PRESS RELEASE

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CAG's Audit Report on Union Government (Economic & Service Ministries-Civil) presented

The Report No. 10 of 2020 of CAG of India on Union Government (Economic & Service Ministries-Civil) - Compliance Audit Observations, which includes important audit findings, presented in Parliament here today. The Report contains 14 individual observations relating to Departments & CABs of seven Ministries. Total financial implication of audit observations is ₹8,084 crore which includes recovery at the instance of audit amounting to ₹1.43 crore.

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

Ministry of Micro, Small & Medium Enterprises

The Ministry of Micro, Small & Medium Enterprises (MSME) and Small Industries Development Bank of India (SIDBI) established (July 2000) a Trust named 'Credit Guarantee Fund Trust for Micro and Small Enterprises' (CGTMSE/ Trust) to provide guarantee in respect of the credit facilities extended by the lending institutions without any collateral security and/ or third party guarantees to the new or existing Micro and Small Enterprises. CGTMSE implemented two schemes viz. (a) Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGS-I, for banks and financial institutions); and (b) Credit Guarantee Fund Scheme for Non-Banking Financial Companies (CGS-II). The scope of audit included performance of the guarantee schemes (primarily CGS-I) during the period from 2015-16 to 2018-19 (30 September 2018). As on 31 March 2019, the Trust had issued 29.79 lakh number of guarantee covers amounting to ₹1,51,484 crore. The corpus fund of the Trust was ₹6,914.91 crore as on 31 March 2019, of which the GoI had contributed ₹6,414.91 crore (92.77 *per cent*) and SIDBI had contributed ₹500 crore (7.23 *per cent*). The major observations noticed in audit were as under:

- CGTMSE/ Government had not fixed any norms with regard to minimum liquidity requirement for the Trust vis-a-vis guarantees approved/ issued, capital adequacy, solvency requirements, exposure cap for various types of member lending institutions, and accounting standards to be followed, etc.
- The Trust did not implement the directions (January 2017) of the Ministry and continued to provide guarantees against loans upto `10 lakh which were eligible for guarantee cover under the Credit Guarantee Fund for Micro Units (CGFMU) of National Credit Guarantee Trustee Company Limited (NCGTC).
- The Trust had not fixed benchmark leverage on corpus fund on a rational basis to generate more confidence in the MLIs on the efficacy of guarantee instrument and to motivate them for larger front-end support to MSE sector.
- The present system of approval of guarantees merely provided an assurance that the MLIs had filled only the mandatory details of the borrowers. Even the system/ portal was not adequate enough to verify the accuracy of the details filled in by the MLIs.
- The MLIs did not fill the non-mandatory data and further the quality of data fed was very poor. Many fields were left blank by the MLIs or incorrect data was fed.
- The inspections of MLIs were not commensurate with the guarantees issued, NPAs reported, claims lodged by the MLIs and shortcomings noticed in the earlier inspection reports.

(Para 4.1)

Ministry of Petroleum and Gas

- Government of India awarded 254 blocks during New Exploration and Licensing Policy (NELP) I to IX rounds for exploration of oil & gas. As per the terms and conditions of Production Sharing Contracts (PSC), contractors are required to pay cost of unfinished minimum work programme (CoUMWP), if the block is relinquished or terminated by Government. However, contractors of 54 relinquished blocks failed to pay the CoUMWP as specified in PSCs.
- An amount of US$ 510.79 million (`3,652.64 crore), which was 77 per cent of the Ministry of Petroleum and Natural Gas (MoPNG) approved amount of US$ 664.67 million (`4,753.03 crore) on account of CoUMWP in respect of 45 blocks still remained unrecovered (September 2019). The CoUMWP for nine blocks is yet to be worked out by Directorate General of Hydrocarbons (DGH) / approved by MoPNG.

- The delay in determination/ working out and approval of the CoUMWP for relinquished/ terminated blocks was not only on the part of contractors but was also on the part of DGH/ MoPNG. DGH has not been able to finalise rates of benchmarking of costs and building of databank till date (September 2019). Non-maintenance of cost data by DGH, which was required as per Government Policy of December 2007, resulted in multiple and prolonged communications for seeking/ collection of information and data from the contractors by DGH.

(Para 5.1)

Ministry of Shipping

- Kolkata Port Trust (KoPT) did not have any laid down strategic dredging plan for dredging enumerating the broad guidelines to be followed for dredging and strategies to be adopted from time to time for the same. Though KoPT prepared annual plans on ad-hoc basis for dredging containing bar wise target depth and quantity to be dredged, the ad-hoc target was more than the target depth incorporated in the dredging contract with Dredging Corporation of India Limited (DCIL).
- There were deficiencies in execution of dredging contract with DCIL. The target depths in the dredging contracts were reduced with reference to the desired/ required depth mainly due to under performance of the DCIL dredgers. The dredgers deployed by DCIL remained underutilised during daily hire rate regime for which KoPT incurred unfruitful expenditure. In violation of direction of Ministry of Shipping, KoPT continued engaging DCIL on nomination basis and also incurred additional dredging expenditure.
- Inspite of advice of experts from time to time, shore disposal of the dredged materials was not resorted to by KoPT. Instead, the dredged materials were dumped in the river itself. This has ultimately resulted in recycling of at least 15 per cent of the dumped dredged materials in the river leading to deterioration of the depth of the navigation channel despite dredging and thereby, increased the dredging cost.

(Para 6.1)

Jawaharlal Nehru Port Trust (JNPT) included House Rent Allowance (HRA) in the formula for calculating Overtime Allowance (OTA) to employees (not staying in township) working beyond nine hours a day and 48 hours a week. Inclusion of HRA in the formula was not correct and excess payment of OTA due to this during 2013-14 to 2018-19 was ₹44.09 crore.

The Ministry of Shipping informed JNPT (June 2019) that they have viewed the matter seriously and directed JNPT to fix responsibility for the lapse. After Ministry's reply, JNPT amended (September 2019) the overtime formula removing HRA.

(Para 6.3)

Due to increase in pre-berthing detention of thermal coal vessels, Paradip Port Trust (PPT) explored the possibility of handling thermal coal at its Iron Ore Berth (IOB) with Iron Ore Handling Plant (IOHP) as the IOHP was remaining underutilised. The Board of Trustees (BoT) of PPT decided to keep the shipment charges at ₹49.50 per MT and Tippling charges at ₹47.05 per MT for handling of thermal coal at IOHP. While submitting a new Scale of Rates (SoR) to Tariff Authority for Major Ports (TAMP), PPT proposed Tippling charges @ ₹20.40 per MT for handling of thermal coal in IOHP instead of the BoT approved rate of ₹47.05 per MT. TAMP approved the SoR which inter alia included Tippling charges @ ₹20.40 per MT for handling of thermal coal at IOHP. Thus, PPT suffered loss of revenue of ₹11.16 crore during the period from June 2016 to March 2019 due to lower fixation of Tippling charges.

(Para 6.4)

Tariff Authority for Major Ports approved (May 2017) the proposal of revision of Schedule of Rents (SoR) for leases and licenses at Kolkata Dock System (KDS) and Haldia Dock Complex including license fee in respect of shed/ yard within customs bound area for a period of five years with effect from 7 April 2016. Kolkata Port Trust, however, implemented the SoR prospectively with effect from 31 May 2017 in respect of shed/ yard within customs bound area in KDS which led to under recovery of license fee amounting to ₹5.91 crore in respect of sheds/ yards inside customs bound area of KDS.

(Para 6.2)

Cochin Port Trust procured one Reach Stacker at a cost of ₹2.34 crore without assessing the actual requirement, while the Port had one old Reach Stacker, which was well within the prescribed economic life norms of eight years. During 2014-15 to 2018-19, the utilisation of old Reach Stacker ranged between 17.97 *per cent* to 5.27 *per cent* only and utilisation of the new Reach Stacker during 2016-17 to 2018-19, ranged between 8.40 *per cent* to 6.84 *per cent* only. As such, the Port incurred avoidable expenditure of ₹2.34 crore on the procurement of Reach Stacker without proper justification.

(Para 6.6)

Ministry of Commerce and Industry

Footwear Design and Development Institute paid interest free mobilisation advance of ₹45.13 crore during October 2012 to July 2016 to different contractors towards construction works, interior works and furniture works in single instalment in violation of Central Vigilance Commission guidelines and Central Public Works Department manual which led to avoidable loss of ₹4.62 crore towards interest.

(Para 2.1)

BSC/SS/TT