PRESS RELEASE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

New Delhi

12th August, 2026

Commercial Compliance Audit Report on CPSEs Presented

The Report no. 22 of 2026 of Comptroller and Auditor General of India (C&AG) on Compliance Audit Observations (Commercial) was presented in the Parliament here today.

2. The Report contains 10 individual audit observations and five Compliance Audit paragraphs relating to 15 Central Public Sector Enterprises (CPSEs) under eight Ministries/Departments. Total financial implication of individual audit observations and compliance audit paragraphs is ₹20,539.40 crore.

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

The audit of South Eastern Coalfields Limited for the period 2018–19 to 2023–24 highlighted shortcomings in planning, target setting, contract management, and operational monitoring. Company production targets were not aligned with mining capacity. The company incurred losses due to contract management issues and also suffered loss due to non-supply of desired size of coal. It also incurred avoidable expenditure due to delays in finalising fly ash dumping charges.

(Para 1.3)

Lack of comprehensive analysis and identification of required infrastructure for production of 100 *per cent* BS-VI compliant Motor Spirit, by 1 April 2020, at Paradip Refinery (Refinery) resulted in infructuous expenditure of ₹32.02 crore. Pending stabilisation of operations of Refinery, the infrastructural requirement were contemplated based on operational data of other refineries of Indian Oil Corporation Limited rather than that of Refinery itself without considering the fact that management analysis could fundamentally change once the operations of Refinery were stabilised. Also the design basis of existing infrastructure at the Refinery was overlooked by management before proposing the requirements of new infrastructure.

(Para 2.1)

OIL, along with partners, acquired stake in Nigeria's OPL 205 in 2006, but the investment yielded negligible output, with no production until 2017 and only 0.57 million barrels produced by 2021. The acquisition/investment was based on inadequate due diligence, relying on unaudited, incomplete, and outdated data, despite the constraints highlighted by financial, legal, and technical advisors. Incorrect reserve estimates were also presented to the Board. Lack of due diligence led to an unfruitful investment of ₹353.43 crore.

(Para 2.2)

ASREC (India) Limited was audited for core operational activities i.e., acquisition and resolution of NPA loan accounts during 2020–21 to 2022–23. The audit found significant deficiencies in its valuation and resolution processes. ASREC relied on valuations provided by selling banks without independent verification, applied arbitrary valuation parameters without documented justification and in some SR-based acquisitions, paid more than the realizable value of the underlying securities, exposing it to risk of overvaluation. It also delayed the preparation and approval of Resolution Plans for high-value accounts, adopted a uniform five-year resolution period without considering account-specific factors, and rejected One Time Settlement (OTS) proposals without referring them to the competent authority, indicating weak internal controls, inadequate oversight, and lack of transparency in decision-making.

(Para 4.1)

The audit of reinsurance operations of four general insurance companies (2018–24) revealed significant regulatory non-compliance, weak internal controls, and deficiencies in risk management. Violations of IRDAI reinsurance regulations, including improper retention practices, fronting arrangements, and dealings with ineligible reinsurers, resulted in excess risk exposure and a loss of ₹254.98 crore. The audit also found IT system weaknesses, incorrect premium cessions, treaty compliance issues involving ₹5.31 crore, and poor management of reinsurance receivables due to delayed submissions, inadequate monitoring, and unreconciled balances.

(Para 4.2)

The Tea Division of Andrew Yule and Company Limited, contributing over 50 percent of company revenue, faced declining productivity and financial performance during 2022-23 to 2024-25 due to inadequate strategic planning and operational issues. Lack of replantation and irrigation improvements contributed to decline in tea yields of the company, which along with lower procurement from external growers led to underutilization of its factory capacity.

(Para 5.1)

The audit of SAIL's rolling mills covering 2018-19 to 2023-24 found that operational, mechanical, and input supply constraints significantly affected the production of finished steel products. Production achievement against Annual Business Plans varied widely, ranging from 58.10% to 111.99%. In particular, underproduction of rails at the Universal Rail Mill resulted in a potential contribution loss of ₹1,461.30 crore between 2019-20 and 2023-24 and hindered SAIL's ability to meet Indian Railways' demand. Delays in modernization projects also limited operational efficiency. Additionally, SAIL incurred losses of ₹137.23 crore due to premature roll failures, exceeded prescribed power and heat consumption norms, and exhibited deficiencies in fire safety systems.

(Para 6.1)

The audit of SAIL’s SMS-III project at Bhilai Steel Plant found significant delays and implementation deficiencies. Approved in 2007 and scheduled for completion in 2011, the project started operations only in March 2018, resulting in potential production loss of four million tonnes per annum of crude steel. Delays in contract finalization, site handover, civil works, and allied facilities led to avoidable additional costs, including supervision charges, insurance reimbursement, damaged item replacement, and material theft. The audit also highlighted safety lapses, including delayed installation of fire protection systems and non-compliance with safety norms, reflecting shortcomings in project planning and execution.

(Para 6.2)

The audit of SAIL's Two-Tier Distributor Scheme (2019-20 to 2023-24) found that the scheme was not fully implemented even after seven years of introduction. Retail sales consistently fell short of Annual Business Plan targets, achieving only 55% to 95% despite sufficient stock availability, with sales remaining below the one million tonne target. Limited cluster coverage, with only 48 of 71 clusters served, and concentration of sales among a small number of dealers restricted market expansion. Weak contract management, monitoring, and oversight of distributors and dealers hindered SAIL's retail growth, market share, and sales realization.

(Para 6.3)

Despite SAIL Board's directive (November 2020) to secure land clearances in advance, Durgapur Steel Plant submitted an incomplete proposal (September 2021), leading to its rejection and delays, followed by a 10-month lag due to expired land valuation. Although price bids were available since 2021, the contract was awarded only in August 2023, necessitating continuation of the costly arrangement until October 2028. This resulted in a two-year delay in commissioning of the 1250 TPD Oxygen Plant and forced extension of the existing high-cost Build-Own-Operate agreement by five years, causing an avoidable financial burden of ₹172.33 crore.

(Para 6.4)

The audit of ITDC's estate management revealed poor property documentation, weak asset planning, and inefficient utilization of assets, resulting in legal issues, liabilities, and revenue losses. ITDC faced ₹94.07 crore in dues related to ground rent and lease breaches, while several properties remained unused for years due to delayed decisions, lack of feasibility studies, and inadequate planning. Idle assets, including Hotel Kalinga Ashok, Gwalior land, Kosi Kalan property, Anandpur Sahib project, and Hotel Nilachal Ashok, led to potential revenue loss and deterioration of valuable properties.

(Para 7.1)

The National Highways Fee (Determination of Rates and Collection) Rules, 2008, stipulated that collection of user fee should commence within 45 days from the date of completion of section of the Highway in case of a public funded project. However, due to procedural delays and bad road condition of National Highway stretches contributed to the non-collection of user fee at Perali toll plaza and delay in collection of user fee at Keezhkuppam toll plaza and U. Ponnalagaram toll plaza in Tamil Nadu. Consequently, NHAI could not earn toll revenue of ₹68.72 crore.

(Para 8.1)