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

PMKKKY
DISTRICT MINERAL FOUNDATION

Audits of DMF

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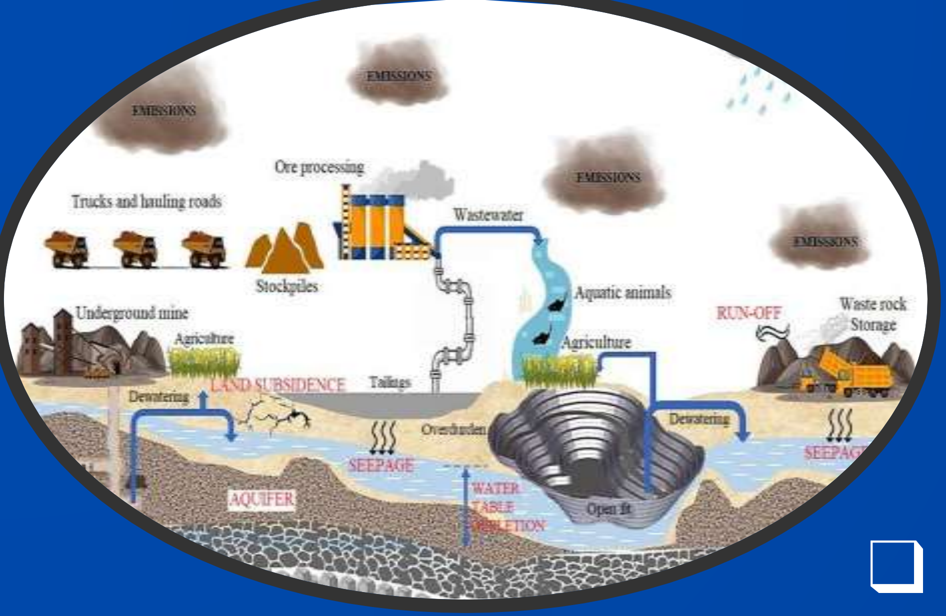
Audit of DMF

- GOI launched PMKKKY in September 2015 and accordingly, DMFs were established with the objective to ensure:
  - Optimization of resource allocation,
  - Implementation of impactful welfare and development initiatives,
  - provide actionable insights for course correction, and
  - undertake targeted interventions to maximize socio-economic benefits in the communities catered to by the DMFs.
- As of April 2024, DMFTs were established in 645 districts in 23 States
- DMFTs handle significant amounts of public funds (₹1,08,219 crore as of April 2025), which currently remain outside the Public Account of the respective State. Therefore, audit by the Comptroller and Auditor General of India is critical to ensure transparency, accountability, and proper utilization of these resources.
- Prior to the revised PMKKKY Guidelines issued in January 2024, accounts of the DMFTs were audited annually by Chartered Accountants appointed by the respective DMFTs.
- The revised Guidelines introduced the provision mandating the audit of DMFT accounts by the C&AG of India. However, the existing State Rules incorporating this change are yet to be amended accordingly.



District Mineral Foundation

- Government of India (GoI) amended (March 2015) the MMDR Act (inserted Section 9B), providing for establishment of District Mineral Foundation (DMF), as a non-profit Trust, in every District affected by mining related operations in the country.
- Central Government in exercise of the powers conferred under section 20A of the MMDR Act, 1957, in the national interest directed (Sept. 2015) the concerned State Governments to incorporate the PMKKKY into the rules framed by them for the DMF and to implement the said Scheme.
- State Government shall frame rules under Section 9(B)(1) and (2) of MMDR Act (Amended) 2015 to regulate DMFs in the State.
- Accordingly, as per Rules framed by the States, Trust shall have powers to open and operate separate bank account in its own name.
- DMF contribution shall be collected along with the Royalty/Seigniorage to the separate head of account and would be directly transferred to DMF Bank account without routing it through the Consolidated Fund

DMF Collection and Utilization

DMF Fund 645 DMFTs in 23 States (As on April 2025)	₹ 1,08,219 Cr Funds Collected	₹ 57,382 Cr Funds utilised	53.02% % Utilization
DMF Funds Covered 355 DMFTs in 12 States (As on March 2023/ March 2024)	₹ 60,796 Cr Funds Collected (56.18%)	₹ 45,381 Cr Funds utilised (79.09%)	74.64% % Utilization
Test-Checked DMFTs 70 DMFTs in 12 States (As on March 2023/ March 2024)	₹ 39,910 Cr Funds Collected (65.64%)	₹ 19,888 Cr Funds utilised (43.82%)	50% % Utilization

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CAG Audit reports on DMF

- CAG's Audit Report on Revenue Sector for the year ended 31 March 2018 (Government of Rajasthan) vide Para No.7.4.3 on 'Collection of District Mineral Foundation Trust Fund'
- CAG's Audit Report on Performance Audit of Mining of minor minerals with emphasis on illegal mining operations for the year ended March 2021 (Government of Chhattisgarh) vide Chapter – V on 'District Mineral Foundation Trusts (DMFTs)'
- CAG's Audit Report on Revenue Sector for the year ended 31 March 2021 (Government of Madhya Pradesh) vide Chapter – III on 'Administration and utilisation of funds of the DMF in Madhya Pradesh'
- CAG's Audit Report on Revenue Sector for the year ended 31 March 2022 (Government of Assam) vide Para Nos.4.3.14.3 to 4.3.14.6 on 'District Mineral Foundation Trust'

Regulatory Framework of DMF

- Categorisation of directly and indirectly affected areas
- Identification of affected families
- Participation of Gram Sabha/ Local Bodies in planning
- Formation and composition of Governing Council and Planning Committees
- Conduct of Baseline Survey, and accordingly prepare Perspective Plan and Annual Plan
- Revision of Guidelines in line with revised PMKKKY guidelines issued in January 2024.

Areas of concern : Regulatory Framework

Issues of non-compliance with key mandatory requirements under the PMKKKY guidelines:

- Identification of direct/indirect areas impacted and notification
- the conduct of baseline surveys,
- assessments of environmental degradation and corresponding recoupment plans,
- identification and regular updating of affected areas and families, and
- the preparation of perspective plans and corresponding Annual Plans aimed at improving the lives of affected communities.
- Aligning the formation and composition of Governing Councils and Management Committees with the prescribed guidelines,
- Participation of grassroots-level representatives in planning activities was not adequately ensured.
- Revision of DMFTs rules to reflect the updates made in the revised PMKKKY framework (January 2024).

Management of Trust Funds

Sources of Trust Funds

- Concession holders of Major minerals
- Concession holders of Minor Minerals
- Mineral consuming Departments/Agencies and other sources

Mechanism for assessment and collection of Funds

- Mines Department of respective States is responsible for assessment and collection of DMF contribution
- State PSUs in mining sectors
- Mineral consuming Departments

Areas of concern: Management of Trust Funds

- Lack of established mechanism for comprehensive assessment, demand, collection, and monitoring of outstanding DMF contributions.
  - Poor Records maintenance
  - Non linking of receipts with the royalty received in the Govt Accounts/relevant software
  - short or non-deposit of contributions,
  - non-levy on illegal mining cases,
- Idle funds not invested
- Implementing agencies not refunding unspent amounts
- Instances of diversion of funds to non eligible areas/items of work

Planning and Execution of Works

Key Elements for the successful implementation of a PMKKKY

- **Identification of Affected Areas and Populations** – Comprehensive mapping and identification of areas and communities impacted by mining activities to ensure targeted intervention.
- **Needs Assessment of Affected Regions** – Detailed assessment of socio-economic and environmental needs for need based planning.
- **Prioritised Planning as per Guidelines** – Development of work plans in accordance with prescribed guidelines, adhering priority ratio.
- **Community Participation and Representation** - Active involvement of grassroots representatives and affected individuals in the planning and decision-making process to ensure transparency, inclusivity, and local relevance.
- **Convergence with Other Government Schemes** - Integration and alignment with existing schemes and programs to maximise resource efficiency, avoid duplication, and enhance overall impact.

Areas of concern: Planning and Execution

It was observed in the Test-checked DMFTs that

- Prescribed allocation ratio for affected areas during planning and execution of works was not maintained;
- Documented assessment of socio-economic and environmental needs was inadequate/absent
- The mandated 60:40 priority ratio was largely ignored
  - physical infrastructure, a lower-priority sector, received disproportionate focus.
- Several projects were delayed, incomplete, or unutilised.
- Irregularities such as splitting of works, non-compliance with award procedures, and lack of monitoring were observed.
- Weak alignment with existing schemes led to misallocation
  - Trust Funds were used for works meant to be funded under the State Budget.

Monitoring and Accountability

- Periodic Meetings of District Mineral Foundation Committee, Governing Council, Management Committee and District Development Coordination and Monitoring Committees (DISHA)
- State Level and District Level Monitoring Committee
- Accounts and Audit of DMFTs by Chartered Accountants Firm
- Establishment of Ombudsman for grievance redressal.
- Social Audit Survey on outcomes of schemes/works
- Annual Report on the activities of DMFTs
- Development of public domain of DMFTs.

Areas of concern: Monitoring and Accountability

- **DMFC** : DMFCs responsible for approving works and fund allocation, did not meet regularly, and severely affected project oversight.
- **DISHA** : Meetings of the DISHA, meant to enhance coordination and monitoring of development schemes, were also not held regularly.
- **Monitoring Committees**: Both State and District Level Monitoring Committees failed to supervise ongoing projects, resulting in substantial delays in execution.
- **Accounts and Audit**: Preparation of accounts was delayed and not in compliance with generally accepted accounting principles. Advances remained unadjusted, several transactions were unreported, and the annual accounts certified by Chartered Accountants lacked assurance of presenting a true and fair view of the financial position of the DMFTs.
- **Grievance Redressal**: Ombudsman for grievance redressal were not established in several DMFTs.

THANK YOU