

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

**NEW DELHI
16th DECEMBER, 2024**

CAG's COMPLIANCE AUDIT REPORT ON CPSES PRESENTED IN PARLIAMENT

The Report no. 12 of 2024 of Comptroller and Auditor General of India (C&AG) on Compliance Audit Observations was laid in Parliament here today. The report includes important audit findings noticed as a result of test check of accounts and records of Central Government owned companies and corporations conducted by the officers of the C&AG under Section 143(6) of the Companies Act 2013 or the statutes governing various corporations.

2. The Report contains 30 individual observations relating to 16 Central Public Sector Enterprises (CPSEs) under eight Ministries/Departments. Total financial implication of individual audit observations is ₹3,437.30 crore.

3. **Highlights of some significant paragraphs included in the Report are given below:**

Undue favour to contractor due to non-recovery for coal shortage during transportation resulted in avoidable loss of ₹17.39 crore

Despite specific provisions in Contract Agreement for recovery from the contractor, for coal shortage that occur during transportation of coal from mine to railway siding, Eastern Coalfields Limited (ECL) failed to enforce the terms of the contract. ECL, thereby extended undue favour to the contractor and suffered an avoidable loss of ₹17.39 crore.

(Para 1.2)

Imprudent decision to invest in a block and infructuous expenditure of ₹557.59 crore due to subsequent relinquishment of the block

Oil and Natural Gas Corporation Limited (ONGC) acquired the block with 70 *per cent* Participating Interest despite the fact that the Technical Committee had assessed (June 2013) the probability of success in the block as only 11.20 *per cent*. ONGC surrendered the block to Directorate General of Hydrocarbons in November 2021 citing low gas volumes after incurring an expenditure of ₹557.59 crore, besides failing to recover the proportionate share of ₹132.90 crore from partner contractor.

(Para 2.3)

Imprudent decision of accepting the Turbine Generator materials amounting to ₹133.14 crore without service contract led to idling of materials and delay in its commissioning

Non-synchronisation of the supply of the material for revamping of three old Gas Turbine Generators at Water Injection platform with service contract by ONGC resulted in delay in commissioning of one Gas Turbine Generator costing ₹35.02 crore by two years and idling of two Gas Turbine Generators costing ₹98.12 crore, which are yet to be commissioned despite lapse of seven years.

(Para 2.4)

Persistent delays in clearance of imported consignments led to absorption of demurrage charges amounting to ₹58.74 crore

There was delay in clearance of imported consignments on part of ONGC due to delay in receipt of Essentiality Certificate and other operational reasons like late filling of Bill of Entry, wrong delivery order issued by shipping line, delay in obtaining delivery order from supplier and lack of co-ordination between the departments. This led to absorption of demurrage charges to the extent of ₹58.74 crore by ONGC out of total demurrage payment of ₹110.61 crore during the period 2016-17 to 2021-22.

(Para 2.5)

Avoidable expenditure of ₹112.63 crore towards payment of additional deviation charges and penalties for non-maintenance of Grid discipline

During the period from April 2019 to September 2022, Damodar Valley Corporation (Corporation) failed to restrict drawal of power from grid for 1,193 days (93.64 *per cent*) when average frequency was below 49.85 Hertz and this resulted in payment of ₹61.28 crore towards additional deviation charges. Further, the Corporation failed to make sign change after six blocks for 874 days during the above period in contravention of Deviation Settlement Mechanism Regulations and paid ₹51.35 crore towards penalty for such violation of sign change. This indicated lack of proper planning in declaring its schedule on day ahead basis and also lapses in monitoring mechanism to restrict over drawal to the extent possible which led to avoidable expenditure of ₹112.63 crore towards additional deviation and sign change penalty.

(Para 3.1)

Non-adherence to the Credit Policy while sanctioning and monitoring of loan led to non-recovery of dues amounting to ₹393.37 crore

India Infrastructure Finance Company Limited (IIFCL) disbursed loan of ₹248 crore to a borrower without analysis of all aspects of financial statements and critical areas of risk. Further, IIFCL did not comply with the provisions of Credit Policy and sanction letter related to risk mitigation measures, proper analysis of financial statements, appointment of Lenders' Independent Engineer, maintenance of Debt Service Reserve Account, assignment of Telecom License and Joint Documentation with lead lender. Thus, non-compliance as stated above, coupled with poor monitoring led to non-recovery of dues and net loss of ₹393.37 crore.

(Para 4.1)

Settlement of claims in excess of the eligible principal amount leading to excess financial outgo of ₹42.89 crore for ‘Amount in Default’

National Credit Guarantee Trustee Company Limited set up a scheme titled “Credit Guarantee Fund for Micro Units (CGFMU)” with the purpose of guaranteeing payment up to the specified limit against default in Micro Loans ranging from ₹50,000 to ₹10 lakh to eligible borrowers by Banks/NBFCs/Micro Finance Institutions/Other Financial Intermediaries. The Ministry of Finance, Department of Financial Services, vide Notifications (18 April 2016 and 16 April 2020), laid down provisions for operation of CGFMU Scheme. Scrutiny of the default/claims filed amounting to ₹3,830.18 crore, by 27 Member Lending Institutions (MLI) with 65 portfolios, settled during the period 2019-20 to 2021-22, revealed that the MLIs included interest of at least ₹85.77 crore and the Company settled the claims up to the extent of ₹42.89 crore as interest component being maximum of 50 *per cent* of the Amount in Default. This was in contravention of the notifications of Ministry of Finance (read with RBI master circular) for not including interest and considering only the principal component of micro loans, thus the Company suffered an extra liability of at least ₹42.89 crore towards settlement of interest component.

(Para 4.3)

Loss of ₹194.08 crore due to quoting of inadequate bidding rates without determining the pricing components

The Oriental Insurance Company Limited did not determine the bidding rates for Pradhan Mantri Fasal Bima Yojna in 2019-20 as per terms and conditions of the Agriculture Quota Share Reinsurance treaty with General Insurance Corporation of India, the Re-insurer. This led to imposition of loss corridor clause of the treaty by GIC and consequent loss of ₹194.08 crore.

(Para 4.4)

Injudicious decision to procure coking coal

NMDC Limited procured 1,61,963 tonnes of coking coal worth ₹372.58 crore between November 2018 and May 2019 without ensuring the completion of Coke Oven Plant and the associated upstream and downstream plants of Nagarnar Integrated Steel Plant which resulted in quality degradation of coking coal as well as blocking up of funds of ₹372.58 crore for more than three years.

(Para 6.1)

Short recovery of ₹15.54 crore related to repairing cost and other incidental expenses

Due to poor construction quality by the contractor and reluctance of the contractor to rectify the defects within Defect Liability Period, Delhi Metro Rail Corporation (DMRC) carried out the repair work (including consultancy work) through other contractor at ₹11.85 crore. In addition to repairing cost, DMRC also incurred incidental expenses of ₹7.81 crore on account of shifting allottees to alternative accommodation and payment of lease charge, brokerage etc. However, DMRC could recover only ₹4.12 crore against ₹19.66 crore incurred due to poor quality of work

from the contractor through conciliation process as against arbitration process provided in the contract.

(Para 7.1)

Extension of undue benefit of ₹203.07 crore to Concessionaires

National Highways Authority of India issued Letter of Award to the Consortium of selected bidders in March 2018 for four different National Highways widening projects in Maharashtra on Hybrid Annuity Mode. The Concessionaires, however, did not make any material progress as reported by the Independent Engineers appointed by NHAI. NHAI imposed damages on Concessionaires based on its circular dated 29 January 2014, which limited damages to one *per cent* of the project cost. The damages actually imposed by NHAI were significantly lesser than the damages recoverable as per the contractual provisions of the Concession Agreements. Thus, failure of NHAI to recover damages from Concessionaires as per the contractual provisions of the Concession Agreements resulted in extension of undue benefit of ₹203.07 crore to the Concessionaires.

(Para 8.2)

Shortfall in execution and monitoring of project resulted in lower user fee collection of ₹179.26 crore and payment of force majeure claim for ₹11.01 crore

The contractor delayed the work of upgradation of Raebareli-Banda [including two bypasses and Railway Over Bridges (ROBs) at Lalganj and Fatehpur] section; timely completion could have ensured toll revenue amounting to ₹43.64 crore. Further, within five months of commercial operation, both ROBs got prematurely distressed, leading to stoppage of traffic and delinking of bypasses from the tollable length. This resulted in lower user fee collection of ₹179.26 crore upto March 2024 and payment of force majeure claim to the toll collecting agency for ₹11.01 crore by NHAI as well as inconvenience to users.

(Para 8.3)

Non recovery of Double Toll collections from Concessionaires amounting to ₹21.12 crore

Ministry of Road Transport and Highways (MoRTH) made it compulsory for all National Highway users to pay toll through digital mode called FASTAG, with effect from 16 February 2021. MoRTH also required that National Highway users not having valid/functional FASTAG system, would have to pay toll at double the normal rate. MoRTH directed NHAI to remit 50 *per cent* of the toll collected to the Central Government (Consolidated Fund of India). Due to failure of NHAI to recover Double Toll dues from Concessionaires before expiry of concession periods there was loss of ₹21.12 crore to the Consolidated Fund of India. Further, ₹63.03 crore of Double Toll dues were pending for recovery from other Concessionaires/Toll Collection Contractors.

(Para 8.4)

Extra expenditure of ₹41.52 crore

Faults in design of the bridge, use of poor quality of concrete and plying of overloaded vehicles over the bridge led to damage to the bridge and extra expenditure of ₹41.52 crore. Adequate supervision and prompt action by NHAI could have avoided construction of bridge based on faulty design and use of poor quality of concrete during the construction of the bridge. The Defect Liability Period in respect of four laning contract expired in December 2013 and the Construction Contractor and Concessionaire had disputed the claim of NHAI to recover the damages.

(Para 8.6)

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