CHAPTER-II
Mines and Geology Department

2.1 Introduction

At the Government level, the Additional Chief Secretary (ACS), Mines and Petroleum and at the Department level, the Director, Mines and Geology (DMG), Udaipur are responsible for administration and implementation of the related Acts and Rules in the Department. The DMG is assisted by an Additional Director (Administration), six Additional Directors, Mines (ADM), six Additional Directors, Geology (ADG) and by a Financial Advisor. The ADMs exercise control through nine Circles, each headed by a Superintending Mining Engineer (SME).

There are 49 offices of Mining Engineers (ME)/Assistant Mining Engineers (AME) which are responsible for assessment and collection of revenue and prevention of illegal excavation and dispatch of minerals from areas under their control. The Department has a separate Vigilance Wing headed by the ADM (Vigilance) for prevention of illegal excavation and dispatch of minerals. There are 31 offices of ME/AME (Vigilance) under the ADM (Vigilance).

2.2 Results of audit

There were 135 auditable units[1] in the Department of Mines and Petroleum. Out of these, 32[2] units were selected for audit wherein out of 48,753 cases[3], Audit selected and examined 16,786 cases[4] (34.43 *per cent*). Deficiencies were noticed in 4,274 cases involving ₹ 683.12 crore. Audit had pointed out similar omissions in earlier years too, but these irregularities had persisted and

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1 Includes ACS, Mines and Petroleum, DMG office and Director Petroleum (DP) office besides 132 other units.

2 ACS, Mines and Petroleum, Jaipur, DMG, Udaipur, Director Petroleum, Jaipur, Additional Director (Geology) Jodhpur, Additional Director (Mines) Udaipur, Superintendent Geologist (Phosphate) Udaipur- I, Superintendent Geologist: Banswara, Bhilwara and Nagaur; Superintendent ME (vigilance) Udaipur, ME (vigilance) Jodhpur, AME (vigilance) Jhunjhunu; Superintendent ME Jodhpur; MEs: Ajmer, Bhilwara, Chittorgarh, Jaipur, Jalore, Jhunjhunu, Jodhpur, Karauli, Kota, Makarana, Prapapgarh, Rajsamand II, Sirohi, Sojat City and Udaipur; AME (vigilance) Balesar, AMEs: Nimbhahera, Roopwas and Sawai Madhopur.

3 Total 48,753 cases: Sanction of 383 Mining Leases (ML); 6,947 working mines; 177 ML cancelled/surrender, 112 Royalty Collection (RC)/Excess Royalty Collection (ERC) Contracts; 10,390 Quarry licences (QL); 13,419 cases of illegal mining/transportation of mineral; 866 cases of recovery under Rajasthan Land Revenue Act, 1956; 3,441 cases of revenue assessment; three cases of refund; 1,913 cases of outstanding dues and 11,102 Short Term Permit (STP).

4 Total 16,786 cases selected and examined: Sanction of 383 Mining Leases (ML); 919 working mines; 177 ML cancelled/surrender, 106 Royalty Collection (RC)/Excess Royalty Collection (ERC) Contracts; 398 Quarry licences (QL); 3,845 cases of illegal mining/ transportation of mineral; 717 cases of recovery under Rajasthan Land Revenue Act, 1956; 2,257 cases of revenue assessment; three cases of refund; 1,913 cases of outstanding dues and 6,068 STPs.

remained undetected till next audit was conducted. The substantial proportion of errors, omissions and other related issues noticed in audit indicated that the Government needed to improve the internal control system, including strengthening of internal audit so that occurrence/recurrence of such lapses can be avoided. Irregularities noticed broadly fall under the following categories given in **Table 2.1**.

Table 2.1: Statement showing the amount objected by audit during the year 2022-23

(₹ in crore)

Sl. no.	Category		Number of cases	Amount
1.	Non-recovery/short recovery of dead rent and royalty		542	255.63
2.	Non-forfeiture of security deposit		142	68.03
3.	Non-levy of penalty/interest		1,405	84.89
4.	Non-recovery/short recovery of cost of unauthorised excavated minerals		150	96.26
5.	Non-recovery/short recovery of DMFT/ RSMET/NGT fund		248	65.43
6.	Other irregularities	Revenue	1,759	111.87
		Expenditure	28	1.01
Total			**4,274**	**683.12**

Source: Compiled on the basis of Inspection Report issued to the Department

During the year 2022-23, the Department accepted short realisation of revenue of ₹ 697.58 crore in 4,521 cases, of which 4,274 cases involving ₹ 683.12 crore were pointed out in audit during the year 2022-23 and the rest in earlier years. The Department recovered ₹ 21.93 crore in 236 cases of which ₹ 21.87 crore in 233 cases related to earlier years.

The Government replied (November 2023) that ₹ 13.20 crore has been settled out of ₹ 683.12 crore in 4,274 cases pointed out in the audit during the year 2022-23.

Some illustrative cases amounting to ₹ 137.18 crore are included as given below:

2.3 Performance Audit on "Implementation of Pradhan Mantri Khanij Kshetra Kalyan Yojana including DMFT in Rajasthan"

2.3.1 Introduction

The Government of India launched *Pradhan Mantri Khanij Kshetra Kalyan Yojana* (PMKKKY) in September, 2015 to ensure welfare of areas and people affected by mining related operations, using the funds generated by District Mineral Foundation Trusts[5] (DMFTs). The objectives of PMKKKY were (a) to implement various developmental and welfare projects/programs in mining affected areas, and these projects/programs were to be complementing the existing ongoing schemes/projects of the State and the Central Government; (b) to minimize/mitigate the adverse impacts, during and after mining, on the environment, health and socio-economics of people in mining districts; and (c) to ensure long-term sustainable livelihoods for the affected people in mining areas.

According to the guidelines, the DMFTs had to cover the activities in two categories *i.e.* High Priority Activities and Other Priority activities. High Priority Activities are drinking water supply; environment preservation and pollution control measure; health care; education; welfare of women and children; welfare of aged and disabled people; skill development and sanitation. At least 60 *per cent* of DMFT funds to be utilized under these Heads and upto 40 *per cent* of DMFT funds were to be utilized under other priority activities *i.e.* physical infrastructure (road, bridges, railways and waterways projects); irrigation, energy and watershed development and any other measure for enhancing environmental quality in mining district.

As per rule 13(1) (iii) of Rajasthan DMFT Rules 2016, every mineral concession holder shall pay the contribution to the DMFT fund in respect of any mineral removed by him and/or consumed within the area allotted/permitted to him as follows:

(a) In case of major minerals, as prescribed in the Mines and Minerals (Contribution to DMF) Rules, 2015 as amended from time to time; and

(b) In case of minor minerals, at the rate of ten *per cent* of the royalty paid in terms of the first schedule to the Rajasthan Minor Minerals Concession Rules, 1986, as amended from time to time.

2.3.2 Organisational Set up of DMFTs

The Government of Rajasthan constituted DMFTs in all the districts of the State *vide* notification dated 9 June 2016. According to Rajasthan DMFT Rules,

[5] As discussed in paragraph number 2.3.2 of this report.

2016, management of DMFT is vested in Governing Council[6], which consist of all the trustees[7] of the trust. The Managing Committee[8] is responsible for the day-to-day management and supervision of the activities of the Trust. The District Magistrate is the chairperson of the Governing Council and Managing Committee. The Mining Engineer is the Member Secretary of the DMFT. At the Government level, the Department of Mines and Geology is the administrative department. Apart from the above, a State Level Empowered Committee (SLEC) was also formed (February 2019) under the chairmanship of Minister in charge of Mines and Petroleum Department, Rajasthan. Projects having estimated cost of more than rupees two crore shall be sanctioned only after prior approval of SLEC.

2.3.3 Receipt and utilization of funds

Directorate of Mines and Geology (DMG) is the apex body for demand and collection of DMFT receipts. There were 49 divisions, under the control of DMG, each headed by Mining Engineer/Assistant Mining Engineer.

Rajasthan is blessed with 81 varieties of minerals, out of which 57 are being commercial exploited. These minerals include Major Minerals like Lead, Zinc, Silver, Copper, Wollastonite, Bauxaite, Asbestos, Lime stone (Cement grade), Rock Phosphate, *etc*. and Minor minerals like Marble, Granite, Sand Stone, Masonary Stone, Dolomite, Quartz, Felspar, Gravel, Clays, Bajri, *etc*. Out of total royalty receipts of ₹23,939.76 crore from minerals, Major minerals contributed ₹16,275.21 crore and Minor minerals contributed ₹7,664.55 crore during the period 2018-19 to 2022-23.

Rule 13 of Rajasthan DMFT Rules, 2016 stipulated that every lessee shall remit the amount payable to the DMFT into the Personal Deposit (PD) account of the Trust, under intimation to the officer to whom the royalty is payable. The Mining Engineer (ME)/Assistant Mining Engineer (AME) is responsible for collection, reconciliation and cross verification of contribution to the DMFT.

The Trustees appointed by the State Government have the possession of DMFT fund subject to power and provisions in the rules. The Managing Committee has the power to accord sanction to the projects to be implemented and release and disburse DMFT funds. However, the recommendations of the Managing Committee must be approved by the Governing Council. In addition, the Governing Council also has the power to distribute monetary benefits to persons or families affected by mining related operations in the district.

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6 Governing Council: A body in which management of the trust shall vest and which shall consist of all trustees including nominated trustees of the trust.

7 Trustees: Members of DMFT as prescribed in rule 5 (1) of the Rajasthan DMFT Rules, 2016 as discussed in paragraph 16 of this report.

8 Managing Committee: A committee to manage the day to day work of the Trust.

2.3.4 Audit objectives

The objectives of the Performance Audit were to assess whether:

- Effective planning and institutional arrangements were in place to implement the scheme as per Rajasthan DMFT Rules and PMKKKY guidelines;
- The system of assessment, demand and collection of receipts under DMFT was reliable and efficient;
- Whether utilization of the funds from DMFTs for implementation of PMKKKY were efficient and as per Rules;
- Monitoring and evaluation were adequate, timely and efficient.

2.3.5 Audit criteria

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

- Pradhan Mantri Khanij Kshetra Kalyan Yojana guidelines;
- Mines and Minerals (Development and Regulation) Act, 1957 as amended from time to time;
- Rajasthan DMFT Rules, 2016;
- Rajasthan Minor Minerals Concession Rules, 2017;
- Mines and Minerals (Contribution to DMF) Rules, 2015;
- General Financial and Accounts Rules, Delegation of financial powers, Rajasthan Treasury Rules 1999;
- Rajasthan Transparency in Public Procurement Act and Rules made thereunder, and
- Any other relevant orders, circulars, instructions *etc*. issued by the Government of India and the State Government.

2.3.6 Scope of audit, methodology and sampling procedure

The Government of Rajasthan had notified creation of DMFTs for all the 33 Districts in September 2015. The Performance Audit covering the period from April 2018 to March 2023 was conducted from July 2023 to February 2024. Audit selected five DMFTs/districts[9] (three districts from high risk, one district from medium risk and one district from low-risk category) out of 33 DMFTs/districts through random sampling. Eight[10] ME/AME offices of selected districts were also checked. In each selected DMFT/district, 25 to 45 sanctioned and completed projects were selected for scrutiny and joint physical verification. The records of selected 223 works executed under PMKKKY by various implementing agencies were checked in DMFTs. Audit observations related to DMFTs noticed during regular audits are also included in this

[9] High risk: Bhilwara, Banswara and Barmer; Medium risk: Bharatpur and Low risk: Sikar.

[10] Bhilwara (ME Bhilwara and ME Bijoliya); Bharatpur (ME Bharatpur and AME Roopbas); Banswara (ME Banswara), Barmer (ME Barmer) and Sikar (ME Sikar and AME Neem Ka Thana).

Performance Audit. Regarding collection, the contribution to the DMFT fund was checked since inception of the fund in 2016.

An Entry Conference was held (07 August 2023) with the Additional Chief Secretary, Mines and Petroleum Department, Government of Rajasthan wherein objectives and methodology of Performance Audit were discussed. Audit findings were reported to the State Government in July 2024 and the Exit Conference was held on 05 September 2024 wherein audit findings were discussed. The replies wherever received, were appropriately incorporated in the Report.

2.3.7 Acknowledgement

Audit acknowledges the cooperation and assistance extended by the selected DMFTs, alongwith Directorate of Mines and Geology for PMKKKY scheme.

Audit Findings

This PA Report is in two parts. Part A contains the observations relating to the implementation of PMKKKY in the State and Part B contains observations about implementation of the scheme in selected DMFTs.

PART-A

Implementation of PMKKKY in the State

DMFTs in all the 33 districts were established (June 2016) in Rajasthan. A macro analysis which includes legal framework, planning, audit and accounts, Demand and collection of DMFT contributions, environmental impact due to mining activities, accountability and transparency mechanism in Rajasthan State is presented in this part.

Total DMFT contribution received up to March 2023 in Rajasthan was ₹7,926.86 crore, which includes ₹ 6,583.13 crore from Major minerals and ₹1,343.73 crore from Minor minerals. As on 31 March 2023, total 18,973 works involving financial sanction of ₹ 5,626.63 crore were undertaken, of which 12,335 works were completed and 3,617 works were in progress involving expenditure of ₹ 3,505.99 crore and remaining 3,021 works were cancelled/ abandoned in the State.

2.3.8 Legal Framework

Section 9B of Mines and Mineral (Development and Regulation) Act, (MMDR Act), 1957 stipulates that in any district affected by mining related operations, the State Government shall, by notification, establish a trust, as a non-profit body, to be called the District Mineral Foundation Trust (DMFT). The object of the DMFT shall be to work for the interest and benefit of persons, and areas affected by mining related operations in such manner as may be prescribed by the State Government. The composition and functions of the DMFT shall be such as may be prescribed by the State Government. Provided that the Central

Government may give directions regarding composition and utilisation of funds by the DMFT.

In compliance of above, the Government of Rajasthan (GOR) notified (31 May 2016) Rajasthan DMFT Rules, 2016 in the State. These rules were amended from time to time.

The State Government amended (01 July 2020) these rules and State Mineral Fund[11] was established to receive funds from DMFTs. The GoI issued (12 July 2021) an order that creation of State Mineral Fund and transfer of DMFT funds to State Mineral Funds was in violation of provisions of Section 9 B of Mines and Mineral (Development and Regulation) Act, 1957 and directed the State Government that the provisions of Section 9B of the Act shall be strictly adhered to in respect of utilisation of funds by the District Mineral Foundations. No fund shall be transferred in any manner from the District Mineral Foundations to the State exchequer/ State level fund/ any other funds or schemes; and no sanction or approval of any expenditure out of the fund of the District Mineral Foundation shall be done at the State level by the State Government or any State level agency.

It was also observed that the Finance Department, GOR *vide* order dated 23 May 2022 issued direction that prior sanction of Finance Department is necessary for sanction and payment from DMFT funds. It was also stated that sanction/payment should be made for works related to Budget proposals. This order was also in contravention of GoI's directions issued in July 2021.

2.3.9 Planning

Planning is required for implementation of welfare projects to ensure systematic development of the affected area and people.

2.3.9.1 Perspective Plan

The GoI *vide* order dated 24 June 2022 directed that for complete coverage of all affected people and areas in a systematic and time bound manner, long term planning is required. It is necessary that perspective plans are prepared and implemented in a manner to ensure systematic development of the area and people. It was also directed that the State Government is to incorporate the following in the rules regulating the utilization of funds for implementation of works using DMFT funds with immediate effect:

- The DMFT shall conduct a baseline survey for formulation of the perspective plan.
- Based on the findings and gaps as identified through the baseline surveys, the DMFT shall prepare a strategy for five years and the same shall be included in the perspective plan.
- The five years perspective plan shall have separate sections on all priority sectors and other sectors.

[11] Rule 15 (7) inserted *w.e.f.* 01 July 2020

- The five years perspective plan shall be approved by the Governing Council of the DMFT and displayed on the website of the trust.

Audit noticed that the State Government did not amend the Rajasthan DMFT rules, 2016 to incorporate the above in the rules.

The Government replied (September 2024) that PMKKKY guideline has been amended by the GoI in January 2024 which includes the provision of five years and one year planning. Accordingly, amendment in Rajasthan DMFT rules is under process. However, these Rules were not amended yet (March 2025).

2.3.9.2 Annual Action Plan

According to Rule 8 (ii) of Rajasthan DMFT Rules, 2016, the Governing Council shall draw up and approve the annual action plan and annual budget for the DMFT. The annual action plan must be prepared and approved at least one month before commencement of the year.

Audit noticed that the annual action plan and annual budget of the DMFTs were not formulated and consequently not approved by the Governing Councils. Therefore, the Projects related to drinking water supply, healthcare, education, physical infrastructure, *etc.* amounting to ₹ 5,626.63 crore were sanctioned out of the respective trust funds during 2018-19 to 2022-23 without any approved action plan in Rajasthan.

The Government replied (September 2024) that the proposals regarding works/projects to be implemented were not received in time from line departments/agencies. Therefore, annual action plan was not prepared. In future, annual action plan will be prepared as provided in rules.

2.3.10 Audit and Accounts

The Managing Committee shall maintain and/or cause to be maintained proper books of accounts, documents and records with respect to the trust fund to give a true and fair picture of the affairs of the trust. The accounts of the trust shall be audited at least on completion of year. Database regarding annual account needs to be available with DMG.

Scrutiny of information provided by the DMG office revealed that in 17 districts audit of annual accounts up to year 2022-23 was completed. However, 23 annual accounts for the years 2019-20 to 2022-23 in respect of 16 districts[12] were not prepared till February 2025.

2.3.11 Demand and Collection of DMFT contribution

In order to execute PMKKKY seamlessly, it was crucial to ensure the meticulous collection of DMFT contributions. In Rajasthan, total DMFT contribution received till 31 March 2023 was ₹ 7,926.86 crore, which includes receipt from mineral concession holders (*i.e.* ML, STP, Brick earth permits),

[12] Churu (2019-20 to 2022-23), Dholpur (2020-21 to 2022-23), Bikaner and Dungarpur (2021-22 to 2022-23) and Baran, Barmer, Chittorgarh, Pali, Pratapgarh, Sriganganagar, Dausa, Jasalmer, Jodhpur, Karauli, Kota and Nagaur (2022-23).

any grant/contribution received, interest accrued on deposits.

The records of the selected DMFTs and eight ME/AME offices[13] of selected districts were audited to evaluate the system of demand and collection of DMFT contribution. Audit noticed that no detail of demand of assessed DMFT contribution was available in online demand register on DMGOMS[14].

Audit observations are discussed in the succeeding paragraphs.

2.3.11.1 Non-maintenance of Demand and Collection Register for DMFT Contribution

It was necessary for ME/AME offices to maintain a separate Demand and Collection Register (DCR) for DMFT contribution to ensure its proper collection, reconciliation and verification. During test check of records in selected ME/AME offices it was noticed that separate registers for DMFT contribution were not maintained either in physical form or in online module.

It is pertinent to mention that DMG had implemented an online management system *i.e.* DMGOMS, to oversee various departmental functions. One of its modules was designed to manage the collection of mining receipts, including royalty, penalties, various fees, interest, *etc.* This module also displayed the amounts due from lessees *i.e.* royalty, dead-rent, interest on delayed payment. However, this module was not further developed to show due DMFT contribution, collections from contributors[15], interest on delayed DMFT payments, or the credit and debit balances of the contributors. Thus, lack of a system to oversee these issues resulted in non-recovery of DMFT contribution, non-levy of interest on delayed payment *etc*. as discussed in the Part B of the report.

2.3.11.2 Non-verification of receipt of DMFT contribution from the Works Departments

Rule 51 (9) (iv) of the RMMC Rules, 2017 provides that the Works Departments *i.e*. Public Works, Public Health Engineering, Water Resources and Forest Departments engaged in civil construction works, Local Bodies, *Panchayati Raj* Institution, Organizations concerned shall be responsible for deduction of royalty and contribution in the DMFT fund on every running bill where contractor opts for deduction of royalty and contribution in DMFT fund from the running bill. A Short-Term permit (STP) is issued to a contractor under the *ibid* rules for use of minerals.

It was noticed that the amount of royalty and DMFT collected from various works contractors were being deposited as consolidated amount in respective

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[13] MEs: Bhilwara, Bijoliya, Bharatpur, Banswara, Barmer, Sikar and AMEs: Roopbas and Neem Ka Thana.

[14] DMGOMS: An online platform named as DMG online management system used by Mines Department, Rajasthan. This system having various modules i.e. Lease Directory, Demand and Collection Register, etc.

[15] Lessees, Excess Royalty Collection/Royalty Collection contractors, STP holders and Brick Earth Permit holders etc.

heads by the Works Departments. However, work wise deducted amount of royalty and DMFT was neither submitted by the Works Departments nor demanded by the Mines Department. In absence of work wise details neither the Mines Department nor Audit could verify the correctness of deducted and deposited amount.

The Government replied (September 2024) that in Sikar and Barmer, implementing agencies were directed to provide information of deduction of DMFT contribution. In Banswara, DMFT contribution was received as per rules. Reply in respect of Bharatpur and Bhilwara DMFTs has not been received. The reply in respect of Banswara was not tenable as no detail of collection of Royalty and corresponding DMFT contribution was provided.

2.3.11.3 Reconciliation of DMFT fund

Rajasthan DMFT rules, 2016 provides that DMFT fund shall include:

- any grant, contribution or any other money from the Government or from any other agency, institution or persons:
- contribution from every mineral concession holder in respect of any mineral removed by him and/or consumed within the area allotted /permitted to him.
- Interest accrued on deposits and any other income derived therefrom; and
- All other properties of the trust and the income derived therefrom or appreciation thereof.

As per Rule 13(5) of Rajasthan DMFT Rules, 2016, the ME/AME concerned shall be responsible for collection, reconciliation and cross verification of the contribution to the DMFT Fund and shall deposit the same in trust account opened in scheduled commercial nationalised bank. They shall send periodic information to the Financial Advisor of the Department who was the nodal officer for proper maintenance of receipt and disbursement. According to the amendment (01 June 2018) in Rules, the Additional Director (Administration) was appointed as nodal officer and funds were to be deposited in interest bearing PD account with effect from 01 June 2018. Scrutiny of the records revealed that reconciliation of DMFT fund was not done with due diligence as discussed hereunder.

(a) Difference in data of DMFT fund collection

- Scrutiny of the reports of collection of contribution to the DMFT up to March 2023 prepared at the office of DMG revealed that total collection in Rajasthan was ₹ 7,926.86 crore, however, certified figures sent by various ME/AME offices to DMG showed\collection of ₹ 7,945.33 crore. Thus, there was a difference of ₹ 18.47 crore between the figures shown by the nodal officer at DMG office and ME/AME offices. In selected districts, audit checked the data of DMFT contribution collected and cross checked with the data of DMG office, it was found that data of selected districts except Bharatpur was not matched. Thus, it was evident that the statistics of receipt of DMFT contribution was not properly maintained.

The Government replied (September 2024) that information regarding difference will be provided after collecting from field offices. However, in Exit conference (05 September 2024), the Departmental officers replied that difference was mainly due to non-inclusion of interest amount. It was also agreed that detailed compliance will be submitted soon. Further progress is awaited (March 2025).

(b) Amount received in centralised bank account not fully reconciled

As per Rule 14 of the Rajasthan DMFT Rules, 2016, the DMFT fund shall be kept in scheduled commercial nationalised banks in the name of the trust and account shall be operated under the joint signature of the chairperson and the treasury officer or any member of the Managing Committee authorized by Managing Committee[16]. The Managing Committee shall maintain the book of accounts of such funds.

During the review of the records of the office of the DMG, it was found that a centralized account was opened (11 August 2016) for DMFT fund collection in the State Bank of India, in contravention of the *ibid* provisions which was operated until 17 October 2019. The collected amounts were then transferred to a centralized PD account which was opened on 21 September 2016 at the Udaipur treasury. As of 31 March 2022, the amount in this PD account was ₹ 823 crore contribution amount and ₹ 10.70 crore interest thereon. The DMG formed (April 2022) a Reconciliation Committee to reconcile the funds received before transferring the fund to all the DMFTs concerned. Out of the deposited ₹ 823 crore as of 30 March 2022, the Committee reconciled ₹ 792.85 crore with all DMFTs and transferred ₹ 817.62 crore to the DMFTs concerned, leaving a balance of ₹ 5.38 crore in the PD account as of 30 March 2022.

Further, scrutiny of these facts revealed that funds transferred to six districts[17] were ₹ 95.56 lakh less than the reconciled amount as shown in **Table 2.2.**

Table 2.2: Detail of less amount transferred to DMFTs than reconciled

(Amount in ₹)

S. No.	Name of District	Amount reconciled by the respective DMFTs	Amount transferred to DMFTs from Central A/c	Amount less transferred
1	Jaipur	12,82,54,143	12,49,38,925	33,15,218
2	Bharatpur	3,47,25,755	3,22,24,000	25,01,755
3	Sawaimadhopur	83,09,378	62,25,000	20,84,378
4	Bikaner	7,89,01,388	7,74,97,208	14,04,180
5	Pali	31,56,21,227	31,53,72,000	2,49,227
6	Ajmer	57,39,93,134	57,39,92,000	1,134
	Total	**1,13,98,05,025**	**1,13,02,49,133**	**95,55,892**

[16] A committee constituted for managing day to day work of the Trust.
[17] Jaipur, Bharatpur, Sawai Madhopur, Bikaner, Pali and Ajmer.

It was also noticed that AME, Hanumangarh did not reconcile the deposited amount but DMFT funds amounting to ₹ 1.68 crore were transferred from Central account to DMFT Hanumangarh without any basis. In other 26 districts, funds of ₹ 29.44 crore were transferred in excess of the reconciled amount.

These facts indicated that funds received were not reconciled properly and transferred without proper reconciliation.

The Government replied (September 2024) that total amount collected in centralized PD account was transferred to the DMFTs, therefore no action was pending at present but no evidence was provided to audit in this support. Reply is not tenable as reason for opening of a centralized account in contravention of the provisions not intimated and reasons for excess/less transfer of funds to DMFTs were also not given.

(c) Amounts deposited in centralised bank account not found deposited

The contributors to the DMFTs, deposited the contribution amount in the Centralised bank account upto 17 October 2019. The DMG issued a letter (7 September 2018) to all MEs/AMEs to reconcile 33,629 entries of this account. Scrutiny of the correspondence of reconciliation revealed that 160 entries relating to five[18] ME/AME offices involving an amount of ₹ 51.29 lakh deposited in Centralised bank account by the lessees were not mentioned in the bank statement.

There was nothing on record at the DMG to indicate that efforts were made to verify this amount. Thus, amounts shown deposited in bank account could not be reconciled.

The Government replied (September 2024) that compliance will be submitted after receiving it from the offices concerned. Further progress is awaited (March 2025).

2.3.11.4 DMFT amount from the cost of illegal excavation/transportation of minerals not deposited

Rule 54 (3) of RMMC Rules, 2017 provides that the cost of mineral which was illegally excavated and dispatched or consumed, will be recovered. The cost of the mineral shall be taken as ten times of royalty in lieu of rent, royalty, compensation for environmental degradation and tax chargeable on the land occupied without lawful authority, *etc*.

It was noticed that neither the GoR nor the DMG issued the instructions to deposit the DMFT contribution amount out of the cost of the illegal excavation/transportation of mineral. In Rajasthan, it was noticed that from 2018-19 to 2022-23, the Department collected ₹ 84.71 crore as the cost of minerals involved in illegal mining/transportation/storage. This included ₹ 8.47 crore of royalty and ₹ 84.71 lakh of DMFT contribution. However, the DMFT

[18] MEs: Beawer, Bharatpur, Kota, Ajmer and AME: Tonk.

contribution was not deposited with the respective DMFT funds as required.

The Government replied (September 2024) that compliance will be submitted after receiving it from the offices concerned. Further progress is awaited (March 2025).

2.3.12 Impact on Environment due to mining activities

Impact on Environment due to mining activities varies based on the quantum of production of the minerals. Land degradation is one of the significant impacts arising out of mining and quarrying activity which is mainly in the form of alternation of land structure due to excavation, stacking of top soil and loss of land due to dumping of mine waste and overburden soil.

Air pollution, due to dust from the mines, is a common environmental problem in mines and quarries especially open cast operations.

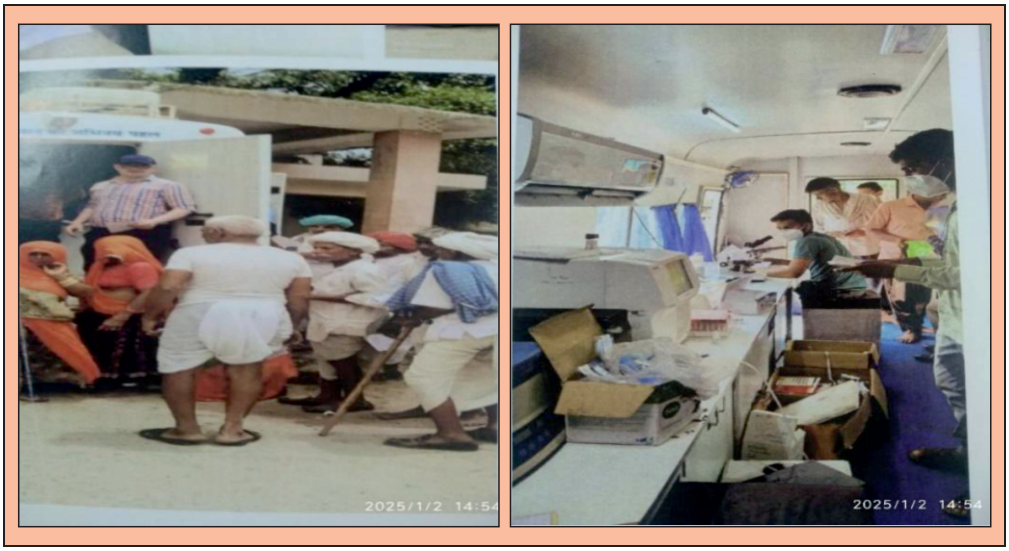
(i) Major impact of mining activities was seen in stone mining areas where health of people working in mines was adversely affected. As per data collected from the selected districts total 4,074 people were identified as silicosis patients, of which 1,075 patients were deceased up to March 2023. Thus, life of miners was at risk due to mining activities.

Best Practice

DMFT Bhilwara operates a mobile Medical Van for health check-up of miners in mining areas of Bhilwara districts. The main aim of mobile van was to identify probable silicosis patient at an early stage. During November 2021 to March 2023 total 294 camps were organized. Total 19,671 people were examined and 1,952 suspects of silicosis were identified. Of which 144 patients were given silicosis certificates. This effort of DMFT Bhilwara helps in detecting silicosis suspects and awareness among the mines worker regarding their health.







Source: Photos taken by Audit team during joint inspection of mobile van and health check-up at camp

(ii) India as a signatory of UNSDG (United Nations Sustainable Development Goals) require to reclaim the degraded land under SDG 15 (life on land) but working of DMFTs was not in convergence of SDG.

Rule 29 (18) of RMMC Rules, 2017 envisages that where the ME/AME concerned has reasonable grounds for believing that the protective, reclamation and rehabilitation measures as envisaged in the mine closure plan in respect of which financial assurance was given has not been carried out in accordance with the mine closure plan, either fully or partially, shall forfeit the amount of financial assurance along with interest accrued thereon and same shall be deposited in DMFT. For Major Minerals, similar provisions are made in Rule 27 of Mineral Conservation and Development Rules, 2017.

As per information available on DMGOMS total 6,300 mining leases (ML) were non- working due to cancellation/surrender/expiry of lease period/ rejection of renewal. Total area allotted in these MLs was 11,21,898 hectare. No information of back filling of working pits in these MLs were found recorded on DMGOMS portal.

Audit noticed in selected DMFTs that no work/project was undertaken relating to the reclamation of land used for mining. It is pertinent to mention here that financial assurance amount of mining leases in which mining pits were not filled was required to be deposited with DMFT and cost of mineral in case of unauthorised mining was collected by the State Government from the defaulters but no work for reclamation of degraded land by mining was undertaken.

2.3.13 Information, Education and Communication Activities

Fourth objective of this Performance Audit was to assess whether monitoring and evaluation were adequate, timely and efficient, and it contributed to improvement of the performance of the scheme.

Rule 15(6) of Rajasthan DMFT Rules, 2016 emphasized transparency by mandating the maintenance of a website with updated information. This included details about the DMFT's composition, mining-affected areas and populations, quarterly contributions received *etc*. Additionally, the website was to host all mining-related agendas, minutes, and action taken reports. Annual plans, budgets, work orders, and reports should also be available. Furthermore, online updates on ongoing projects are essential components of this compliance for transparency in DMFTs.

2.3.13.1 Information on website not updated

Though a website namely 'DMF-website' was available. However, above mentioned information were not being hosted and updated regularly in these districts.

Audited annual accounts of the Trusts also did not disclose any information of outstanding DMFT contribution. It was also seen that quarterly details of DMFT contribution collected were not published on DMF-Website in respect any of the trust.

The Government stated (September 2024) that updation of DMF portal was not being done properly due to shortage of technical staff in department. However, updation will be completed at the earliest. In Exit Conference (05 September 2024), the Secretary, Mines stated that DMF portal of Bhilwara and Banswara districts are updated and in progress in respect of other districts. However, audit checked the portals for Bhilwara and Banswara districts and these were not found updated.

2.3.13.2 Preparation and submission of Reports

Rule 18 of Rajasthan DMFT Rules, 2016 provides that the DMFT shall prepare a quarterly progress report in physical and financial terms in respect of the approved schemes and projects within forty-five days of the close of the quarter and forward it to the office of the District Magistrate immediately thereafter for publication on their respective websites. It further provided that the Annual Report of each DMFT shall be laid before the State Legislative Assembly.

It was noticed that the quarterly progress reports of works implemented by the various implementing agencies were not being prepared by DMFTs. Further as the annual reports were not prepared, these could not be laid before the State Legislative Assembly as envisaged in the rules.

The Government stated (September 2024) that directions are being issued to the Chairperson and Member Secretary of DMFTs for compliance. Further progress is awaited (March 2025).

Conclusion

The PMKKKY was launched to ensure welfare of areas and people affected by mining related operations, using the funds generated by DMFTs. GoR constituted DMFTs (9 June 2016) in all the districts of the State for

implementation of the PMKKKY. According to the provisions of Rajasthan DMFT Rules, management of DMFTs vested in Governing Councils, which consist of all the trustees of the trust and headed by the District Magistrate of the district. A macro analysis of legal framework, planning, audit and accounts, demand and collection of DMFT contributions, environmental impact due to mining activities, accountability and transparency mechanism revealed that in violation of directions issued by the Government of India, the GoR issued directions to DMFTs that prior sanction of Finance Department was necessary for sanction and payment from DMFT funds. Accordingly works were approved by the Finance Department. Further, Annual Action Plans and Perspective Plans were not being prepared. Audit of annual accounts of DMFTs were not completed. The departmental online system DMGOMS was not developed to show due DMFT contribution, interest on delayed payment of contribution. DMFT amount from the cost of illegal excavation/transportation of minerals was not deposited with the respective DMFT funds as required. Further, Audit could not verify the deposit of DMFT contribution by the Works Departments, as there was no reconciliation mechanism in place in ME/AME offices to verify these deposits. It was also noticed that no work/project was undertaken relating to the reclamation of degraded land due to mining activities to protect the environment. Data on DMF website was not updated by DMFTs, thus transparency was not maintained. Quarterly progress reports of works implemented by the various implementing agencies were not being prepared by DMFTs.

Recommendations

The Government/Department may consider:

- ***developing a module under DMGOMS, to monitor due DMFT contributions, ensure timely deposits and levy interest for delayed payments.***
- ***evolving a system to transfer the fund to DMFT from cases of unathorised /illegal excavation/transportation of mineral.***
- ***conducting a study to assess the environmental impact of mining activities and identify necessary measures under PMKKKY to mitigate these effects.***
- ***developing and enforcing standardized protocols for the preparation and submission of quarterly progress reports and annual reports. Ensuring these reports are publicly accessible to enhance transparency and oversight.***

PART-B

Implementation of PMKKKY in selected DMFs

A micro analysis of selected DMFTs which includes Institutional arrangements, identification of mining affected people and areas, collection and utilization of DMFT fund, project management and monitoring in selected districts is presented in this part.

2.3.14 Institutional Arrangements

The first objective of the Performance Audit was to assess whether effective planning and institutional arrangements were in place to implement the scheme as per Rajasthan DMFT Rules and PMKKKY guidelines.

Rule 5 of the Rajasthan DMFT Rules, 2016 provides that trustees shall be appointed by the State Government on the basis of recommendation of the District Magistrate. Further, the Community Representatives from areas affected by mining operation shall be recommended by the District Magistrate on the basis of recommendation of respective *Gram Sabha*.

The audit findings pertaining to nomination and appointment of trustees in the selected DMFTs are given in succeeding paragraphs:

2.3.14.1 Nomination of trustees by the Government

Scrutiny of the records of the selected DMFTs revealed that:

- District Magistrates of Bharatpur and Banswara submitted (between 29 June 2016 and 06 January 2017) recommendations for the nomination of 36 trustees to the State Government. The State Government appointed (July 2021) 30 trustees after a period of more than four years of their recommendation.

- In other selected districts[19], the State Government appointed the Trustees after six to eleven months of recommendation of the respective District Magistrate.

On being pointed out, the Government endorsed (September 2024) the reply of the DMFT offices Sikar and Barmer which stated that delay was at Government level.

2.3.14.2 Appointment of trustees in violation of provisions

As stated earlier, the Rajasthan DMFT Rules, 2016 specifically intended to involve *Gram Sabhas* for nomination of Community Representatives. However, on scrutiny of records of selected districts, it was seen that District Magistrates had recommended the names of Community Representatives for nomination as trustees to the State Government without any prior recommendation from the respective *Gram Sabha* during the year 2020-21.

[19] Bhilwara, Barmer and Sikar.

Further, District Magistrates of selected districts recommended names of 85 persons in various categories for appointment as trustees during the period 2017-18 to 2020-21. The Government in turn appointed 88 trustees in these DMFTs. Among them, 30 trustees were appointed without the recommendations of the District Magistrates[20].

The Government replied (March 2024 and April 2025) that these appointments have now been cancelled on 18 December 2023 and trustees will be appointed after notification of new RDMFT Rules. It is recommended that appointment of Community Representatives as trustees will be made as per recommendation of the respective *Gram Sabha* and in all other cases as per recommendation of the District Magistrates as envisaged in the Rules.

2.3.15 Identification of affected areas and people

According to the guidelines, the DMFT shall prepare and maintain an updated list of directly[21] and indirectly[22] affected areas by mining related operations to be covered under the PMKKKY. Further, DMFT shall prepare and maintain an updated list of affected people.

Out of five selected districts, in two districts (Bhilwara and Bharatpur), it was observed that the DMFTs had not identified directly and indirectly affected areas by mining activities to be covered under PMKKKY and declared the entire districts as mining affected area. However, in Sikar, Banswara and Barmer districts, lists of affected villages/areas were prepared, including some urban and non-mining areas, without justification for their inclusion.

Consequently, works/projects were undertaken without aligning with the objectives of PMKKKY and aiming the affected areas/people in the mining regions.

The Government forwarded (September 2024) the reply of the DMFT offices of Sikar and Barmer which stated that majority of works were executed in mining affected areas. DMFT Banswara stated that list of mining affected areas will be updated.

In Exit Conference, the Secretary stated that GoI issued (January 2024) revised guidelines for PMKKKY, wherein mining affected areas are defined. Based on these guidelines, Rajasthan DMFT rules are being revised. Further progress is awaited (March 2025).

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[20] Bharatpur (9), Bhilwara (6), Banswara (12), Sikar (1) and Barmer (2).

[21] Directly affected areas: where direct mining related operations are located such as villages and gram panchayats within which mines are situated, areas situated within such radius from a mine or cluster of mine as specified by the State Government, villages significantly depend on mining areas for their economic needs.

[22] Indirectly affected areas: areas where local population is adversely affected on account of economic, social and environmental consequences due to mining related operations.

2.3.16 Collection of Fund

The second objective of the Performance Audit was to assess whether the system of assessment demand and collection of receipts under DMFTs was reliable and efficient.

Audit findings pertaining to collection of funds such as non-deposit in interest bearing account, non-recovery of contribution, short levy of interest, irregular transfer of DMFT fund *etc.* are discussed in succeeding paragraphs.

2.3.16.1 DMFT contribution not deposited in interest bearing PD account

Rule 14 of Rajasthan DMFT Rules, 2016 amended in June 2018 provided that the DMFT fund shall be kept in interest bearing PD account.

In all selected districts, it was noticed that DMFTs did not open accounts in nationalised banks as prescribed in rules. Instead of this, non-interest bearing PD accounts were opened between 12 April 2017 and 09 June 2017. Later on, interest bearing PD accounts were also opened (between 28 October 2020 and 21 June 2021) in each DMFT. It was noticed that DMFT contributions were being deposited in non-interest bearing PD accounts and later on amount from these accounts were transferred in interest bearing accounts.

In Exit Conference (05 September 2024), the Secretary stated that matter will be looked into to check the loss of interest amount and reply will be submitted accordingly. Further progress is awaited (March 2025).

2.3.16.2 Non-recovery of DMFT contribution

As per Rule 13(1)(iii) of Rajasthan DMFT Rules, 2016, every mineral concession holder shall pay the contribution to the DMFT fund in respect of any mineral[23] removed by him and/or consumed within the area allotted/permitted to him.

Further, Rule 13(3) of the said rules provides that in case of minor minerals, contribution to the trust fund shall be recovered through the contractors to whom the Royalty Collection Contract (RCC)/Excess Royalty Collection Contract[24] (ERCC) was awarded in that district. In such cases, monthly instalment of the contribution to trust fund shall be directly deposited by the contractors in the Trust account. According to Rule 13(5), ME/AME concerned shall be responsible for collection, reconciliation and cross verification of the contribution to the DMFT Fund.

During scrutiny of records of mining leases, brick earth permits and ERCC/RCC of selected ME/AME offices and regular audit, cases of non-

[23] In case of minor minerals, at the rate of ten per cent of the royalty paid in terms of the first schedule to the Rajasthan MMCR, 1986, and in case of major minerals, ten per cent of the royalty paid in in respect of mining leases granted on or after 12 January 2015; and thirty percent of the royalty paid in respect of mining leases granted before 12 January 2015.

[24] Excess Royalty Collection Contract means a contract to collect royalty in excess of annual dead rent and any other charges as may be specified in the contract, on behalf of the Government for specified mineral dispatched by the mining lessee, from the area specified in the contract.

receipt of DMFT contribution amounting to ₹ 20.80 crore have been noticed as detailed in **Table 2.3.**

Table 2.3 : Details showing non-receipt of DMFT contribution during the period 2016-17 to 2022-23

(₹ in crore)

Type of concession/ permit/ contract	Number of cases	DMFT contribution receivable	DMFT contribution received	Amount of non-receipt of DMFT contribution	Name of ME/AME offices
Mining Leases (Minor mineral)	710	8.41	5.49	2.92	Bharatpur, Bhilwara, Bijoliya, Banswara and Sikar.
ERCCs	17	11.43	6.09	5.34	Bhilwara, Banswara Neem ka Thana, Nagaur, Dungarpur, and Jaisalmer.
Quarry Licensees[25] (RCC)	1	11.65	0.00	11.65	Jodhpur.
Brick Earth Permits	236	2.19	1.30	0.89	Bharatpur, Roopbas, Bhilwara, Bijoliya, Sikar, Neem ka thana, Hanumangarh and Tonk.
Total	**964**	**33.68**	**12.88**	**20.80**	

Source: Information provided by ME/AME offices.

It is evident from the above table that in selected districts ₹ 20.80 crore was not received. Further scrutiny of records revealed that the ME/AMEs could not monitor the contribution to DMFT fund as only deposited amount for DMFT was being shown in the DCR maintained on DMGOMS. It did not show the due amount of DMFT. Manual registers/DCR were not found maintained in selected offices. In case of ERCCs, it was observed that 17 contracts were cancelled due to non-deposit of contract amount, therefore, DMFT contribution amounting to ₹ 5.34 crore could not be recovered. Thus, lack of mechanism to oversee the collection of contribution towards DMFT coupled with lacklustre efforts to collect the contribution from quarry licencees, DMFT contribution amounting to ₹20.80 crore could not be collected.

The Government replied (September 2024) that action for recovery has been initiated in Sikar. In respect of other offices compliance will be submitted soon. In Exit Conference (05 September 2024), the Secretary stated that outstanding amount is being recovered along with interest. Further progress is awaited (March 2025).

In respect of quarry licensees, non-recovery of DMFT contribution is discussed in the case study given hereunder.

[25] Quarry licensees: A licence granted for mineral concession under RMMC Rules, 2017, wherein a licensee is required to pay fixed annual licence fee exclusive of royalty.

CASE STUDY

Quarry licensees can dispatch the excavated minerals from their quarry areas without any *rawanna*/permit. Further, no returns were prescribed for quarry licensees to show the minerals excavated and dispatched from the permitted area. Therefore, to ensure collection of royalty on these minerals, royalty collection contracts were being awarded by the Department for collection of royalty.

In Jodhpur[26] a contract was awarded (March 2016) to collect royalty on the mineral sandstone dispatched from the quarry licence areas of tehsil Jodhpur for the period 01 April 2016 to 31 March 2018 to a contractor. The annual contract amount was ₹ 62.93 crore. Thereafter, the Rajasthan DMFT Rules, 2016 were notified on 31 May 2016. Therefore, to include the DMFT contribution in the contract, the ME Jodhpur revised (15 June 2016) the annual contract amount to ₹ 69.22 crore and directed the contractor to execute a supplementary agreement. The contractor did not execute the supplementary agreement and filed a petition before the Hon'ble Rajasthan High Court against the order of the ME. Hon'ble High Court stayed (12 July 2016) the order of ME. Thus, amount of DMFT contribution was not collected by the contractor during the currency of contract *i.e.* 01 June 2016 to 04 April 2018.

Since the contractor was not liable to collect the DMFT amount along with royalty from quarry licensees in the light of the stay order, the ME concerned should have to make alternate arrangements to collect the DMFT contribution, such as establishing a departmental check post or awarding a new contract. However, these actions were not undertaken despite the fact that the DMFT contribution could only be collected at the time of dispatch of minerals from the quarry areas. After the dispatch of minerals, the Department lacked data regarding excavation and dispatch. In the absence of a system of *rawanna*/returns for the quarry licensees, it was not possible to assess which licensee had dispatched how much quantity of minerals.

Thus, due to non-collection of DMFT contribution by the Department, an amount of ₹11.65 crore[27] being the DMFT contribution for the period 01 June 2016 to 04 April 2018 (calculated on the basis of annual contract amount) could not be received in DMFT fund.

The ME replied (July 2022) that amount of DMFT contribution could not be collected due to stay of Hon'ble Rajasthan High Court in the matter. The reply was not tenable as there was no stay on collection of DMFT contribution through establishing the departmental check posts.

In Exit Conference (05 September 2024), the Secretary assured to submit reply. Further progress is awaited (March 2025). The facts remain that an amount of ₹ 11.65 crore could not be collected as the Department did not have a mechanism to assess the dispatch by quarry licencees.

[26] This unit was a part of regular audit.

[27] 10 % of ₹ 116.47 crore being the royalty deposited by the contractor during the period 01.06.2016 to 04.04.2018)

2.3.16.3 Non/short levy of interest

According to Rule 13A of Rajasthan DMFT Rules, 2016, if any person fails to pay the DMFT contribution as specified in the sub rule 13 (1) of the Rules, he shall be liable to pay interest at the rate of 24 *per cent per annum* as prescribed in Minerals (other than Atomic and Hydrocarbon Energy Minerals) Concession Rules, 2016 and 15 *per cent per annum* as prescribed in RMMC Rules, 2017 in case of Major minerals and Minor minerals respectively.

Scrutiny of records of selected ME/AME offices and regular audit it was noticed that the ME/AME concerned had either not levied interest or short levied interest amounting to ₹ 42.13 crore for delayed deposit of DMFT contribution amounting to ₹ 137.53 crore by ERCCs/mining leases as detailed in **Table 2.4.**

Table 2.4 : Details showing non/short levying of interest on delayed deposit of DMFT contribution

(₹ in crore)

S. No.	ERCC/ML	Number	Amount deposited with delay	Delay in days	Interest leviable
1.	ERCC	16[28]	30.37	01 to 1003 days	2.27
2.	Mining Leases (Major mineral)	7[29]	107.16	03 to 2160 days	39.86
	Total	**23**	**137.53**		**42.13**

Source: Computed by Audit.

The Department replied (July 2023) that in two cases (ERCC) of ME, Jodhpur, interest amounting to ₹ 38.00 lakh has been recovered. Regarding other cases, it was replied that action would be taken after investigation of the cases. However, no clarification was provided regarding non-maintenance of the demand register. Further progress is awaited (March 2025).

2.3.17 Financial assurance amount in DMFT fund

Rule 29 (18) of RMMC Rules, 2017 envisages that where the ME/AME concerned has reasonable grounds for believing that the protective, reclamation and rehabilitation measures as envisaged in the mine closure plan in respect of which financial assurance[30] was given has not been carried out in accordance with the mine closure plan, either fully or partially, shall forfeit the amount of financial assurance along with interest accrued thereon and same shall be deposited in DMFT.

It was noticed during the audit of selected districts that financial assurance amounting to ₹ 75.59 lakh was to be forfeited by the Department in case of 92

[28] ERCC (16): ME Bhilwara (8), ME Bijoliya (2), ME Bharatpur (1), ME Jaisalmer (1), ME Jodhpur (2), ME Dungarpur (1) and AME Neem Ka Thana (1).

[29] MLs (7): ME Chittorgarh (2), ME Sojat City (2), ME Ajmer (1) ad ME Udaipur (2).

[30] Financial assurance: Financial Assurance means the surety furnished by the holder of mining lease or quarry licence, as the case may be, to the competent authority so as to indemnify the authorities against the reclamation and rehabilitation cost after closure of the mining lease or QL

MLs[31] and 17 STPs. However, ₹71.14 lakh were forfeited in 85 MLs and 17 STPs as financial assurance in five MLs were not deposited by the lessees and in two cases financial assurance was deposited with Indian Bureau of Mines. Out of ₹71.14 lakh, ₹ 6.25 lakh was deposited in the DMFT fund by ME Bhilwara in seven cases. The remaining amount of ₹ 64.89 lakh was not deposited in DMFT fund despite forfeiture of financial assurance in these cases. Consequently, the DMFTs were deprived of the ₹ 64.89 lakh.

The Government replied (September 2024) that action for deposit of financial assurance amount in DMFT fund are being taken. Further progress is awaited (March 2025).

2.3.18 Utilisation of Fund by DMFTs

The third audit objective of this Performance Audit was to assess whether utilization of the funds from DMFTs for implementation of PMKKKY were efficient and as per Rules. Efficient utilisation of fund management is crucial to achieve the envisaged objective in implementation of the scheme.

In Rajasthan, as on 31 March 2023, total 18,973 works were undertaken, of which 12,335 works were completed and 3,617 works were in progress. In selected districts 4,273 works were undertaken, of which 2,862 works were completed and 718 works were shown under progress during the same period. Details are given in ***Appendix-3*.**

As of 31 March 2023, the selected districts had accumulated a total DMFT contribution of ₹2,833.11 crore. This significant amount underscores the need for robust and transparent financial oversight to ensure that the resources are deployed efficiently and effectively for the benefit of the communities affected by mining activities. Contribution received in the selected DMFTs are shown in the **Table 2.5.**

Table 2.5 : Details of DMFT contribution received in selected Districts

S. No.	Name of DMFT	DMFT contribution received (₹ in crore)
1.	Bharatpur	58.20
2.	Bhilwara	2,514.54
3.	Banswara	43.50
4.	Sikar	39.38
5.	Barmer	177.49
	Total	**2,833.11**

Source: Information provided by DMG, Udaipur.

Audit scrutinised the records of these DMFTs to ascertain efficient utilisation of fund by DMFTs and noticed:

[31] ME Bhilwara (70), ME Bharatpur (14), ME Sikar (8) and ME Barmer (17 STP).

- ***Irregular constitution of State Mineral Fund***

Rule 15(3)(II)(A) of Rajasthan DMFT Rules, 2016 stipulates that the developmental and welfare activities to be taken up by Trust should be as far as possible, in the nature of complementing the ongoing schemes/projects being funded by the State as well as Central Government. Developmental and welfare activities taken up by the DMFTs should be treated as extra budgetary resources for the State Plan.

Scrutiny of records of DMG Udaipur revealed that a Personal Deposit account was opened (3 December 2020) for State Mineral Fund and ₹ 1,200.63 crore were transferred by various DMFTs to this account during 01 July 2020 to 31 March 2023. Even after GoI order (12 July 2021) regarding non-transfer of any amount from DMFTs, an amount of ₹ 45.93 crore was transferred from various DMFTs in the account of State Mineral Fund. However, after 07 July 2022 no amount was transferred by DMFTs in State Mineral Fund.

Thus, it is clear that the provision made for establishment of State Mineral fund in rules was against the provision of the Act. Further, funds were transferred from State Mineral Fund at State level to various projects/schemes in violation of directions of Government of India. Illustrative case is discussed hereunder:

The State Government launched (November 2020) a welfare scheme 'Indira Gandhi Matrutv Poshan Yojana' (IGMPY) in the year 2020-21 initially in five[32] districts. The scheme was subsequently expanded to the entire State in 2022-23. Scrutiny of records of DMG, Udaipur revealed that DMFT funds amounting to ₹ 161.33 crore were transferred to Women and Child Welfare Department (WCD) being the nodal department for IGMPY in the years 2020-21 to 2022-23[33]. These funds were transferred on the directions of the State Government. Thus, DMFT funds of ₹ 161.33 crore were utilised by the State Government on budgeted program in contravention of the *ibid* provisions.

The Government stated (September 2024) that funds were transferred as per orders/instructions of the State Government. In Exit Conference (05 September 2024), the Secretary accepted the audit observation.

2.3.19 Monitoring of advances given to implementing agencies

Rule 12 (viii) of the Rajasthan DMFT Rules, 2016 provides that Managing Committee shall monitor the progress of utilisation of funds of the trust. Rule 18 (4) of the rules *ibid*, provides that a quarterly report of physical and financial progress of approved works shall be prepared by the trust within 45 days of end of quarter.

Scrutiny of the records of DMFTs revealed that quarterly reports of physical and financial progress of approved works were not being prepared by the DMFTs. Further, scrutiny of the information provided by the selected DMFTs

[32] Baran, Banswara, Dungarpur, Pratapgarh and Udaipur.

[33] ₹ 161.33 crore: Year 20-21: ₹ 19.65 crore (from SMF before GoI directions); Year 2021-22: ₹ 41.88 crore (from SMF after GoI directions) and Year 2022-23: ₹ 99.80 crore.

and records of the DMFTs revealed that an amount of ₹ 67.67 crore was given as advances for the works/projects related to construction of roads, classrooms, hospital buildings, procurement of medical equipment, water supply, *etc.* under PMKKKY. These advances were outstanding for adjustment against the various implementing agencies as on 31 March 2023, as shown in **Table 2.6.**

Table 2.6: Details showing the outstanding amount of advances given to the implementing agencies

Name of DMFT	Amount shown as advance as on 31.03.2023 (₹ in crore)	Remarks, if any
Bhilwara	45.79	Advances paid up to 31 March 2022
Banswara	1.25	Advance paid in the year 2021-22
Barmer	20.63	Advances paid up to 31 March 2022
Total	**67.67**	

Source: information collected from DMFTs

In absence of any mechanism, proper utilisation of funds on works could not be ensured in timely manner.

The Government replied (September 2024) that implementing agencies have been asked to submit utilization certificates in Barmer.

In Exit Conference (05 September 2024), the Secretary stated that utilization of funds has to be ensured by the District Collectors. Further progress is awaited (March 2025).

2.3.20 Works sanctioned without approval of Governing Council

During audit of selected districts, it was found that except in DMFT Bhilwara, remaining four DMFTs granted administrative and financial sanctions of ₹ 27.20 crore for 52 projects[34], without submitting these projects to the respective Governing Councils for approval. In absence of the approval of the Governing Councils these works were irregular.

This practice undermines the significance and effectiveness of the established institutional arrangements, compromising oversight and accountability.

In a case of Sikar, the Managing Committee issued (31 May 2023) administrative and financial sanction of ₹ 1.33 crore for establishing 175 Information and Communication (ICT) labs in schools. However, approval of the Governing Council was not obtained. Despite this, the full amount was transferred to the implementing agency (Additional District Project Coordinator, Samgra Shiksha Abhiyan, Sikar). In July 2023, the financial sanction was revised to ₹ 14.39 lakh for establishing only 19 ICT labs in schools situated in mining-affected areas, as one trustee opposed the allocation of funds to the remaining 156 schools as they were situated in non-mining affected areas. Consequently, an amount of ₹ 1.18 crore was remained with implementing agency.

[34] Bharatpur (27), Banswra (1), Sikar (1) and Barmer (23).

The Government accepted (September 2024) that works were not approved by the Governing Councils and would be got approved.

2.3.21 Sanction of works by Governing Council without approval of Gram Sabhas

Rule 15 (4) of Rajasthan DMFT Rules, 2016 provided that approval of the *Gram Sabha* shall be required- (a) for all plans, programs and projects to be taken up under PMKKKY and other welfare schemes of the State and Central Government (b) identification of beneficiaries under the existing guidelines of the Government, in respect of villages affected by mining situated within the scheduled areas[35]. Further, report of the works undertaken under the trust in the respective village shall be furnished to the *Gram Sabha* after completion of every financial year.

It was noticed that 139 works were undertaken by the DMFT Banswara till 31 March 2023. Out of which, 114 works were completed, and 25 works were under progress. Total funds amounting to ₹ 21.40 crore were transferred to the implementing agencies against estimated cost of ₹ 26.63 crore. Illustrative cases are given hereunder:

(i) The Governing Council DMFT Banswara approved (07 September 2021) two works (construction of Forest Guard Chowki- ₹10 lakh and Construction of watch tower – ₹6 lakh) to Forest Department at a cost of ₹ 16 lakh. Administrative sanction and financial sanction were issued in December 2021 and fund of ₹8 lakh transferred (December 2021) to Forest Department. In April 2022, these works were cancelled.

Thereafter, in place of these works a new work "Construction of Forest Guard Chowki at Chachakota" at the bank of Mahi Dam was approved (April 2022) by the Governing Council. Financial sanction of ₹ 30.59 lakh was issued in June 2022 and fund of ₹ 15.29 lakh (including ₹ 8 lakh transferred in December 2021) was also transferred. It was noticed that approval of *Gram Sabha* was not taken. Further, the sanctioned amount for the construction of the forest guard chowki was increased from ₹ 10 lakh to ₹ 30.59 lakh.

During joint physical verification of the asset it was noticed that construction of 'Guest House' was in progress at the site on the peak of hill in the forest area.

[35] Scheduled Area: The process to be adopted for utilization of fund in the scheduled areas shall be guided by the provisions contained in Article 244 read with Schedule V and Schedule VI to the Constitution relating to administration of the Scheduled Areas and Tribal Areas and the Provisions of the Panchayats (Extension to the Scheduled Areas) Act, 1996 and the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006.




Source: Actual site photograph of construction of Guest House in name of Forest Chowki taken by the Review team during Joint Physical Inspection.

Thus, DMFT funds were irregularly sanctioned for Guest House in the name of forest chowki.

(ii) In Banswara (scheduled area), it was noticed that a work "Development of 44 *Aanganwadi* centres into model *Aanganwadi* centres in mining affected area" involving a cost of ₹ 3.48 crore was approved in the Governing Council on 5 July 2018. Administrative sanction was issued on 26 August 2018 wherein Public Works Department was appointed as the implementing agency. The administrative sanction was revised on 05 October 2018 wherein Implementing Agency was changed to Women and Child Development Department, and it was specifically mentioned in the sanction that funds would be transferred after getting approval of concerned *Gram Sabhas*. However, financial sanction for ₹ 3.49 crore was issued on 05 October 2018 without ascertaining the approval of concerned *Gram Sabhas*. Thereafter, an amount of ₹ 1.74 crore was transferred by DMFT to Zila Parishad Banswara. Thereafter, the work was cancelled by the Governing Council on 20 December 2019 without assigning any reason for cancellation. Chief Executive Officer, Zila Parishad was directed to deposit back the amount with DMFT. Zila Parishad informed (20 May 2020) that an amount of ₹ 1.62 crore has been deposited in DMFT account and remaining amount of ₹ 12.54 lakh were spent on detailed project report and advertisement.

Audit noted that fund was transferred irregularly without approval of concerned *Gram Sabhas* which resulted in wasteful expenditure of ₹ 12.54 lakh.

2.3.22 Works approved in Governing council without proper scrutiny

In Barmer, it was noticed that 29 works (15 works of education and 14 works of PHED) involving cost of ₹ 1.61 crore were approved (October 2016 to September 2018) by the Governing Council. Financial sanctions of ₹ 1.61 crore for these 29 works were issued between December 2017 and September 2021. Accordingly, ₹ 91.50 lakh were transferred to 15 works of education to the

implementing agencies[36] and ₹ 25.12 lakh were transferred to PHED. These works were cancelled (5 April 2021) due to the reasons of non-availability of land, funds made available from other schemes, land dispute, *etc.* However, amount transferred by the DMFT to the implementing agency was not received back. Audit noticed that works were approved without scrutiny of the proposals by Governing Council.

In Exit Conference (05 September 2024), the Member Secretary, DMFT Barmer stated that amount given in above works has been adjusted in other works of the same implementing agencies in most of the cases. However, a detailed reply will be submitted. Further progress is awaited (March 2025).

2.3.23 Non-forwarding progress reports of works to Gram Sabha

According to Rule 15(4)(ii), report on the works undertaken by the Trust in the respective village affected by mining situated within the scheduled areas shall be furnished to the *Gram Sabha* after completion of every financial year.

Out of five selected districts, Banswara district is a scheduled area. It was noticed that total 139 works were undertaken by the DMFT Banswara up to March 2023, but reports after completion of financial year were not furnished to *Gram Sabhas* by the DMFT Banswara.

In the absence of such practice, targeted beneficiaries, could not monitor the project and benefit from it. In view of above, provisions made for Scheduled areas remained ineffective.

The Government replied (September 2024) that progress report will be forwarded regularly to the *Gram Sabhas* in future.

2.3.24 Project Management

During the audit of selected districts, a sample of total 223 works was selected for detailed scrutiny. Of these, 204 works were completed, 16 works were under progress, two works were abandoned and one work was cancelled. Total amount of ₹ 225.89 crore were released by the DMFTs to the implementing agencies. As of March 2024, an amount of ₹ 206.84 crore were utilized by the implementing agencies.

Audit findings are discussed in the succeeding paragraphs:

2.3.24.1 Execution of works in violation of RTPP Act and Rules made thereunder

Rule 15 (5) of Rajasthan DMFT Rules, 2016 provided that the procurement of goods and services shall be as per provisions of Rajasthan Transparency in Public Procurement (RTPP) Act, 2012 and rules made thereunder. The execution of work shall be as per the provisions of accounting rules of respective executing agency.

[36] District project coordinator, Rajasthan Madhyamik Shiksha Abhiyan and Additional District Project Coordinator, Samagra Shiksha Abhiyan.

As per Section 4 of the RTPP Act, 2012 the procuring entity shall have the responsibility and accountability to (a) ensure efficiency, economy and transparency; (b) provide fair and equitable treatment to bidders; (c) promote competition; and (d) put in place mechanisms to prevent corrupt practices.

Scrutiny of the records of selected DMFTs and implementing agencies revealed that the above provisions were not followed during procurement of goods and execution of projects as discussed hereunder in succeeding paragraphs.

(i) In Bhilwara, it was noticed that a work 'Distribution of baby kits to newly born babies in Government hospitals' was approved by Governing Council in its meeting held on 16 September 2017. Administrative and financial sanction was issued (13 September 2019) for ₹ 39.16 lakh for procurement and distribution of 44,000 baby kits. The CMHO, Bhilwara issued (16 January 2020) the purchase order (₹ 38.81 lakh) without inviting tenders and without details of items required in the kit. The supplier firm supplied 44,000 kits in four consignments in January 2020 and an amount of ₹ 38.81 lakh was paid (05 March 2020) to the CMHO, Bhilwara by the DMFT.

The baby kits were procured without competitive bidding which was in violation of provisions of RTPP rules. Further, expenditure was regularized in violation of General Financial and Accounting Rules. Thus, implementation of work/project was not as per rules, which resulted in irregular expenditure of ₹ 38.81 lakh.

(ii) In Barmer, a work titled "Urban plantation and strengthening work at Leeladhora" was sanctioned by the Governing Council in a meeting held on 24 January 2018, with a total cost of ₹ 50 lakh. The Deputy Conservator of Forest, Barmer, was designated as the implementing agency. Administrative and financial sanctions were issued on 27 March 2018 and 7 August 2018, respectively. The first instalment of ₹ 37.50 lakh was transferred to the implementing agency by the Trust on 16 October 2018.

Scrutiny of records revealed that the implementing agency executed the work by directly procuring goods/services from suppliers without competitive bidding. Consequently, the entire amount of ₹ 37.50 lakh was spent irregularly. Despite this, the Trust did not monitor the utilization of trust funds effectively, and the implementing agency carried out the work in violation of the provisions of the RTPP Act.

In Exit Conference (05 September 2024), the Secretary stated that these matter will be taken up with the implementing agencies and detail reply will be submitted. The detailed reply is awaited (March 2025).

2.3.24.2 Diversion of DMFT funds for budgeted works

Rule 15 (3) (II) (A) of Rajasthan DMFT Rules, 2016 provides that the developmental and welfare activities to be taken up by Trust under the scheme should be as far as possible, in the nature of complementing the ongoing schemes/projects being funded by the State as well as Central Government. However, developmental and welfare activities taken up by the foundation treated as extra budgetary resources for the State Plan.

In selected districts, it was noticed that ten works/project[37] involving ₹ 57.05 crore were included in the budget of Women and Child Development, Education and Public Works Department for the years 2018-19 to 2023-24. The Additional Secretary, PWD, GoR directed (January 2021) all Superintending Engineers to get approval of the DMFTs to release funds for the works/projects already approved by these departments. It was noticed that the respective Governing Councils also approved the same except for three works/projects each of Banswara, Barmer and Sikar. One case study is discussed hereunder for illustration of these cases.

CASE STUDY

In Barmer, a work of 'Strengthening and renewal of Other District Road 35 Harsani – Jalipa Road (Km 22/00 to 37/00 and 42/00 to 51/00)' was undertaken under PMKKY.

Scrutiny revealed that above work was included in the budget of the State Government for the year 2020-21. Administrative and financial sanction for ` 3.00 crore was issued (8 October 2020) by Additional Secretary, PWD. Technical sanction was issued on 08 October 2020. However, Additional Secretary, PWD directed (November 2020) that sufficient funds were not available with the State Government in respect of works announced in the State Budget of 2020-21therefore no expenditure will be incurred as approval for budget sanctions from DMFTs are under process.

In light of above, the work was approved by the State Level Empowered Committee[38] in its meeting (12 January 2021) with direction to DMFT Barmer to get it approved by the Governing Council. Accordingly, Governing Council of DMFT Barmer approved the work in its meeting (05 April 2021). Work order was issued (18 March 2021) with stipulated date of commencement and completion of work as 28 March 2021 and 27 November 2021 respectively to a Contractor at a cost of ₹ 1.94 crore based on sanctions issued by the PWD. Thereafter, the administrative and financial sanction for ₹ 3.00 crore was issued (June 2021) by DMFT Barmer. The technical sanction was revised (13 September 2021) for road construction (Km 22/00 to 37/00 and 37/00 to 41/00). The work was completed on the stipulated date *i.e.* 27 November 2021. Total amount of ₹ 2.43 crore (including *pro-rata* charges of ₹ 28 lakh) was transferred to the PWD by the DMFT. It resulted in diversion of DMFT funds of ₹ 2.43 crore for budgeted work.

The Government stated (September 2024) that reply will be submitted soon. Further progress is awaited (March 2025).

Thus, DMFT funds were utilised for budgetary works/projects which was contrary to principle of financial discipline.

The Government while accepting the facts replied (September 2024) that works in Banswara and Sikar were executed after sanction in Budget.

[37] Ten works: Women and Child Development Department (3); Education Department (2); Public Works Department (5).

[38] A committee constituted under the chairmanship of Minister of Mines and Petroleum Department Rajasthan to approve any work/project having estimated cost more than ₹ two crore.

2.3.24.3 Excess funds transferred by the DMFTs

As per rule 12 of Rajasthan DMFT Rules, 2016 Managing Committee shall -

- exercise due diligence in carrying out its duty for protecting the interest of the Trust.
- operate the Trust fund in diligent manner and monitor the progress of the utilisation of trust funds.

Further, Rule 15(5) of the *ibid* rules provides that the execution of work shall be as per provisions of accounting rules of respective executive agency or any special rules made by the GoR in this behalf.

(a) Excess funds issued to implementing agencies

(i) In three cases of Banswara and one case of Bhilwara, additional amount of ₹ 2.34 crore was transferred to implementing agencies by the DMFTs as detailed in **Table 2.7**.

Table 2.7: Details showing excess fund transferred to the implementing agencies

(₹ in crore)

Name of work and Implementing Agency	Amount of Financial Sanction	Amount of work executed	Amount transferred	amount
BANSWARA				
Construction of BT road from NH 927A to Dharkon mata mandir Wakanada (PWD, division Garhi)	0.70	1.03	1.17	0.14
Disposal of legacy waste in Banswara (Nagar Parishad Banswara)	3.80	2.11	3.80	1.69
Construction of submersible bridge over Devka A/R (PWD, division, Banswara)	4.00	3.15	3.28	0.13
BHILWARA				
Construction of OHSR in Kotri (PHED, Division, Shahpura)	0.79	0.41	0.79	0.38
Total				**2.34**

Scrutiny of the records revealed that excess fund of ₹ 2.34 crore was transferred to the implementing agencies by the DMFTs without exercising due diligence. Even in one case, funds were transferred more than the financial sanction. It is pertinent to mention that the excess amount was not received back from the implementing agencies.

Thus, the management of the funds was ineffective in preventing the excess transfer of funds and recovering the excess amounts disbursed.

In the Exit Conference (5 September 2024), the Member Secretary, DMFT Bansawara stated that in two cases, the entire amount of ₹1.82 crore has been received back. In one case, the financial sanction will be revised to regularize the expenditure. In the case of Bhilwara, it was stated that the matter will be taken up with the implementing agency for the recovery of the amount, or the amount will be adjusted against other work of the implementing agency, if possible. Further progress is awaited (March 2025). The facts remained that the funds were being transferred without due diligence.

(ii) As per administrative sanction for the work any excess payment due to non-completion of work in scheduled time will be borne by the implementing agency. Further, condition number 3C of the agreement stipulates that any extra amount incurred for completion of work will be recovered from the defaulting contractor and in case of default or non-observance of the conditions of the agreement, the contractor firm should be blacklisted.

In Bharatpur, it was noticed that a work "Construction of Road from Bharatpur to Sonkh" was awarded (30 April 2021) to Contractor A at a cost of ₹ 11.48 crore by the PWD. Dates of commencement and completion of work were 10 May 2021 and 09 August 2022 respectively. The contractor did not to adhere to the timeline for completion of work, therefore, Executive Engineer, Deeg recommended (05 January 2022) to blacklist the firm and condition 3C of the agreement to be invoked. Department withdrew (16 August 2022) the work after execution of work of ₹ 1.01 crore. A payment of ₹ 1.21 crore was made to the Contractor against this work executed. The payment of ₹ 11.45 lakh was made (November 2022) to the contractor after withdrawal of the work. The remaining work was further awarded to Contractor B at a cost of ₹ 14.76 crore. DMFT transferred ₹ 14.40 crore to implementing agency up to August 2023.

Further, the implementing agency imposed a penalty amounting to ₹ 21.46 lakh on the Contractor A for non-adherence of terms of agreement. This amount was recovered from the contractor as deduction from running bills and deposited to the head '0059' as miscellaneous revenue of the PWD instead of crediting it to DMFT fund. Scrutiny of these facts revealed that:

Condition no. 3C of the agreement stipulates that any extra amount incurred on work would be recovered from the defaulting contractor. As per the condition, an amount of ₹ 11.48 crore was to be transferred to the PWD, division, Deeg, however, the DMFT transferred an amount of ₹ 14.40 crore. Thus, an amount of ₹ 2.92 crore was transferred in excess.

Further, instead of blacklisting the defaulting Contractor A, a payment of ₹ 1.21 crore was made to the Contractor against the cost of work executed of only ₹ 1.01 crore. Thus, an excess payment of ₹ 20.45 lakh was made to the contractor.

Thus, DMFT Bharatpur did not monitor proper use of its funds.

In Exit Conference, the Secretary stated that detailed reply will be submitted in this case. Reply awaited (March 2025).

2.3.25 Monitoring and Evaluation by Selected DMFs

The fourth audit objective of the Performance Audit was to assess whether monitoring and evaluation of the scheme was adequate and effective.

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

making and strategic planning to achieve the objective of the scheme.

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

2.3.25.1 Meetings of Managing Committee

Rule 11 of Rajasthan DMFT Rules, 2016 provides that the meeting of Managing Committee shall be held at least once in two months, and it shall be convened as decided by the chairperson of the Managing Committee.

In selected districts, it was noticed that meetings of Managing Committees were not held regularly in any district as prescribed in the rules. Total 205 meetings were to be held in these districts during the period June 2016 to March 2023 but only 66 meetings[39] were held.

The Government replied (September 2024) that due to COVID-19 in 2020-22 and elections in the State during the years 2018, 2019 and 2020, less meetings were held. The reply was not tenable as no meeting was held in Bharatpur (2016-17 and 2022-23), Bhilwara (2016-17 and 2021-22), Barmer (2019-20 and 2022-23) and Sikar (2022-23).

2.3.25.2 Meetings of Governing Council

Rule 9 (1) of the Rajasthan DMFT Rules, 2016 provides that the Governing Council shall meet as often as necessary but at least once in every quarter. In selected districts, it was noticed that meetings of Governing Council were not held as prescribed in rules. Total 135 meeting were to be held in these districts during the period June 2016 to March 2023 but only 35 meetings[40] were held. In Barmer district, no meeting of the Governing Council was convened after April 2021. Despite this, administrative and financial sanctions of ₹ 13.22 crore for various works were issued after the last meeting of the Governing Council without the approval of Governing Council.

The DMFTs replied (between August 2023 and February 2024) that less meetings were held due to elections in the State in the years 2018, 2019 and 2020 and COVID-19 in 2020-22. The reply was not tenable as not even a single meeting was held in Sikar (in the years 2019-20, 2020-21 and 2022-23), in Barmer (2019-20, 2020-21 and 2022-23), Bhilwara in 2019-20 and in Bharatpur in 2020-21. This indicates a lack of effective institutional arrangements as envisioned. Further, Government replied that approval of Governing Council will be obtained in next meeting.

2.3.26 Filing of Income Tax Returns and exemption

Trust or Commission (by whatever name called) referred to in clause (46) of Section 10 of the Income Tax Act; are required to file the return of income tax under Section 139 (4C). Under Section 10(46) of the Income-tax Act, specified income arising to a Trust or Commission, established or constituted by or under a Central or State Act or by a Central or State Government with the object of regulating or administering any activity for the benefit of general public, would

[39] Bharatpur (8/41), Bhilwara (13/41), Barmer (10/41), Banswara (17/41) and Sikar (18/41).
[40] Bharatpur (8/27), Bhilwara (9/27), Barmer (4/27), Banswara (8/27) and Sikar (6/27).

be exempt from tax subject to the condition that the said entity is not engaged in any commercial activity. The entity eligible to claim tax exemption under Section 10(46) is required to be notified by the Central Government as 'Class of persons' in the official Gazette.

Scrutiny of the records of the selected DMFTs revealed following non-compliance to the *ibid* provisions:

- Out of selected five DMFTs, DMFT Bharatpur had not filed its Income Tax returns since inception although, trust was issued (January 2021) with Permanente Account Number of Income Tax Department. Audit further noticed that Central Board of Direct Taxes (CBDT) sought (29 November 2019) the details from DMFTs across the nation to notify them as a 'Class of persons' for exemption from taxation under Income Tax Act. Further, Ministry of Mines, GOI also requested (17 January 2020 and 5 April 2020) to provide desired information to the CBDT. The desired information sought by CBDT was not provided by the DMFT Bharatpur. Therefore, it has not been notified as 'class of person' and is not eligible for exemption from taxation. It was further noticed that annual accounts of the DMFT Bharatpur were also not finalised for the year 2021-22 onwards.
- The CBDT notified (10 September 2021) all DMFTs except Bharatpur as 'class of person' under Section 10 (46) of the Income Tax Act. This notification would be effective subject to the conditions which include that each of the DMFTs would file return of income along with audit report. This notification would be deemed to have been applied for the financial years 2017-2018 to 2021-2022.
- Audit noticed that all four[41] DMFTs (notified as class of person) did not file their Income Tax Returns since inception. Annual accounts of Bhilwara was audited up to year 2018-19 and in other three districts up to the year 2021-22. Audit further noticed that annual accounts of the Trusts for the years 2016-17 to 2021-22 were showing excess of income over expenditure of ₹ 1,596.02 crore, of which income tax liability amounted[42] to ₹ 478.81 crore.

The Government stated (September 2024) that Income Tax Department has been requested to allow for exemption. In Exit Conference (05 September 2024), the Secretary, Mines accepted the observation and stated that directions are being issued to all DMFTs to act accordingly.

Conclusion

A micro analysis of Institutional arrangements, identification of mining affected people and areas, collection and utilization of DMFT fund, project management and monitoring in selected districts revealed that planning for implementation of projects was poor as identification of affected people and affected areas was not done resulting in implementation of projects in non-mining affected areas. DMFT contributions collected were not being deposited

[41] Bhilwara, Barmer, Banswara and Sikar.
[42] Calculated by Audit.

in interest bearing PD accounts as provided in Rules. DMFT contribution amounting to ₹ 20.80 crore was not received due to lack of mechanism to oversee the collection of DMFT contribution. In contravention of direction of Government of India, funds were transferred to State level agencies. Implementing agencies executed the works in violation of provisions of RTPP Act and Rules made thereunder. Further, DMFT funds of ₹ 57.05 crore was found transferred for ten works/project included in the State budget in violation of direction of GoI. Excess funds were found transferred to implementing agencies by the DMFTs. Income tax returns were not being filed by the DMFTs therefore, exemption from income tax under Section 10 (46) of Income Tax act was not available. Trustees in DMFTs were not appointed in timely manner. Meetings of Governing Councils and Managing Committees were not convened at regular interval. Advances given to implementing agencies were not monitored. Interest on delayed deposit of DMFT contribution was not levied by ME/AME concerned. Financial assurance submitted by the holders of ML/STP was forfeited by the Department in cancelled MLs and STPs, however, it was not deposited in DMFT fund as only forfeiture orders were issued but the same were not encashed.

Thus, we conclude that there is ample need of improvement in working of DMFTs so that benefit can be reach to the intended beneficiaries under the PMKKKY.

Recommendations:

The Government/Department may consider to:

- ***instruct the DMFTs to identify specifically mining affected areas and persons to provide the benefit of the fund to the actually affected persons and area.***
- ***return the funds diverted for State budgeted works.***
- ***circulate a check list to the DMFTs for preventing irregular sanctions.***
- ***introduce stricter accountability mechanisms for the Management Committee to ensure timely and appropriate actions to finalize and submit annual accounts and tax returns on time.***
- ***develop a mechanism to monitor timely appointment of Trustees according to the recommendations of Gram Sabhas and Governing Councils.***
- ***develop a mechanism to monitor regular meeting of Governing Councils and Managing Committees to oversee the working of the implementing agencies and benefits to the targeted area and persons.***

Other irregularities noticed during regular audit of Mines and Geology Department

2.4 Irregularities in Short-term Permits

Short-term Permit (STP) means a permit granted for excavation and removal of specified quantity of mineral from a specified area within a specified period[43] for executing works of Government, Semi-Government, Local Body, *Panchayati Raj Institution* or Organizations aided or funded by the Government. Rule 51 of the Rajasthan Minor Mineral Concession (RMMC) Rules, 2017 provides that STP may be granted for excavation and use of mineral masonry stone, *murram* and ordinary earth *etc.* to a contractor for executing works. The irregularities regarding issue and assessment of STPs noticed during the audit of offices of three Mining Engineers (MEs)/Assistant Mining Engineers (AMEs) are discussed in the succeeding paragraphs:

2.4.1 Wrong assessment of Short-term Permits

Assessments of Short-Term Permits were not done diligently which resulted in short recovery of ₹ 9.31 crore

Rule 51 (10) of the RMMC Rules, 2017 provides that for the construction, repair and renewal of National or Mega Highways, four or six lane roads, laying and repair of railway tracks, contractors shall apply as per sub-rule (3)[44] and royalty and other payments shall be paid as per clause (ii)[45] of sub-rule (9).

Further, as per provision of rule 51(11), where contractor has excavated and dispatched or consumed mineral to the extent of

- 10 *per cent* over and above the quantity specified in the permit, only single time royalty shall be recovered,
- quantity more than 10 *per cent* but upto 25 *per cent*, two times of royalty on entire quantity over and above specified in the permit shall be recovered, and
- any quantity more than 25 *per cent*, entire quantity over and above specified in the permit shall be treated as unauthorized excavation and

[43] As per Rule 51 (7) of RMMCR 2017 period of STP is co-terminus with the period of work order unless applied for shorter period.

[44] Every application for grant of short term permit shall be submitted to the Mining Engineer or Assistant Mining Engineer concerned mentioning quantity of minerals and period for which permit is desired along with prescribed documents.

[45] Apply for permit along with bill of quantity or G schedule, permit fees, contribution in the District Mineral Foundation Trust and royalty amount. The contractor shall submit the record for the assessment, along with consumption certificate issued by the competent authority and get a no-dues certificate from the Mining Engineer or Assistant Mining Engineer concerned.

contractor shall be liable to pay cost of such excess mineral which shall be computed as ten times of the royalty payable at the prevalent rate.

During the audit of records of the office of ME, Kota for the period April 2017 to March 2022, it was noticed (September 2022) that Executive Engineer, Public Works Department, National Highway Section, Kota, (EE Kota), issued (16 September 2016) a work order to a contractor for the work of "Widening of four Lane with paved shoulder with CC pavement from km 256/550 to 289/500, Kota-Darah section of NH 12 on EPC[46] mode". The Contractor obtained 26 STPs for excavating 21.42 lakh metric tonnes (MT) of mineral ordinary soil and eight STPs for excavating 13.26 lakh MT of minerals Masonry stone/Grit/GCB/Crusher dust after payment of advance royalty and DMFT amount.

On completion of the work, the EE Kota informed (July 2020) ME Kota that the quantities of mineral Ordinary Soil, Aggregate, and Stone dust/crusher dust used by the Contractor were 17.03 lakh MT, 13.49 lakh MT, and 3.35 lakh MT, respectively. The EE Kota also enclosed the Contractor's letter (19 March 2020) regarding consumption of minerals. The ME Kota issued (December 2020) a show cause notice under Rule 51, and 54 to the Contractor for excess use of minerals than the permitted quantity and to submit the reasons of not recovering the cost of minerals from the Contractor *i.e.* 10 times of the royalty for the excess use of minerals. The Contractor intimated that an excess of 3.58 lakh Metric Tons of mineral Masonry stone/grit/GSB/crusher dust was utilized than the permitted quantity in STPs and submitted documents to show that he had purchased the excess quantity of minerals from others after paying royalty. Accordingly, the ME Kota finalized the assessment of these STPs and a demand was raised (April 2021) for ₹ 91.14 lakh. The Contractor deposited the demand (20 April 2021) and was issued a no-dues certificate on 23 April 2021 by the Mines and Geology Department (Department).

Scrutiny of the records revealed that:

(i) The EE Kota had erroneously intimated the incorrect quantity (17,03,379 MT) of mineral ordinary soil to ME Kota. According to the letter of the Contractor, 17,03,379 cubic meters (*i.e.* 23,84,731 MT) mineral ordinary soil was used in the work. The EE Kota mistakenly used the wrong unit (metric ton instead of cubic meter) while intimating ME Kota. Thus, use of 6,81,352 MT of mineral (23,84,731 – 17,03,379) ordinary soil was short reported to the Department.

(ii) The Contractor used 27 *per cent* excess Masonry stone/grit/GSB/ crusher dust than the permitted quantity. However, while finalizing the assessment of the STPs, the ME Kota ignored the provisions of Rule 51(11) which

[46] EPC: Engineering, Procurement and Construction. The EPC mode of contract gives the entire responsibility of design and construction to the contractor and therefore has a longer defect liability period-cum-maintenance period.

provides that if mineral used was more than 25 *per cent* then entire quantity over and above specified in the permit shall be treated as unauthorized excavation and contractor shall be liable to pay cost of such excess mineral which shall be computed as ten times of the royalty payable at the prevalent rate.

Due to the above reasons, the ME Kota wrongly assessed the STPs which resulted in short recovery amounting to ₹ 9.31 crore as shown in ***Appendix-4***.

The Government replied (March 2024) that various letters have been written to the Executive Engineer, PWD National Highway, Division Kota for deduction of recovery of the amount for excess usages of quantity of mineral ordinary soil from the deposited security amount. Further, in respect of Mineral Aggregate/Masonry stone/GSB/Grit/Crusher dust, it was replied that the royalty was paid on the excess quantity of mineral by purchasing the same from other contractors, hence, a one-time royalty and other amount had been recovered as per rules.

The reply is not tenable, as Rule 51(11) clearly specified that 10-times royalty should be levied for the excess usage of mineral over the permitted quantity. The Rule is self-explanatory and there is no room for discretionary decisions for considering it as a procedural lapse on the Contractor's part and for levying/charging one-time royalty if the minerals used were royalty paid.

2.4.2 Irregular issue of STPs.

ME, Udaipur irregularly issued two STPs to a contractor without receiving advance payment of permit fees, contribution in the District Mineral Foundation Trust (DMFT), Rajasthan State Mineral Exploration Trust (RSMET) and royalty, amounting to ₹ 57.35 lakh and provided undue benefit to the contractor.

Rule 51 (10) of the RMMC Rules, 2017, provides that for the construction, repair and renewal of National or Mega Highways, four or six lane roads, laying and repair of railway tracks, contractors shall apply for STP as per sub-rule (3)[47] and royalty and other payments shall be paid as per Rule 51(9)(ii). According to the Rule 51(9)(ii), the contractor shall apply for permit along with bill of quantity or G-schedule, permit fees, contribution in the DMFT and RSMET, and royalty amount. The Contractor shall submit the record for the assessment, along with consumption certificate issued by the competent authority and get a no-dues certificate from the ME concerned.

Scrutiny of records of office of ME, Udaipur for the period April 2021 to March 2022, revealed that two STPs were issued (between June 2021 and August

[47] Every application for grant of short term Permit shall be submitted to the Mining Engineer or Assistant Mining Engineer concerned mentioning quantity of minerals and period for which permit is desired along with prescribed documents.

2021) to a Contractor. The ME irregularly issued these STPs without receiving advance payment of permit fee, DMFT contribution, RSMET contribution and royalty amount as required under the *ibid* provisions. The total amount to be received in advance for these STPs was ₹ 57.35 lakh as detailed in ***Appendix-5***. Thus, non-compliance with the rules resulted in irregular issue of STPs, extending undue benefit to the Contractor and causing non-receipt of due revenue amounting to ₹ 57.35 lakh.

The Government replied (March 2024) that letters have been issued to the work agency concerned to provide consumption certificate as well as to the Contractor for providing the information of mineral consumed and royalty deposited. Further progress is awaited. (March 2025)

2.4.3 Unauthorised excavation/use of minerals prior to issue of STP

Public work contractor unauthorizedly excavated/used 62,153.21 MT minerals ordinary earth and murram without obtaining STP and Department did not recover the cost of minerals amounting to ₹ 35.29 lakh

Rule 54(1) of RMMC Rules, 2017 stipulates that no person shall undertake any mining operation in any area without holding any mineral concession, permit or any other permission granted or permitted under these rules, as the case may be and shall not dispatch mineral from the mines, except from the quarry licenced area or bricks, without valid *rawanna* or transit pass. Rule 54(2) prescribed that no person shall transport or store or cause any mineral to be transported or stored except in pursuance of the provisions of these rules. Further, in accordance with Rule 54(3), the Mines and Geology Department was empowered to compound such cases by recovering the cost of mineral, equivalent to 10 times of the royalty amount.

Scrutiny of records for the period April 2019 to March 2022 of the Office of AME Nimbahera, revealed that a Contractor submitted (23 April 2019) online application for issue of STP for 17,300 metric ton (MT) of mineral ordinary earth for a work[48]. However, the contractor did not submit the hard copy of the application along with prescribed royalty and permit fee and therefore, the permission was not granted. The date of commencement of work was 10 September 2018 and the date of completion was 09 March 2021. In the application, the Contractor stated that 73,299.45 MT of ordinary soil and 9,337.24 MT of *murram* would be used for this work. After receipt of hard copy of the documents, the department granted STP on 29 October 2020.

[48] "Strengthening and widening of Bhadesar chauraha-Ghatiyawali-Gilunda-Shambhupura-Sawa-Nahargarh road (MDR-209) Km 0/0 to 22/0 and 25/200 to 28/00 and 29/150 to 36/0 and 36/250 to 39/00 (34.40 Km) District Chittorgadh Job No. 40/5054/SM and R/Gn/SC/ST/2018-19" allotted by work order no. 1356 dated 31.08.2018 in favor of a contractor of Public Works Department, Block Chittorgarh.

Audit scrutiny of the Measurement Book (MB) revealed that the contractor utilized ordinary soil and *murram* minerals without the requisite permission. It was observed that 40,847.80 cubic meter (57,186.92 MT) of ordinary soil and 3,547.35 cubic meter (4,966.29 MT) of *murram* were used for this work before the date of grant of STP *i.e.* 29 October 2020. The cost of the minerals used prior to issue of STP is detailed in **Table 2.8**.

Table 2.8: Cost of mineral used in the work prior to issue of STP

Name of mineral	Utilised quantity of mineral (in MT)	Royalty rate (in ₹)	Cost of mineral (₹ in lakh)
Ordinary soil	57,186.92[49]	4	22.87
Murram	4966.29[50]	25	12.42
Total	**62,153.21**		**35.29**

The above table shows that the Contractor had utilised 62,153.21 MT minerals prior to issue of STP. Due to unauthorized use of minerals in violation of the relevant provisions, the recoverable cost of the use of minerals amounted to ₹ 35.29 lakh.

The Government replied (April 2024) that PWD Division, Chittorgarh has been asked to inform the quantities of mineral used before issuance of STP. Further, progress is awaited (March 2025).

2.5 Unauthorised excavation of minerals

Rule 54(1) of RMMC Rules, 2017 stipulates that no person shall undertake any mining operation in any area without holding any mineral concession, permit or any other permission granted or permitted under these rules, as the case may be and shall not dispatch mineral from the mines without valid *rawanna* or transit pass.

During audit of offices of six SME/MEs/AMEs it was noticed that lessees had either excavated minerals in excess of the permitted quantity in the Consent to Operate (CTO) or without the required CTO. These are discussed in the succeeding paragraphs.

2.5.1 Excavation of mineral without obtaining Consent to Operate (CTO) or in excess of quantity permitted in CTO

Four Mining Engineers did not recover ₹ 20.45 crore for the unauthorised excavation of minerals i.e. either without the necessary CTO or by exceeding the permissible quantities specified in the CTO

Rule 34(1) of RMMC Rules, 2017 stipulates that no mining lease or quarry licence shall be granted without obtaining prior consents, approvals, permits, no-objections, as may be required under applicable laws for commencement of mining operations.

[49] Ordinary soil: 40847.80 (cubic meter) x (conversion factor)1.4.
[50] *Murram:* 3547.35 (cubic meter) x (conversion factor)1.4.

According to Rule 28(2)(iv)(b) of these rules, the lessee shall keep production of all the minerals within the limits of mine plan or permitted under applicable laws:

Provided that if lessee has excavated mineral to the extent of:

- applicable laws, only single time royalty shall be recovered;
- quantity more than ten *per cent* but up to twenty-five *per cent*, two times of royalty on entire quantity over and above specified in the mine plan or permitted under applicable laws shall be recovered and
- any quantity more than twenty-five *per cent*, entire quantity over and above specified in the mine plan or permitted under applicable laws shall be treated as unauthorized excavation and lessee shall be liable to pay cost of such excess mineral which shall be computed as ten times of the royalty payable at the prevalent rate, without affecting the powers of taking action by the other departments.

Further, according to Section 21 of Air (Prevention & Control of Pollution) Act, 1981, lessee must obtain a CTO from the State Pollution Control Board before excavation of minerals from the leases.

Audit analysed the dump data provided (9 November 2022) by the Department of Mines and Geology. Analysis of data disclosed that mining leases had excavated minerals either without CTO or more than the permitted quantity in CTO as discussed hereunder.

2.5.1.1 Excavation of mineral even after expiry of CTO

During audit (June 2022 to December 2022) of records of offices of two[51] MEs, it was noticed that two lessees had excavated 1.31 lakh MT of minerals soapstone and red ochre even after expiry of CTOs as detailed in **Table 2.9**:

Table 2.9: Details of excavated minerals after expiry of CTOs.

S. No.	Name of ME office and Audit period	Mining lease number and mineral	Period of approved CTO	Period of excavation and dispatch of minerals without CTO	Quantity of minerals excavated without CTO (in MT)	Recoverable amount under rule 28(2)(iv)(b) (₹ in crore)
1	2	4	5	6	7	8
1.	ME Udaipur (2021-22)	B3/1996 Soapstone	01.11.2014 to 10.04.2017	01.04.2019 to 31.03.2022	99,947.89	14.65
2.	ME Pratapgarh (2018-22)	6A/2001 Red ochre	01.06.2016 to 31.05.2019	01.06.2019 to 31.03.2020	31,400	1.00
	Total				**1,31,347.89**	**15.65**[52]

Source: Compiled by Audit from the records at ME offices.

[51] ME Pratapgarh and Udaipur.

[52] Recoverable amount under Rule 28(2)(iv)(b): 1. ME Udaipur: {(27339.32 MT*100 RR +729.07 MT*350+318.44 MT *75 RR +4154.5 MT *450 RR +26866.46 MT *100 RR +3400.11 MT *450 RR +31885.88 MT *100 RR +5254.11 MT *450 RR)*10 times} 2. ME Pratapgarh: (31400 MT *32 RR *10 times)

As shown in the above table, two lessees had excavated 1.31 lakh MT minerals after expiry of CTO. Thus, these lessees were liable to pay the cost of the unauthorized excavated minerals amounting to ₹ 15.65 crore. However, the MEs concerned did not initiate action to recover the cost of minerals.

The Government replied (March 2024) that according to the sub-section (7) of Section 25 of the Water (Prevention and Control of Pollution) Act, 1974 the consent, unless given or refused earlier, be deemed to have been given unconditionally on the expiry of a period of four months of the making of an application in this behalf complete in all respects to the State Board. Since the Lease holder had applied for CTO within the specified time and the approval was pending, therefore, there was no irregularity in these cases.

The reply is not tenable because Rajasthan State Pollution Control Board (RSPCB) had cancelled (February 2023 and August 2021) these applications due to incomplete information i.e. non-submission of Environmental clearance, action plant for plantation and authenticated production figures. Therefore, the Department incorrectly considered deemed consent under the Act and should not have permitted excavation of minerals.

2.5.1.2 Excavation of minerals in excess of quantity permitted in CTO

Scrutiny of records of offices of two[53] MEs, revealed that four lessees excavated 0.76 lakh MT minerals *i.e.* masonry stone, marble, and granite, in excess of the quantity permitted in CTOs as detailed in **Table 2.10.**

Table 2.10: Details of excavated minerals more than quantity permitted in CTOs.

S. No.	Name of ME/AME office and Audit period	Mining lease number and mineral	Quantity permitted in the CTO (in MT)	Period of excavation	Quantity of excavated Mineral (in MT)	Excess quantity of minerals excavated than the CTO (in MT)	Percentage of excess quantity of minerals excavated than the CTO	Recoverable amount under rule 28(2)(iv)(b) (₹ in crore)
1	2	3	4	5	6	7	8	9
1.	ME Rajsamand-II (2021-22)	1220/1991 Marble	40,169	Aug. 2017 to July 2018	47,170	7,001	17.42	0.37
2.	ME Rajsamand-II (2021-22)	43/2002 Masonry stone	53,946	Oct. 2016 to May 2019	1,06,559.54	52,613.54	97.53	1.44
3.	ME Rajsamand-II (2021-22)	216/1993 Marble	10,056	May 2019 to April 2020	13,863	3,807	37.85	1.01
4.	ME Sojat City (2021-22)	9/2014 Granite	41,082	Nov. 2017 to Oct. 2021	53,886	12,804	31.16	1.98
	Total		**1,45,253**		**2,21,478.54**	**76,225.54**		**4.80**

Source: Compiled by Audit from the records at ME offices.

The above table showed that these four lessees had excavated 0.76 lakh MT minerals in excess of the permitted quantity in CTO. However, the MEs did

[53] ME Rajsamand-II (24.11.22 – 9.12.22) and Sojat City (9.11.22 -23.11.22)

not initiate the recovery of cost amounting to ₹ 4.80 crore for the unauthorized excavated minerals.

The Government replied (March 2024) regarding ME Sojat, that a notice had been issued to the lessee and action would be taken as per rules if the lessee's reply was found unsatisfactory. Regarding ME Rajsamand, the Government replied that notice had been issued to the lessee, and the lessee had submitted his reply. A letter has been written to ME Rajsamand requesting information on the action taken after receiving the lessee's reply. Further progress is awaited in above two cases (March 2025).

Regarding paragraph 2.5.1.1 and 2.5.1.2, it is pertinent to mention that all these information were available on the Departmental web-portal DMGOMS[54], however, the MEs concerned did not notice the irregularity and did not recover ₹ 20.45 crore[55] for unauthorised excavation and dispatch of 2.07 lakh MT[56] minerals.

2.5.1.3 Unauthorised excavation and dispatch of minerals

Scrutiny of records of Mining Engineer, Jaipur for the period April 2020 to March 2022, revealed (August 2022) that a total of 807 minor mineral mining leases were operated during this period. Scrutiny of the information available in the departmental web-based portal *DMGOMS* and related documents of 50 selected mining leases, it was noticed that the mining lease number 138/2001 had obtained Consent to Operate (CTO) from the Rajasthan State Pollution Control Board upto December 2016, thereafter CTO was not obtained. After mapping and reviewing the coordinates of this mining lease on web-based application "Google Earth Pro", it was noticed that even after the expiry of CTO, the lessee continued excavating minerals (until the last satellite picture dated 15 May 2023) and dispatched the mineral without *e-rawanna*.

On this being pointed out (September 2022), the Department replied (November 2022) that Mines Foreman was directed (November 2022) to physically verify the mining lease. After physical inspection on 23 June 2023, the Mines Foreman reported that 2,377.25 MT mineral (masonary stone) was unauthorisedly dispatched by the lessee. Further, it was also informed that a letter had been issued to the lessee to submit CTO and action would be taken as per rules.

Thus, the cost of unauthorisedly excavated and dispatched mineral *i.e.*₹ 10.46 lakh[57] was recoverable from the lessee.

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[54] DMGOMS: A web-based application "Department of Mines and Geology Online Management System".

[55] ₹ 20.45 crore: ₹ 15.65 crore (Total of Table 2.9) + ₹ 4.80 crore (Total of Table 2.10).

[56] 2.07 lakh MT: ₹ 1.31 lakh MT (Total of Table 2.9) + 0.76 lakh MT (Total of Table 2.10).

[57] 2,377.25 MT x 44 (Royalty rate per MT) x 10 = ₹ 10,45,990

The matter was reported to the Government (December 2023). The Government replied (March 2024) that demand has been raised and the amount would be recovered soon. Further progress is awaited (March 2025).

2.5.2 Under assessment of illegally excavated mineral

Illegally excavated mineral was under assessed by the official concerned which resulted in under reporting of recoverable amount of ₹ 37.95 lakh

Rule 54(1) of Rajasthan Minor Mineral Concession (RMMC) Rules 2017 stipulates that no person shall undertake any prospecting or mining operations in any area without holding any mineral concession, permit or any other permission granted or permitted under these rules, as the case may be. Rule 54(3) gives power to the Mines and Geology Department to compound the offence committed in contravention of the sub-rule (1) on payment of cost of mineral *i.e.* ten times of royalty and compound fee.

During audit (October 2022) of records of Assistant Mining Engineer (AME), Roopwas for the period August 2013 to March 2022, it was noticed that 36 *panchnamas* were made for unauthorized mining. Out of these, a *panchnama* was made on 23 October 2021 for illegal excavation of mineral masonry stone near village Ghatoli. One JCB and a tractor compressor was also seized at the spot. According to the *panchnama,* the size of illegal mining pit was 50 meter x 50 meter x 1.5 meter. The conversion factor for calculating the weight of the mineral was 2.5 per cubic metre. The official calculated the quantity of illegally excavated mineral as 750 MT. Royalty rate for the mineral masonry mineral was ₹ 44 per MT. Thus, the official calculated the cost of the mineral at ₹ 3.30 lakh (750MT x ₹ 44 royalty rate x 10) and compounding fee of ₹ 2.00 lakh. Since the accused absconded from the site of illegal mining, the AME filed a First Information Report (FIR) at Roopwas Police Station regarding the illegal excavation of 750 MT of masonry stone wherein ₹ 5.30 lakh was mentioned as recoverable amount.

Scrutiny of the *panchnama* revealed that according to the pit size, the department calculated the illegal excavated mineral of 3,750 cubic meter (50m x 50m x1.5m) against the illegal excavation of masonry stone as 9,375 MT (3,750 M^3 x 2.5 conversion factor). Consequently, the cost of mineral was ₹41.25 lakh (9,375 MTx₹44 royalty rate x 10). However, it was noted that the Department mentioned ₹ 5.30 lakh as recoverable in the FIR. Thus, the Department undervalued the cost of mineral amounting to ₹ 37.95 lakh (₹41.25-₹3.30 lakh). As a result, the recoverable amount was reduced by ₹ 37.95 lakh in the FIR.

The matter was reported to the Government (October 2023). The Government replied (March 2024) that notice has been issued to the Mines Forman concerned for wrong calculation of recoverable amount. It was also replied that

since the matter is sub-judice, an application has been filed in the Hon'ble Court to rectify the calculation.

2.6 Non-recovery of dues

During audit of offices of six MEs/AMEs it was noticed the due diligence was not taken for levy and recovery of mining receipts amounting to ₹ 65.31 lakh. These are discussed in the following paragraphs.

2.6.1 Non-recovery of Processing fee

Processing fee of ₹ 45.25 lakh remained uncollected due to non comply with the regulations regarding the issuance of e-rawannas and e-transit passes

Sub-rule 73(5) was added in the RMMC Rules 2017, *vide* notification dated 3 January 2022. Accordingly, an online processing fee of ten rupees is required for the generation of each *e-rawanna*. Additionally, the notification replaced the existing Rule 92 stipulating that *e-Transit Pass* shall be issued to the registered dealer on deposition of processing fee of rupees ten for each *e-Transit Pass* through *e-payment* for transportation/dispatch of royalty paid mineral.

During the audit of the records of five office of ME/AME[58], as well as the data available on the departmental web-based application DMGOMS, it was observed that the mining lease holders and dealers under the jurisdiction of these offices did not comply with the aforementioned rules by not submitting the required processing fee. During the period between 3 January 2022 and 31March 2022, a total of 7,54,708 *e-rawannas/transit passes* were generated by the lease holders and dealers, resulting in an outstanding processing fee amounting to ₹75.47 lakh, as detailed in ***Appendix-6***. There was nothing on record to indicate that the concerned MEs/AME took any action to recover the processing fee.

The matter was reported (July 2023) to the Government. The Government acknowledged the audit observation and replied (February 2024) that ₹30.22 lakh has been recovered in respect of pointed out cases and action would be taken to recover the remaining amount.

[58] ME: Ajmer, Bhilwara, Jhunjhunu and Jodhpur. AME: Rpoopwas.

2.6.2 Non- recovery of premium amount

The Mining Engineer (ME) did not initiate action to recover the due instalments of premium which resulted in non-recovery of ₹ 20.06 lakh

Rule 13 of Rajasthan Minor Minerals Concession (RMMC) Rules, 2017 prescribed the bidding parameters for e-auction for mineral concession *i.e.* Mining Leases. Accordingly, the bidders shall quote, premium amount equal to or more than the reserve price as mentioned in Rule 14 as per the bidding parameter, for the purpose of payment to the State Government. The successful bidder shall pay the premium amount in four instalments in the following manner:-

- first instalment, forty *per cent* of the premium amount, within fifteen days of completion of e-auction;
- second instalment, twenty *per cent* of the premium amount, before execution of mining lease deed or issuance of quarry licence, as the case may be;
- third instalment, twenty *per cent* of the premium amount, at the beginning of second year of lease/licence period; and
- remaining twenty *per cent* of the premium amount, at the beginning of third year of lease/licence period.

Further, according to the provision of Rule 87, any unpaid amount which a person is required to pay or for which he is personally liable to pay to the Government shall if such amount remains unpaid, be recoverable as an arrear of land revenue. Rule 28(2)(xvii)(a), provides that in case of any breach on the part of the lessee of any covenant or condition contained in the lease, the competent authority may determine the lease with prior approval of next higher authority and take possession of the said premises.

During the audit of records of the office of ME Makrana for the period April 2020 to March 2022, it was noticed (August 2022) that 12 mining leases were granted through e-auctions (4 October 2018) and contract for mining leases were registered on 24 December 2020. Scrutiny of records of these mining leases revealed that lease holders of 11 mining leases had not paid third installment of premium (twenty *per cent* of bidding amount) amounting to ₹ 20.06 lakh (***Appendix-7***) on the due date (21 December 2021). However, the ME did not issue notices to the lease holders to deposit the due amount. Meanwhile, the fourth installment of these leases, amounting to ₹ 20.06 lakh, had also become payable on 21 December 2022. Thus, a total of ₹ 40.12 lakh was not recovered up to September 2023.

The matter was reported (October 2023) to the Government. The Government replied (March 2024) that the lessees had deposited the amount of third installment of amount of ₹ 20.06 lakh but nothing was replied regarding outstanding demand of the fourth installment.

2.7 Unauthorised dispatch of minerals by misuse of *rawannas*

Unauthorizedly excavated 5.92 lakh metric ton of minerals were dispatched by 10 lessees with the support of rawannas issued for Mining Leases granted to them, however, the Mining Engineers concerned did not detect the illegal mining and recover the cost of minerals amounting to ₹ 20.23 crore

Rule 54(1) of Rajasthan Minor Mineral Concession Rules 2017 stipulates that no person shall undertake any mining operation in any area without holding any mineral concession, permit or any other permission granted or permitted under these rules, as the case may be and shall not dispatch mineral from the mines, except from the quarry licenced area or bricks, without valid *rawanna* or transit pass. Rule 54(2) states that no person shall transport or store or cause any mineral to be transported or stored except in pursuance of the provisions of these rules. Further, under the provisions of Rule 54(3), the Mines and Geology Department was given the power to compound such cases, in which the cost[59] of the mineral would be recoverable.

During the audit (May 2022 to December 2022) of offices of five[60] ME)/AME, it was noticed that a total of 2,048 mining leases (minor mineral) were being operated under their jurisdiction. Out of these, 220 mining leases were selected for test check. Coordinates of selected leases were mapped and reviewed on "Google Earth Pro" application. Information regarding mineral dispatched from these leases was available on the departmental web-based application *DMGOMS*[61]. Scrutiny of the information available on *DMGOMS* and images of selected leases of *Google Earth Pro* revealed that despite no excavation activities being carried out in 10 leases[62], 5.92 lakh metric tons (MT) of minerals were shown as dispatched from these particular leases using 21,687 *rawannas*. The details are given in the **Table 2.11.**

[59] Cost of the mineral: 10 times of the royalty of the mineral.
[60] ME: Ajmer, Karauli, Sirohi, Jaipur and AME Nimbahera.
[61] DMGOMS: A web-based application "Department of Mines and Geology Online Management System".
[62] ME Ajmer: five leases; ME Karauli: one lease; ME Sirohi: one lease; ME Jaipur: two leases and AME Nimbahera: one lease.

Table 2.11: Details of minerals dispatched by misuse of *rawannas*

S. No.	Name of Office	Audit period	Total Number of leases and (selected leases)	Selected Leases	No. of leases where misuse of *rawannas* noticed	Quantity of mineral dispatched (in MT)	No. of *rawannas* misused	Cost of minerals (₹ in crore)
1	ME Ajmer	2021-22	492	50	5	82,160.73	4,720	3.39
2	AME Nimbahera	2020-22	71	20	1	83,095.46	2,118	5.47
3	ME Karauli	2021-22	257	50	1	37,728.03	5,262	1.09
4	ME Sirohi	2021-22	421	50	1	10,877.15	471	0.31
5	ME Jaipur	2020-22	807	50	2	3,77,691.02[63]	9,116	9.97
	Total		**2,048**	**220**	**10**	**5,91,552.39**	**21,687**	**20.23**

Thus, as shown in the **Table 2.11** above a total of 5.92 lakh MT of minerals costing ₹ 20.23 crore (***Appendix-8***) was illegally dispatched by these 10 lessees through the misuse of 21,687 *rawannas*. The ME/AME concerned, however, did not detect the illegal mining and recover the cost of minerals amounting to ₹ 20.23 crore.

An illustrative satellite image of one of the above mentioned mining leases is given here under:



Imagery Date : 29 May 2003 Imagery Date : 15 November 2014 Imagery Date : 07 October 2021

Figure 1

The analysis of Satellite images revealed that there was no mining activity at ML number 134/1997 (ME Jaipur) during the period 29 May 2003 to 07 October 2021. However, the lessee dispatched 3.72 lakh MT mineral with the support of *rawannas* issued for this lease during June 2004 to 07 October 2021.

The fact indicates that *rawannas* were misused to transport minerals excavated from other than the allotted areas.

On this being pointed out, the Government replied (September 2023 and December 2023) that the ME office Karauli had raised a demand of ₹1.09 crore (in July 2023) against the respective lessee. The matter is currently being examined by ME Sirohi under his jurisdiction. Notices have been issued to seven lessees (ME Ajmer and Jaipur) and instructions were issued to the

[63] Out of 3,77,691.02 MT of minerals, 2,84,912.28 MT of mineral was dispatched by misusing offline *rawannas*. Information regarding number of offline *rawannas* was not available, hence the number of *rawannas* utilized could not be ascertained.

Foreman to examine the reply of these lessees. AME Nimbahera has also issued a notice to a lessee. Further, progress is awaited (March 2025).

2.8 Non-recovery of contract amount due to non-adjustment of performance security against outstanding amount

Assistant Mining Engineer, Nimbahera had not adjusted the performance security against the outstanding contract amount which resulted in non-recovery of ₹ 45.82 lakh from a contractor

Rule 44(26) of Rajasthan Minor Mineral Concession (RMMC) Rules, 2017 stipulates that in case of default in the due observance of the terms and conditions of the contract, the ME or AME concerned may terminate the contract after providing an opportunity of being heard by issuing a notice of fifteen days. Further, according to Rule 41 of these rules, the contractor will have to deposit performance security equal to 15 *per cent* of the annual contract amount and which will be adjusted against the departmental dues of the contractor on expiry or cancellation of the contract.

During the audit of records of the AME, Nimbahera for the period April 2019 to March 2022, it was noticed (December 2022) that under the jurisdiction of the office, three contracts for collection of royalty/excess royalty[64] were executed. Scrutiny of files of these contracts revealed that a contract for collection of excess royalty on minerals[65] dispatched from the mining leases in the jurisdiction of the office in favor of a contractor was executed (March 2019) for the period 06 April 2019 to 31 March 2021. The annual contract amount was ₹ 3.06 crore. The annual contract amount was revised (August 2019) to ₹ 3.49 crore due to increase in royalty rates by the State Government with effect from 22 August 2019. According to the Rules, a performance security of ₹ 45.82 lakh was submitted by the contractor in the form of bank guarantee as per the details given in the **Table 2.12.**

Table 2.12: Details of the bank guarantee submitted as performance security

S. No.	Date of bank guarantee	Guarantee amount (₹ in lakh)	Guarantee vaild upto
1	11.10.2018	34.96	10.10.2021
2	05.04.2019	10.86	04.04.2022

It was noticed that the contract was terminated (24 April 2020) due to non-compliance of 15 day notice issued to the Contractor for depositing the outstanding amount. As on the cancellation date, ₹ 45.56 lakh were outstanding against the Contractor. The Contractor filed a civil writ petition in the Hon'ble High Court, Jodhpur taking the plea of disruption caused by Covid-19 and

[64] "Excess Royalty Collection Contract" means a contract to collect royalty in excess of annual dead rent and any other charges as may be specified in the contract, on behalf of the Government for specified mineral dispatched by the mining lessee, from the area specified in the contract.

[65] Red Ocher, Yellow Ocher, China Clay, Quartz and Silica Sand.

complete lock-down after 22 March 2020. The Hon'ble Court, ordered (05 May 2020) that the Department shall not terminate the contract on account of non-payment of the amount pertaining to the lock-down period. It was also ordered that the Contractor was required to clear all his dues (upto 22 March 2020) within a period of seven days of the order. Thereafter, the Contractor was not interested to carry on the contract and again appealed to the Hon'ble Court. The Hon'ble Court, therefore, issued order (03 June 2020) to deposit the due amount[66] by 08 June 2020. It was also ordered that the Mining Department shall not invoke performance security without the leave of the Court. However, it was obligatory for the Contractor to renew the bank guarantee/performance security, at least seven days prior to the date of expiry of the previous performance security. In case the Contractor did not renew the same, the Mining Department would be free to encash the performance security without any further order.

It was noticed that the Contractor neither deposited the due amount nor furnished new performance security within the prescribed time. However, the AME, Nimbahera did not encash the performance security. Previous performance security had expired on 10 October 2021 and 04 April 2022.

Thus, due to non-encashment of the performance guarantee even after the instructions of the Hon'ble High Court, an amount equivalent to the bank guarantee of ₹ 45.82 lakh could not be recovered. The matter was reported to the Government (December 2023). The Government replied (February 2024) that a Committee was constituted (3 February 2022) for detailed checking of the matter. The Committee reported to the Directorate that the contract was irregularly cancelled by the office. Hence the performance security was not adjusted against the outstanding demand of the Contractor.

The reply is not tenable as ₹ 45.56 lakh were due against the Contractor prior to cancellation of the contract. Therefore, the Contractor was liable to pay the amount which was not deposited yet (June 2024). Further, the Government did not reply regarding responsibility, if any, fixed for irregular cancellation of the contract (March 2025).

2.9 Non-levy of late fee for delayed filling of monthly returns

Fourteen Assistant Mining Engineers (AMEs)/Mining Engineers (MEs) did not initiate for levy and recovery of late fee amounting to ₹ 9.35 crore on delayed filling of monthly returns by 48 mining lease holders. These officials also did not take action against the other 58 mining lease holders for non-submission of returns

According to the provision of Rule 28(2)(iv)(d) of the Rajasthan Minor Mineral Concession (RMMC) Rules, 2017, the lessee shall submit the monthly online

[66] up to the period 22 March 2020.

return by the 15th of the following month. It also provides that if the lessee fails to submit online monthly returns within the specified time, same may be submitted on payment of late fee at the rate of ₹ five hundred per day of delay, subject to maximum of ₹ fifty thousand.

During audit of records of offices of 14 AMEs/ MEs[67] for the period April 2018 to March 2022, it was noticed (December 2023) that:

- Forty-eight Leaseholders submitted 1,871 monthly returns after 31 March 2023 (date of close of amnesty scheme) with delay ranging between 351 and 2,147 days for which late fee amounting to ₹ 9.35 crore was to be levied by the MEs/AMEs concerned.
- Fifty-eight leaseholders did not submit 2,678 monthly returns for the months ranging between 17 to 48 months.

Audit noticed (December 2023) that neither any notices were issued to the lease holders regarding levy of late fee amounting to ₹ 9.35 crore for delayed submission of returns after 31st March 2023 nor any action was taken against the lease holders who had not submitted the returns.

Thus, late fee amounting to ₹ 9.35 crore could not be realised and no action could be taken in respect of cases of non-submission of returns.

The matter was reported to the Government (December 2023), the Government replied (February 2024) that notices have been issued to the lessees and action would be taken as per rules. The matter was again reported (June 2024) to the Government; reply is awaited (March 2025).

2.10 Undue benefit to lease holder by back-dated entry in the online-demand register

Assistant Mining Engineer did not raise the demand of illegal mining in the online demand register within the prescribed period. This lapse allowed the lease holder to generate e-rawannas worth ₹ 6.33 lakh and resulted in non-recovery of ₹20.73 lakh for illegally excavated minerals

Change management controls are used to ensure that amendments to a database are properly authorised, tested, accepted and documented. These controls should ensure that all system and program amendments are satisfactorily justified, authorized, documented and tested and that an adequate audit trail of the changes is maintained. All change procedures should be documented. Poor change controls could result in accidental or malicious changes to the software and data.

Department of Mines and Geology uses online departmental portal DMGOMS for various functions of the Department. One of the module of this portal is

[67] Ajmer, Jalore, Karauli, Bhilwara, Jodhpur, Jhunjhunu, Makrana, Jaipur, Kota, Roopwas, Sawai Madhopur, Sojat City, Udaipur and Rajsamand.

demand register. Whenever any amount is due from leaseholders, a demand is raised in the system and if the amount is deposited, then it is also depicted in the system. Further, as per Directorate of Mines & Geology order (18 October 2017) *e-rawannas* can only be generated by the mining lease holder if no departmental dues are payable.

During audit of the records of the Assistant Mining Engineer (AME) Sawai Madhopur for the period April 2017 to March 2022, it was noticed (November 2022) that a demand order for ₹ 20.73 lakh was issued on 2 February 2022 to a mining lease holder ML No. 78A/2010 for illegal mining of 2,820 cubic meter (7,332 MT) masonry stone outside the lease area. However, the demand was not raised in the online demand register in DMGOMS until January 2024. The Department informed (27 February 2024) that a demand had been raised in DMGOMS against the leaseholder by using the online debit/credit note module in the DMGOMS application. The demand entry was created on 1 February 2024 by the AME and the debit entry date was 2 February 2022.

This entry was retrospectively inserted into the system. Consequently, the backdated entry did not carry forward the demand in the subsequent year's demand register, and it did not accurately reflect the outstanding amount against the lease holder in succeeding years. Therefore, demand of ₹ 20.85 lakh[68] as of 31 March 2022 was not shown as opening balance as on 01 April 2022. This inaccuracy was continued in the online demand register for the succeeding years 2022-23 and 2023-24. Moreover, *e-rawannas* for royalty amount of ₹6.33 lakh were irregularly generated during the period 2 February 2022 to 31 March 2024, even though this amount was payable to the Department.

Thereafter, the Government agreed (May 2024) regarding system deficiencies in the DMGOMS and stated that the Module is being updated and is currently undergoing testing on the departmental server. Regarding the undue benefit to the leaseholder, as pointed in the para it was stated that detailed reply from AME (Sawai Madhopur) was awaited. The fact remains that the leaseholder was given undue benefit of ₹20.85 lakh which not recovered.

Further progress is awaited (March 2025).

2.11 Non-realisation of registration fee and stamp duty in respect of transfer of lease

Financial loss caused to exchequer of ₹ 7.62 crore on accounts of registration fee and stamp duty in violation of provisions of Rajasthan Minor Mineral Concession Rules, 2017 as well Rajasthan Stamp Rules, 2004

The Rajasthan Minor Mineral Concession Rules, 2017 (RMMCR, 2017) under Rule 27 (4) provides that where order for transfer of a mining lease has been issued, a transfer lease deed in Form-12 shall be executed within three months

[68] Included ₹ 0.12 lakh other pending demand.

from the date of the order or within such period as the competent authority may allow. Rule 27 (5) provides that the transfer of lease shall be effective from the day of registration of transfer lease deed.

Rule 27 (6) provides that the transfer lease deed in case of mining lease shall be registered within two months from the execution of transfer deed and shall be returned to the Mining Engineer or Assistant Mining Engineer concerned. Provided that if transfer deed has not been executed or got registered within the stipulated time, the order for transfer shall be revoked by the competent authority with forfeiture of transfer application fee and premium.

Rule 27(7)(iii) provides that the transfer of shares in a company, resulting in the change of control of management or ownership right of the said company shall also be treated as transfer. Rule 27 (8) provides that the lessee or licencee shall inform regarding any change as mentioned in sub rule (7) to the Mining Engineer or Assistant Mining Engineer concerned within sixty days along with the application fee and premium amount as per sub-rule (9). In such case, the transfer shall be effective from the date of such change of partner or director, as the case may be, under relevant law.

In addition to above, the Finance Department (Tax Division), Government of Rajasthan revised (21 November 2019) the rates of land for mining purposes under the Rajasthan Stamp Rules, 2004 (RSR 2004) *inter alia* including that in case of transfer of mining lease the rate of land shall be equal to four times of the rates of agriculture land of that area or four times of the amount of annual dead rent along with cost of the development works done on the site and other miscellaneous charges or the amount of royalty of preceding four years along with cost of the development works done on the site and other miscellaneous charges, whichever is higher.

Audit noticed (February 2023) that National Limestone Company Private Limited (NLCPL), Lakheri Cement Works, Bundi held a Mining Lease (ML) no. 259/1994 of 96.25 hectare in Kotputli for excavation of limestone and marble. It was taken over by ACC Limited on 20 April 2009. Since then, the NLCPL has been 100 *per cent* subsidiary of ACC Limited. However, on 30 November 2020, the 100 *per cent* shareholding was again transferred from ACC Limited to N.G Gadhiya Buildcon Private Limited. NLCPL made (24 December 2020) an application under Rule 27 (8) for intimation of transfer of Mining Lease by way of share transfer under Rule 27(7) (iii) and deposited transfer application fee ₹ 25,000 and transfer premium of ₹10 lakh to Superintending Mining Engineer (SME), Jaipur for issuing an appropriate transfer order. The SME, Jaipur permitted (8 April 2021) to continue the mining lease on terms & conditions of the original contract. In compliance of it, a supplementary contract on stamp paper was executed (21 May 2021) between an authorised representative of NLCPL and Mining Engineer, Jaipur, whereas a transfer lease deed in Form -12 should have been executed. The

Assistant Mining Engineer, Kotputli requested (25 May 2021) the NLCPL for registration of the supplementary contract within two months and thereafter submission of original registered supplementary contract to them. The NLCPL opposed it and represented it (19 July 2021) before the SME, Jaipur. The SME. Jaipur submitted (23 July 2021) the matter before the Directorate for necessary directions. Afterwards, SME, Jaipur communicated (26 August 2021) that according to the directions of the Government, intimation of transfer under the relevant law was enough in such cases and no separate transfer order required. Furthermore, there was nothing on record indicating the transfer of the lease to ACC when ACC Limited took over NLCPL on 20 April 2009.

The Government misinterpreted the relevant provisions of Rule 27 of RMMC Rules, 2017 and extended unwarranted benefits to the leaseholder. This has resulted in a revenue loss of ₹ 7.62 crore[69] to the exchequer on accounts of registration fee and stamp duty.

The matter was reported (September 2023) to the Government. The Government replied (March 2024) that the AME Kotputli had issued (12 December 2023) a notice to the lease holder to deposit the due stamp duty as per the Rule 27(7) of RMMC Rules, 2017 in compliance of the instructions (16 August 2023) of the Directorate of Mines and Geology. Further, progress is awaited (March 2025).

[69] Cost of land = ₹ 86,58,19,185 (Rate ₹ 22,48,881 per hectare x four times x ₹ 96.25 hectare) (Stamp Duty at the rate of 6 *per cent*, Surcharge thereupon 30 *per cent* and Registration Fee at the rate of one *per cent*).