agency. The work was cancelled (March 2021) due to non-issuance of 'No Objection Certificate' by the Damodar Valley Corporation. Further, MC sanctioned (October 2018) ₹ 14.92 lakh for four schemes related to drinking water and transferred ₹ 7.46 lakh to the executing agency. However, the schemes were cancelled (July 2019) due to unavailability of suitable land.

Though the executing agencies were directed (July 2019 and March 2021) to refund the amount to DMFT, the amount had not been refunded, as of December 2021. Audit observed that the MC had also not reminded the executing agency to refund the amount, during these two years.

The Department agreed (July 2022) to examine and take action on the above cases.

### 3.3.8 Monitoring mechanism

A monitoring mechanism is intended to provide reasonable assurance of proper enforcement of Act, Rules, guidelines and departmental instructions. It also helps in the prevention and detection of irregularities. An efficient monitoring mechanism also assists in the creation of reliable financial, as well as management information systems, for prompt and efficient utilisation of funds. It is, therefore, the responsibility of the Department to ensure that a proper monitoring mechanism structure is instituted, reviewed and updated from time to time, to keep it effective. Audit noticed the following discrepancies in the monitoring of DMFT funds:

#### 3.3.8.1 Monitoring at apex and grass root level

- The Government notified constitution of an SLMC but did not specify any mechanism or prescribe the role and responsibility of the SLMC for monitoring and reviewing the works of DMFTs. The Department also could not produce any documentary evidence that the SLMC had ever undertaken monitoring of the funds, schemes/works or reviewed the administrative expenditure incurred from the Fund by the districts (**Paragraphs 3.3.5 and 3.3.6.2**).

- SLMC did not enforce the procedures laid down in JDMFT Rules, 2016, Trust Deeds and PMKKKY guidelines, to be followed by the districts, across DMFTs, for selection of schemes and incurring expenditure (**Paragraph 3.3.7.1**). No records were made available to Audit to show that SLMC had prescribed periodical reports/returns or inspections, to monitor collections, reconciliation of mismatched figures of DMFT collections between the reported figures of DMOs, Director of Mines and bank accounts, identification of people and areas directly/indirectly affected by mining operations, selection of schemes, preparation of annual budgets, annual action plans, financial/physical progress of schemes etc.

- DMFT Rules envisage training of *gram-sabhas* of affected areas, by the DMFTs, for capacity building, to ensure active participation and monitoring at the grass root level. It is provided that *gram-sabhas* shall identify schemes for the area, formulate criteria for fixing priorities, develop annual plans and monitor the schemes/works under the DMFT. Audit observed that neither the SLMC, nor the DCs had ensured trainings to the *gram-sabhas* in the test-checked districts. This could be the main reason for non-participation of *gram-sabhas* in the identification, selection and monitoring of schemes.

In reply (July 2022), the Department stated that the SLMC was created through an executive notification but no provision existed for such a monitoring mechanism in DMFT Rules. The fact, however, remains that the failure of the Department to specify the role and responsibilities of the SLMC resulted in gaps in the monitoring mechanism such as, non-preparation of annual budgets and annual action plans, irregular selection of directly/indirectly

affected areas and people, non-reconciliation of collection figures of bank account with figures reported by DMOs and non-involvement of the *gram-sabhas* in selection of schemes.

### **3.3.8.2 Preparation of Annual Reports**

As per the PMKKKY guidelines read with DMFT Deeds, the MC shall prepare and place Annual Report and audited accounts of the Trust, before the GC, within 60 days of completion of the financial year. The GC is responsible for approving the Annual Report and audited accounts within 60 days of completion of the last financial year. The Annual Report, so prepared, is to be submitted to the State Government within one month from the date of its approval by the DMFT and is also to be hosted on the website of the Trust. Further, the Annual Report of each Trust is to be laid before the State Legislative Assembly.

Audit observed that the MCs of three<sup>10</sup>, out of the six test-checked DMFTs, had not prepared their Annual Reports, during the last five years. Action, if any, taken by the SLMC to fix responsibility on erring officials was not found available on record. This prevented the State Legislature from getting insights into the activities and achievements of DMFTs in those districts, the deviations in complying with the Rules and guidelines and the relief extended to the people and areas affected by mining operations. It also indicated that the SLMC had not been able to exercise control over the DMFTs, in discharging its mandate effectively, in the interest of the targeted beneficiaries.

In reply (June 2022), the Department, while accepting non-preparation of Annual Reports, stated that it had consistently followed-up issues with the DCs-cum Chairpersons of DMFTs. The Department also stated that the DCs were directed to provide the status on preparation of Annual Reports and reasons for delay or non-preparation. The fact, however, remains that no action was taken, even after a lapse of eight months, since the issues were highlighted in the draft Audit Report sent to the Government in October 2021.

### **3.3.9 Conclusion**

The State Government could have collected an additional amount of ₹ 46.78 crore as DMFT contribution, in the six test-checked districts, if the promulgation of DMFT Rules had not been delayed.

The system of collection of DMFT contribution and its accounting could not provide any reasonable assurance about correctness of figures. The JDMFT Rules, 2016, also lacked provision for periodic reconciliation of DMFT collections, through DMOs and the bank accounts of DMFTs. The Department also denied access to the data dump of royalty collections, DMFT leviable, and DMFT levied, to Audit.

The DCs of none of the sampled DMFTs had prepared annual budgets or annual action plans, in any of the financial years, in violation of JDMFT Rules, 2016, Trust Deeds and PMKKKY guidelines.

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<sup>10</sup> Bokaro, Hazaribag and Ranchi.



Three<sup>11</sup> out of six test-checked DMFTs incurred expenditure of ₹ 1,563.14 crore, from DMFT Funds, during 2016-21, without identifying the people or areas directly/indirectly affected by mining operations and involving the *gram-sabhas* of the concerned villages. The remaining three<sup>12</sup> DMFTs incurred expenditure of ₹ 339.80 crore, during 2016-21, after identifying mining affected areas, on the basis of information provided by DMOs and Circle Officers, in violation of PMKKKY guidelines.

₹ 4,444.05 crore (64.82 *per cent* of total collection) was sanctioned in the State, on two types of work *i.e.*, piped drinking water and IHHLs, reportedly on the instructions of Chief Minister and Chief Secretary of the State, to meet the scheme targets, neglecting other services under ‘high priority’ areas and ‘other priority’ areas. Thus, individual schemes were given priority over the DMFT objective of providing relief measures to the mining affected areas/people and against the principle of the bottom-up approach, laid down in PMKKKY guidelines.

Audit was denied access from examining and reporting on the functioning of SLMC. No Mechanism was in place, to monitor and review the schemes/work and administrative expenditure undertaken by DMFT. The Department did not establish any coordination with the concerned *gram-sabhas*, to address gaps in planning, identification of schemes/beneficiaries and execution of work under DMFTs.

In the absence of monitoring of the Fund, the DCs (either as Chairpersons of the Trust or MCs of DMFTs), in violation of the Rules and guidelines, executed 12 schemes/works amounting to ₹ 9.02 crore, beyond the scope of PMKKKY; granted *post-facto* approvals to nine schemes/works for ₹ 247.08 crore, without preparing annual action plans; incurred excess/irregular expenditure of ₹ 8.69 lakh; and executed MoUs creating avoidable liabilities amounting to ₹ 8.65 lakh.

### 3.3.10 Recommendations

- The State Government may evolve a system for periodic reconciliation of different sets of records maintained by the Director of Mines, DMFTs/DMOs with actual amount in the bank accounts of the Fund. It may instruct the Director of Mines to ensure that collection of royalty and corresponding DMFT contribution (by all parties) are invariably captured in the JIMMS portal, as a single window system for the State.
- The State Government may specify the radius from a mine or cluster, for identification of areas directly affected by mining operations, as required under the DMFT Rules. The State Government may also direct the DCs/DDCs in charge of the DMFT Funds, to regularly prepare annual budgets, annual action plans, identify affected areas/people and involve *gram-sabhas*, by conducting capacity building trainings, as prescribed in the JDMFT Rules, Trust Deeds and PMKKKY guidelines. The Department may host these on its website, as prescribed in the guidelines, for public disclosure.

<sup>11</sup> Bokaro, Dhanbad and Ranchi.

<sup>12</sup> Chatra, Hazaribag and Lohardaga.

- The State Government may strengthen the monitoring mechanism of the DMFT Funds. The Department should also ensure that necessary records are maintained and available for audit, reports and returns are periodically sent to the Department by the districts and periodic inspections of DMFTs are carried out by SLMC.
- The State Government may fix responsibility on the erring officials who selected schemes/work beyond the scope of the PMKKKY guidelines and failed to detect excess/irregular payments. The State Government may also fix accountability on the erring officials who failed to furnish records to Audit.

### Other observations/Paragraphs

#### 3.4 Application of incorrect rate of royalty

**Failure of the Department to verify the rate of royalty in accordance with the provisions of the Act/Rules resulted in short levy of royalty of ₹ 1.83 crore.**

Under the provisions of Section 9 of the Mines and Minerals (Development and Regulation) Act, 1957, read with the Jharkhand Minor Mineral Concession Rules, 2004, the holder of a mining lease shall pay royalty on any minerals removed or consumed from the leased area at the rate for the time being specified in the second schedule of the Act. As per Gazette notification issued in September 2019, the rate for royalty on stone boulder was revised to ₹ 132 per cum and the royalty on stone boulder used for making chips was revised to ₹ 250 per cum. As per the second schedule of the Act, the rate of royalty on bauxite is zero point six *per cent* of the London Metal Exchange Aluminium metal price chargeable on the contained aluminium metal in the ore produced for those dispatched for use in alumina and aluminium metal extraction. Rule 13(1) of the Mineral Conservation and Development Rules, 1988, also provides that every holder of a mining lease shall carry out mining operations, in accordance with the approved mining plan. Further, as per Rule 4 of the Jharkhand Mineral Transit Challan Regulations, 2005, the lessees are required to submit sampling and analysis report, before removal of the mineral/ore from the mine site.


- Test-check (between January and February 2021) of the monthly returns and other relevant records, of 63 out of 318 minor mineral lessees, along with records of stone dealers in District Mining Offices, Pakur and Sahibganj, revealed that 27 lessees had dispatched 48.19 lakh cft stone boulder, to dealers, during October 2019 to March 2020, and paid royalty of ₹ 1.80 crore at the rate of ₹ 132 per cum. Further scrutiny of records of the dealers revealed that the boulders were used for making stone chips and, as such, royalty, amounting to ₹ 3.41 crore, was payable at the rate of ₹ 250 per cum. The Department failed to verify the use of stone boulders, resulting in short levy of royalty of ₹ 1.61 crore.
- Test-check (December 2020) of the monthly returns and other relevant records of 16 out of 27 lessees of major minerals, in the District Mining Office, Gumla, revealed that three lessees of bauxite had paid royalty of ₹ 5.98 crore, instead of ₹ 6.19 crore, on dispatch of 3.50 lakh MT of bauxite,

during January 2017 to June 2018, by lowering the proportion of contained aluminium in the bauxite, below the levels approved in the mining plan, without submitting the sampling and analysis report. The Department also accepted the returns filed, without verifying the provisions of the Act/Rules and the approved mining plan, resulting in short levy of royalty of ₹ 21.51 lakh.

After this was pointed out (between December 2020 and February 2021), the DMO, Sahibganj, raised demand for the value under observation in August 2021, while DMO, Pakur, stated that a clarification had been sought (between October 2019 and August 2020) from the Department. DMO, Gumla, stated (December 2020) that recovery would be made after detailed examination. Further replies have not been received (March 2024).


The matter was reported to the Government between July 2021 and March 2022; replies have not been received (March 2024).

**Ranchi**  
**The 15 April 2024**

  
**(ANUP FRANCIS DUNG DUNG)**  
**Accountant General (Audit) Jharkhand**

**Countersigned**

**New Delhi**  
**The 26 April 2024**

  
**(GIRISH CHANDRA MURMU)**  
**Comptroller and Auditor General of India**

