

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

**New Delhi
27 March, 2023**

CAG's Compliance Audit Report on Union Government (Economic and Service Ministries – Civil) Presented in Parliament

The Compliance Audit Report No. 1 of 2023 of the Comptroller and Auditor General of India on Union Government (Economic and Service Ministries – Civil) for the year ended March 2021 was presented in the Parliament today.

The Report contains 12 individual observations relating to six Ministries/Departments (viz. Coal, Finance, Housing and Urban Affairs, MSME, Mines, and Ports, Shipping and Waterways) and their Autonomous Bodies. The highlights of the significant paragraphs included in the Report are as under:

Ministry of Coal

Coal Mines Provident Fund Organisation

Coal Mines Provident Fund Organisation made an investment of ₹1390.25 crore (during the period May 2015 to February 2018) in Non-Convertible Debentures of Dewan Housing Finance Corporation Limited. The investment included Non-Convertible Debentures amounting to ₹864 crore having an early redemption clause which provided right to dispose of the investments before maturity at par along with accrued interest in case credit ratings of Non-Convertible Debentures falls to AA- or below. Balance Non-Convertible Debentures amounting to ₹526.25 crore did not carry such clause of early redemption.

Audit observed that despite downgrading/falling of ratings of the Non-Convertible Debentures since March 2019 and recommendations of Portfolio Managers for exercising early redemption option, Coal Mines Provident Fund Organisation failed to utilise the option and remained indecisive, which resulted in avoidable loss of ₹315.35 crore.

(Para 2.1)

Operation of Coal Mines Pension Scheme 1998 and Coal Mines Deposit Linked Insurance Scheme 1976

1. Coal Mines Pension Scheme, 1998: Audit noticed the following issues:

- Inadequate coverage of mine workers
- Delay in receipt and settlement of pension cases
- Incorrect fixation of Pension
- Non-adherence/deviations from the provisions of the scheme
- Instances of excess disbursement of pension
- Lack of monitoring and control mechanism

2. Coal Mines Deposit Linked Insurance Scheme, 1976: Audit noticed the following issues:

- Non-collection of contribution from members of the scheme
- Non-levy of damage charges on non-contributors
- Non-levy and collection of inspection charges for maintaining of accounts which is in deviation of the provisions of the scheme
- Non-revision of administration charges since inception of the scheme

(Para 2.2)

Department of Financial Services

Deficiencies noticed in Recapitalisation of Public Sector Banks

Department of Financial Services (DFS) recapitalised PSBs for credit growth, meeting the requirement for regulatory capital, equipping better performing PSBs placed under Reserve Bank of India's Prompt Corrective Action framework to come out of it and meeting capital requirement on account of amalgamation of PSBs. Audit observed the following:

- DFS infused ₹8,800 crore into SBI in 2017-18 for credit growth considering it the largest PSB in the country even though there was no demand. DFS did not conduct assessment of the capital requirement as per its own standard practice before recapitalisation.
- DFS considered cushion over and above the norms prescribed by the Reserve Bank of India (RBI) while recapitalising PSBs. RBI had already prescribed enhanced capital requirement of additional 1 *per cent* on banks in India. This resulted in excess infusion of ₹7,785.81 crore.
- DFS infused ₹831 crore into Bank of Maharashtra in 2019-20 against the bank's demand of ₹798 crore to avoid surrender of funds amounting to ₹33 crore.

(Para 3.1)

Ministry of Housing and Urban Affairs

Central Public Works Department

The rate of water charges of General Pool Residential Accommodation, where water supply is not regulated by meters, are to be decided on the basis of information provided by Central Public Works Department (CPWD) and the water charges to be revised from time to time and circulated by Directorate of Estates. Audit observed that in 'N' Division, CPWD was paying more towards water supplied by New Delhi Municipal Corporation in comparison to amount recovered from allottees. This was due to non-installation of individual water meters and non-revision of rates for recovery of water charges since last 16 to 27 years. This resulted in financial burden of ₹7.69 crore on CPWD.

(Para 4.1)

Actual consumption of electricity was persistently lower than the Contract Demand in case of Pushpa Bhawan, Delhi. Although there was a provision for reduction of Contract Demand after two years from the date of original energisation for connections above 100 Kilowatt (KW), the same was not availed by CPWD Division resulting in avoidable loss of ₹44.62 lakh. On being pointed out by Audit, Contract Demand and Sanctioned Load was reduced by CPWD.

Following the Audit observation, CPWD Directorate also issued directions (December 2021) to review all such cases where actual maximum demand is less than the Contract Demand.

(Para 4.2)

After reverting from New Pension Scheme { now National Pension System (NPS)} subscription to Old Pension Scheme (GPF subscription), as per the court orders, CPWD credited entire amount of NPS subscription, returned from NSDL, into the GPF Account of the employees without adjusting Government Share and interest thereupon. In nine cases, an amount of ₹19.62 lakh, including penal interest of ₹0.69 lakh, deposited in GPF Accounts, had been recovered and transferred to Government Accounts at the instance of Audit. In spite of reminders to CPWD to make available details of other similar cases, no information was received.

(Para 4.3)

Maintenance of Houses by Central Public Works Department

The scope of audit covered activities relating to maintenance of houses by CPWD for the period from 2017-18 to 2019-20. During the period, total expenditure on maintenance under budget head Revenue, across the country and Delhi Region was ₹1,197.50 crore and ₹759.87 crore, respectively. Around 65 *per cent* of the General Pool Residential Accommodation (GPRA) housing stock is situated in Delhi and 63.46 *per cent* of expenditure on maintenance, during the three years' period, had been incurred in Delhi Region alone. Thus, the Compliance audit focused on activities related to maintenance of Houses in the Delhi Region only. Major Audit observations in brief were as under:

- Planning is important exercise which aids in decision making and maximising the use of the limited resources. Audit found that CPWD Divisions had neither prepared Annual Action Plans nor Registers of Buildings. The inspections of buildings/structures had also not been carried out as per the prescribed norms. As a result, Audit could not derive a reasonable assurance about the existence of an efficient planning mechanism for timely assessment of requirements and prioritisation of maintenance works by CPWD.
- During execution of works, instances of non-appointment of technical representative by the Division were noticed. Besides, non-use/less use of material, use of material without quality testing were also observed due to which works were rendered sub-standard. Provisions of the CPWD Manual were not followed in maintenance of records such as the Material at Site register, Site Order Book, Inspection Register, etc. In specialised works, neither Guarantee Bonds were obtained nor 10 *per cent* security from the bills of the contractor was deducted. There were also instances of extending undue benefits to the contractor.
- Data analysis revealed a number of shortfalls in the working of CPWD viz., delays in disposal of complaints, delays in handing over physical possession, etc. There was pendency of complaints for long periods which indicated laxity in redressal of complaints and lack of monitoring, leading to dissatisfaction among the allottees and also loss of revenue to the public exchequer due to delayed handing over of quarters. Instances of non-adherence to a number of provisions of the Maintenance Manual and monitoring mechanisms such as attending to offline complaints, non-carrying out of physical inspections as per norms, etc. were also noticed.

(Para 4.4)

Ministry of Micro, Small and Medium Enterprises

Office of Development Commissioner (MSME)

The office of Development Commissioner (MSME) released inadmissible amount of ₹50.50 lakh to Haryana State Industrial & Infrastructure Development Corporation Limited (HSIIDC) as reimbursement towards expenditure incurred before approval of a project under Micro and Small Enterprises – Cluster Development Programme. The amount was yet to be recovered from HSIIDC.

(Para 5.1)

Ministry of Mines

Geological Survey of India placed (December 2005) an order for procurement of helicopter to Hindustan Aeronautics Limited at ₹34.87 crore and also placed (March 2009) procurement order for heliborne geophysical sensor survey system to M/s PICO Enirotec Inc., Canada at a cost of US\$ 39,91,674 (equivalent to ₹19.17 crore) through global tender. Due to delay in procurement of heliborne sensor survey system, the helicopter was kept under paid maintenance and safe custody of Hindustan Aeronautics Limited from March 2009 to November 2013. During the test flight in May 2014, one part of the heliborne sensor survey system got damaged. Thereafter, very limited heliborne survey could be conducted due to repeated technical snags even after repairs. Facing technical constraints of the heliborne system and helicopter, Geological Survey of India proposed (July 2017) disposal of helicopter as well as geophysical sensor survey system. The Ministry of Mines subsequently approved (September 2017) the proposal for disposal of helicopter only. Geological Survey of India handed over (May 2019) the helicopter to Hindustan Aeronautics Limited at a price of ₹9.22 crore while the heliborne geophysical sensor survey system remained in idle condition with the Geological Survey of India. Audit observed that deficient cost benefit analysis coupled with lack of due diligence in evaluating the technical aspects of the helicopter and the geophysical survey system prior to their procurement resulted in unfruitful expenditure of ₹81.88 crore and also frustrated the very purpose of such procurement as Geological Survey of India could survey only two *per cent* of their envisaged target of survey of three lakh line kilometres.

(Para 6.1)

Functioning of National Mineral Exploration Trust

National Mineral Exploration Trust (NMET) was set up (August 2015) as a non-profit body to expedite mineral exploration in the country with NMET contribution as its source of financing. The holders of mining lease or prospecting licence-cum-mining lease are required to pay NMET contribution at the rate of two *per cent* of the royalty payable to the State Government. Severe discrepancies however exist in reconciliation of NMET contribution even after six years of its inception. There was consistent shortfall in utilisation of allocated budget due to delay in initiating reimbursement, undue dependence on Mineral Exploration Corporation Limited /Geological Survey of India, lack of participation of private exploration agencies, want of capacity building programmes and inadequate scrutiny of project proposals.

Further, the exploration projects approved by NMET were skewed towards bulk minerals and it did not accord required priority to exploration of strategic and critical minerals which was

one of prime objectives of its establishment. There were deficiencies in diligent scrutiny of projects by Technical-cum-Cost Committee as well.

Although NMET was intended to function as an autonomous body since inception, undue control of the Ministry of Mines and lack of full autonomy resulted in several administrative and functional problems such as non-preparation of its separate budget or annual accounts. As a result, no audit of annual accounts could be conducted till date (October 2022). In the absence of autonomy, NMET not only failed to achieve its intended purposes effectively but also funding operations thereof were not managed in an organised manner. Further, non-development of adequate control mechanisms and non-preparation of separate budget affected the effectiveness and economy of NMET's operations. All these resulted in inadequacy of impetus required to cater to the need of mineral exploration in the country.

(Para 6.2)

Ministry of Ports Shipping and Waterways

Syama Prasad Mookerjee Port

Haldia Dock Complex of Syama Prasad Mookerjee Port (Port) allotted (February 2016) land to the M/s Dinesh Chandra R Agarwal Infracon Private Limited, a contractor engaged by Calcutta Haldia Port Road Company Limited without any charge and without approval of the competent authority. The Port raised (January 2017 and June 2017) invoices towards licence fee for the period from February 2016 to January 2017 and thereafter, stopped raising the same since no payment was made by the contractor. The contractor did not pay any licence fee and vacated (January 2021) the land on completion of the construction of Road Over Bridge cum flyover after occupation of the land for almost five years without any charges. The Port, thus, extended undue benefit to the contractor by allotment of land without any charge leading to a loss of revenue of ₹4.06 crore to the Port.

(Para 7.1)

Assessment of Environmental Issues in Visakhapatnam Port Authority

Visakhapatnam Port Authority (VPA), one of the major ports in India, was established in the year 1933 on the Eastern Coast of India. VPA handled 207.86 million tonnes of various cargoes during the financial years 2018-19 to 2020-21. The audit on "Assessment of Environmental Issues in VPA" was conducted for the period of three years from 2018-19 to 2020-21 to review the pollution control measures taken up by VPA and also review the role of Andhra Pradesh Pollution Control Board in enforcement of environment related safeguards and their effectiveness, adequacy and compliances. The main observations noticed during audit were as under:

- Long Term Lease Agreements entered for leasing of port land with various parties by Visakhapatnam Port Authority stipulates that the lessees should develop greenery in 10 *per cent* of the area allotted to them as an anti-pollution measure failing which double the cost of plantation for 10 *per cent* of the area of land including the maintenance cost will be recovered from the lessees without any notice. Though the stipulated condition was not adhered by the lessees in 112.75 acres, penalties to the tune of ₹19.84 crore were not imposed on the lessees.

- Harbour Water Quality Management was deficient as it was noticed that Lead, Dissolved Oxygen and Total Suspended Solids were found beyond the prescribed tolerance limits.
- It was observed that Water Consumption and Discharge of Effluents were beyond the limits stipulated in the Consent for Operation issued by Andhra Pradesh State Pollution Control Board.
- VPA failed to meet the prescribed annual average standards in respect of emission of PM₁₀ during the years 2018 to 2021 (up to July 2021).
- Though Andhra Pradesh State Pollution Control Board has directed VPA to cover all the stack yards of dusty cargoes (coal and other cargoes) with tarpaulins, it was observed that, of the examined stacks during the period from January 2019 to June 2021, 15 *per cent* of the stacks had no tarpaulin coverage at all and the average surface coverage of the stacks with tarpaulins was only about 60 *per cent* of dusty cargo stacks.
- National Green Tribunal instructed Andhra Pradesh State Pollution Control Board to levy penalty under the principle of “*Polluter Pays*” as there were non-compliances of assurances made to it by VPA. Consequent to the instructions of National Green Tribunal, Andhra Pradesh State Pollution Control Board imposed a penalty of ₹1.97 crore. It was further observed that even after payment of such penalty, there was continuous non-compliance of directions of Andhra Pradesh State Pollution Control Board by VPA subsequently as well.
- Noise levels recorded by VPA in respect of its Diesel Generators were in excess of the prescribed limit of 75 dB (A) and ranged up to 102.7 dB (A) on 22 out of 33 occasions when test was done for various diesel generators at Off Shore Tanker Terminal Berth, LPG Berth and Oil Refinery-I&II Berth during the period 2018-19 to 2020-21.
- Role of Andhra Pradesh State Pollution Control Board was deficient as its monitoring and enforcement mechanism appeared to be very weak as evidenced by its inaction in the areas of consumption of water, excess discharge of effluents beyond norms stipulated in the Consent for Operations, excess emission of PM₁₀, delayed installation of Sewage Treatment Plant, etc.

(Para 7.2)

BSC/SS/N/

