EXECUTIVE SUMMARY

I Introduction

1. This Report includes important audit findings noticed as a result of test check of accounts and records of Central Government Companies and Corporations conducted by the Comptroller and Auditor General of India under Section 619(3) (b) of the Companies Act, 1956 or the statutes governing the Corporations.

2. The Report contains eleven theme based audit and 39 individual observations relating to 38 PSUs under 15 Ministries/Departments. The draft observations were forwarded to the Secretaries of the concerned Ministries/Departments under whose administrative control the PSUs are working to give them an opportunity to furnish their replies/comments in each case within a period of six weeks. Replies to 36 observations were not received even as this report was being finalised in April 2013. Earlier, the draft observations were sent to the Managements of the PSUs concerned, whose replies have been suitably incorporated in the report.

3. The paragraphs included in this Report relate to the PSUs under the administrative control of the following Ministries/Departments of the Government of India:

Ministry/Department (Number of PSUs involved)	Number of paragraphs	Number of thematic studies	Number of paragraphs/ thematic studies in respect of which Ministry reply was awaited
1. Atomic Energy (NPCIL)	1	-	-
2. Chemical and Fertilizers (BCPL)	-	1	1
3. Civil Aviation (AAI, AIL, PHHL)	3	2	3
4. Coal (CCL)	1	-	1
5. Commerce and Industry (MMTC)	2	-	2
6. Consumer Affairs, Food and Public Distribution (FCI)	3	-	3
7. Defence (BEML, BDL, BEL, MDL, HAL)	7	3	7
8. Department of Fertilizers (RCF)	1	-	1
9. Ministry of Finance	7	-	5

(GICL, NICL, NIACL, OICL, UIICL, PNBHFL, SBICPSPL)			
10. Petroleum and Natural Gas (GAIL, IOCL, HPCL, ONGC)	7	2	7
11. Power (DVC, NHPC, PFC)	3	1	4
12. Department of Public Enterprises (BEL, BHEL, BPSCPL, CSL, DCIL, FSNL, HPCL, MECON Limited, MRPL, NHPCL, NLCL, NMDC Limited, NTPC, NTPC SAIL Power Company Private Limited, PFCL, PGCIL, RECL, RINL, SAIL, SJVN)	1	-	1
13. Department of Shipping (SCI)	-	1	-
14. Steel (NMDC, SAIL)	3	-	-
15. Urban Development (DMRC)	-	1	1
Total	**39**	**11**	**36**

4. Total financial implication of audit observations included in eleven thematic studies is ₹ 9040.33 crore.

5. Individual Audit observations in this Report are broadly of the following nature:

- Non-compliance with rules, directives, procedures, terms and conditions of the contract etc. involving ₹ 1333.12 crore in 18 paras.
- Non-safeguarding of financial interest of organisations involving ₹ 1314.66 crore in 16 paras.
- Defective/deficient planning involving ₹ 202.06 crore in 3 paras.
- Inadequate/deficient monitoring involving ₹ 23.91 crore in one para.
- Non-realisation/ partial realisation of objectives involving ₹ 65.55 crore in one para.

6. The Report also contains a para relating to recoveries of ₹ 121.86 crore made by 4 PSUs and another para relating to corrections/rectifications by one PSU at the instance of Audit.

II Highlights of significant paras included in the Report are given below:

Ministry of Defence sanctioned in July 1999, design and development of an Intermediate Jet Trainer (IJT) by Hindustan Aeronautics Limited (HAL) at a cost of ₹180 crore to be completed by July 2004. Though the design and development of IJT was yet to reach the stage of obtaining approval for Initial Operational Clearance (IOC), the Ministry also sanctioned concurrent handling of Limited Series Production (LSP) (March 2006) and Series Production (SP) (March 2010) by HAL. Audit observed the following:

IOC originally scheduled for March 2007 had not been achieved even after six years of delay. The development was beset with a number of failures at various stages.

Set back to the scheduled timelines for different stages was due to non-freezing of engine design, change in weight of engine and experimenting with engine of inadequate thrust. Accidents to both the prototypes after completion of the prescribed number of flights resulted in suspension of flight test activities and modifications for strengthening the structure of the aircraft.

The prescribed procedure for fabrication and testing of the Structural Test Specimen whereby the basic airframe was to be tested to one-and-a-half times the designed load to prove the robustness of the design was not adhered to in respect of the first prototype. This resulted in cracking of specimen fuselage even at less load, leading to fabrication of another wing entailing extra expenditure of ₹ 38.78 crore.

Since the Company could not achieve refinement of stall characteristics and spin testing, engagement of a consultant at a cost of ₹ 23.59 crore was done as late as in December 2012.

Adoption of tentative purchase price for equipments /components while quoting for LSP resulted in extra expenditure of ₹ 63.59 crore.

Against the original sanction for development of ₹180 crore, the project had already incurred an expenditure of ₹ 516 crore.

Milestones set for release of funds to HAL were without linkage to definite and substantive physical progress. Against the sanctioned cost of ₹ 487 crore for LSP, the amount released by Ministry even before achievement of IOC was ₹ 444 crore. In respect of SP, against the sanction for ₹ 6180 crore, the releases amounted to ₹ 3075 crore but the expenditure was only ₹ 168 crore.

Acceptance of reduced initial life of engine despite calling quotations for engine with unlimited total technical life and later seeking enhancement of life resulted in avoidable expenditure of ₹ 131 crore.
Procurement of Line Replacement Units in advance of requirement resulted in warranty expired inventory of ₹ 114.76 crore.

On account of non-delivery of aircraft as per requirement, the intermediate stage training to the pilots of IAF was adversely affected as of March 2013.

(Para No. 7.8)

Bharat Dynamics Limited (BDL), was incorporated with the objective of manufacturing sophisticated Defence equipment required by the Armed Forces. BDL is a prime production agency for Guided Missiles in India. The Bhanur unit of BDL established (1988) for manufacturing Konkurs ATGM Systems and Unified Launchers was assigned with the production of Konkurs missiles since 1989 as a part of the contract entered into by the MoD. Since Konkurs missile was not defeating the tanks fitted with ERA panel, Army recognized (1994) the need for induction of Konkurs-M missile which is an advanced version of Konkurs and capable of defeating tanks protected by ERA.

Audit observed that, the process of finalizing the contract took about eight years from the date of recognizing (1994) the need of improved version of Konkurs-M. Further, technology absorption took a longer time than anticipated and this led to delay in execution of the contract by three years and consequential delay in supply of 14,722 missiles resulted in loss of ₹ 283.72 crore besides levy of Liquidated Damages (LD) of ₹ 38.81 crore by the Army. The estimated loss for supply of the balance 13,278 missiles is ₹ 297.25 crore and the likely LD is ₹ 75.57 crore. BDL planned (August 2010) to enhance the capacity for production of missiles in two phases at a cost of ₹ 50 crore and ₹ 130 crore respectively. Phase- I was to be completed by March 2012 and phase-II by March 2013. Though the first phase was to be completed by March 2012, the capacity remained at the same level of 3000 missiles per annum, even after spending ₹59.27 crore till February 2013.

Audit further observed that MoD, concluded a contract with M/s Rosoboron export for purchase of 10,000 Konkurs-M at a cost of ₹ 1223 crore for the Army on the ground that BDL had not been able to meet their contractual obligations due to problems in absorption of TOT. This indicates that the efforts of MoD to indigenize production of Konkurs-M missiles to avoid dependency on foreign suppliers was defeated despite buying technology at a cost of ₹ 249 crore from KBP under a contract concluded as early as in October 2002.

(Para No. 7.3)

Indian Oil Corporation Limited (IOCL) and GAIL (India) Ltd (GAIL) entered into E&P activities (1999) and started investing in domestic/overseas E&P projects either by way of acquiring Participating Interest (PI) in existing E&P blocks through farm-in or by participating in bidding rounds for E&P blocks. IOCL and GAIL had acquired 77 E&P blocks (GAIL 43 and IOCL 34) involving an expenditure of ₹ 5346.98 crore till 28 February 2013 out of which, the Companies were operator / joint-operator in five blocks and non-operator in the remaining blocks. The Companies had five E&P blocks under development and production, 43 under exploration/appraisal and 29 blocks had either been relinquished or decided to be relinquished on account of non-discovery of hydrocarbon.

Even after an experience of more than a decade in this business, neither IOCL nor GAIL had defined/documented policy or prescribed procedure for E&P activities. GAIL and IOCL had acquired E&P assets mainly by relying on technical assessment by other JV partners instead of conducting detailed due diligence or revalidation of reservations/limitations (expressed by consultants) at their end. Further, these Companies in most cases had not apprised their Board of Directors about the known risks/ limitations before acquiring the respective block. Inadequate analysis and interpretation of data and non-revalidation of reservations/limitations expressed by advisors had resulted in infructuous expenditure of ₹ 1258.46 crore. Further, despite having adequate provisions in Joint Operating Agreement, GAIL and IOCL had not invoked non-operator's audit rights in 13 out of 40 E&P assets and 18 out of 32 E&P assets respectively.

(Para No. 10.1)

With a view to increasing the availability of ethanol through in-house production, Hindustan Petroleum Corporation Limited (HPCL) decided to bid (18 December 2007) for four of the fifteen closed sugar mills offered (November 2007) for sale by the Government of Bihar and became successful (February 2008) in procuring two such sugar mills at Sugauli and Lauriya located in East Champaran and West Champaran districts, respectively, in Bihar. HPCL decided to establish two integrated sugar, ethanol mills with co-gen power plants at these locations. Despite the fact that ethanol production was a new line of business for HPCL, it showed haste in decision-making and did not carry out proper due diligence. Pre-bid consultant *viz.* IDBI appointed (10 December 2007) by the Company had cautioned it by stating that a successful bid would only result in acquiring land in interior Bihar as there were serious infrastructure constraints for ethanol production and that it had not carried out an independent verification of the information for bidding for the mills.

Configuration Study Report (CSR) submitted (October 2008) by the HPCL's another consultant *viz.* M/s MITCON had suggested three options for setting up the mills with alternatives for utilizing sugarcane juice for production of sugar and ethanol. However, CSR was not presented to HPCL Board for approving an appropriate option and prepare Detailed Feasibility Reports (DFRs). Instead, a team of functional directors and officials of Ministry of Petroleum and Natural Gas was reported to have chosen (30 October 2008) the third option that envisaged utilization of 50 *per cent* sugarcane juice in each mill for production of ethanol and remaining 50 *per cent* for production of sugar. Capacity of ethanol plants was decided accordingly. The projected Internal Rate of Return (IRR) - a vital parameter for capital investment decision – for this option was 10.25 *per cent.*

DFRs prepared (February 2009) by M/s MITCON for setting up Integrated Sugar-Ethanol-Cogen power plants for the chosen option at each of the locations was based on a set of unlikely optimistic assumptions and projected a rosy picture for establishing the plants and indicated higher IRRs than those projected in CSR. Thus, the projects were made to appear viable though they were not. HPCL did not apprise the Board of the implementation mechanism for setting up integrated sugar, ethanol and cogen power plants though the proposal was approved (June 2009) by the Board. Proposal for formation of the subsidiary was also not submitted to the Board for approval.

The first year of operations of the mills, demonstrated that the option adopted for production of ethanol was not financially viable. Due to this, HPCL Biofuels Limited –subsidiary of HPCL- through which the projects were implemented - decided (August 2012) to utilize 100 *per cent* sugarcane juice for production of sugar. This would result in extra expenditure of ₹ 58.71 crore towards enhancement in the boiler capacity of the two sugar mills, idle capacity of ethanol plants at both the mills and consequent unfruitful expenditure of ₹ 28.45 crore. Thus, the main objective of setting up the two sugar mills *i.e.* to increase availability of ethanol by in-house production was not achieved, despite the fact that investment of ₹ 715.21 crore had been made in the two sugar mills as of 31 March 2012.

(Para No. 10.2)

The Government of India approved (April 2006) the Assam Gas Cracker Project for producing polymers at an estimated project cost of ₹ 5461 crore and accordingly a company named Brahmaputra Cracker and Polymer Limited (BCPL) was formed (January 2007) for implementing the project. Due to non-availability of natural gas in required quality and quantity, the production capacity of the project at 2.2 lakh TPA of ethylene was sub-optimal. The selection of the project site location, transfer of GAIL's LPG plant at Lakwa to the project and poor quality of detailed feasibility report prepared by M/s EIL further affected the viability of the company. There was considerable delay in appointment of Engineering, Procurement and Monitoring Consultant and selection of licensor for basic engineering process package due to which the project cost has been revised (November 2011) to ₹ 8920 crore (including capital subsidy of ₹ 4690 crore).

(Para No. 2.1)

Bharat Electronics Limited (BEL) entered into a contract for procurement with a foreign vendor M/s Rheinmetall Air Defence, AG, Zurich (RAD) despite the fact that the CBI was investigating the firm's deals for alleged corrupt practices in earlier contracts which had the risk of the firm being blacklisted. As the firm was eventually blacklisted, this led to blocking of BEL's funds of ₹ 502.31 crore.

(Para No. 7.4)

Twenty CPSEs'(BEL, BHEL, BPSCPL, CSL, DCIL, FSNL, HPCL, MECON Limited, MRPL, NHPCL, NLCL, NMDC Limited, NTPC, NTPC SAIL Power Company Private Limited, PFCL, PGCIL, RECL, RINL, SAIL, SJVNL) leave rules/policy for encashment of sick leave or of EL with HPL exceeding 300 days, on superannuation, violated the DPE guidelines and resulted in irregular payment of ₹ 413.98 crore for the period from January 2007 to November 2012.

(Para No. 12.1)

The Airports Authority of India (AAI) manages 122 airports and was vested with 52868.36 acres of land as on 31 March 2012 spread across country. The Land Management Department of AAI was responsible to keep proper record, to establish ownership of land vested with AAI.

Audit however observed that the above department could not fully achieve the objectives for which it was created. Out of 37455.729 acres of land test checked in Audit, 14053.202 acres of land was not mutated in the name of AAI. Further, 888.44 acres of land was under encroachment (March 2012) due to which AAI had to defer creation/operationalisation of certain facilities.

A number of agencies were unauthorisedly occupying land at various airports. However, in absence of agreements with the parties AAI was unable to realise license fee/lease rent due amounting to ₹225.78 crore. An amount of ₹ 181.11 crore was also outstanding towards compensation for assets transferred by AAI to Government agencies like Indian Navy and NHAI.

(Para No. 3.1)

In pursuance of DPE guidelines Steel Authority of India Limited introduced Performance Related Pay scheme for its executives. A Remuneration Committee headed by an

Independent Director of the company was to decide the PRP and policy for its distribution within the prescribed limit. The DPE guidelines inter alia prescribed that the company should (i) adopt a 'Bell Curve Approach' in grading the executives so that not more than 10 to 15 *per cent* are graded as 'Outstanding/Excellent' and 10 *per cent* of executive should be graded as 'Below Par'. No PRP 'was to be paid to those achieving below par' rating (ii) the executives who got "Outstanding", Very Good". "Good" and "Fair" performance rating should get up to 100 *per cent*, 80 *per cent*, 60 *per cent* and 40 *per cent* PRP. Thus quantum of PRP was to be linked to the performance rating of the executives.

Audit observed that (i) the company had not adopted 'Bell Curve Approach' in grading and paid PRP to all its executives (ii) the Remuneration Committee adopted a PRP formula wherein the multiplier for the weightage of Employee Performance Rating exceeded the DPE prescribed limit.

By not adhering to the DPE guidelines the company made an irregular payment to its executives amounting to ₹ 319.61 crore for the years 2007-08 to 2010-11.

(Para No. 14.2)

Hindustan Aeronautics Limited (HAL) signed (January 2003), a Co-operation Agreement (agreement), with Turbomeca, France (TM) at a cost of ₹ 878.08 crore for co-development and indigenous production of 320 Shakti engines in five phases (0 to 4) by 2013. The assembly kits for various phases were to be supplied by TM at the agreed prices subject to escalation (with 2002 as base year) valid up to the year of delivery.

Audit observed that even after more than a decade, the self-reliance in manufacture of an engine to suit requirements of ALH has not been achieved as envisaged. The need for variants of engines to operate at different climatic conditions and altitude was not foreseen leading to frequent modifications requiring more investment in terms of time and money. HAL had to bear additional burden due to the failure of TM, indicating undue favours extended to the foreign partner in the development and production of Shakti engines. Failure to ensure compliance to offset obligation by the foreign collaborator has so far denied an opportunity to the Indian industry to contribute towards self-reliance. Acquisition of additional technical know-how without optimal usage of free technical assistance has further contributed to extra cost on the project.

Thus, inability of HAL to absorb the technology and non-assessment of the available in-house capacity to manufacture Shakti engines impacted timely induction of ALH into Defence forces and also resulted in avoidable extra expenditure of ₹ 204.27 crore to HAL.

(Para No. 7.7)

General Insurance Corporation of India's reinsurance underwriting and profitability of treaties issued to Star Health and Allied Insurance Company Ltd (Star Health) covering Phase-I to V of Rajiv Aarogyasri Community Health Insurance Scheme was examined. Audit observed that imprudent acceptance of reinsurance treaties resulted in loss to GIC to the extent of ₹ 197.80 crore. The main observations are:

Liability accepted by GIC was not commensurate with the premium since premium to liability ratio of Star Health ranged from 1.09:1 to 1.02:1 as against premium to liability ratio of GIC which ranged from 1:4.12 to 1:5.54. Further, claim ratio of the GIC in three (2008, 2009 and 2010) out of five years exceeded 100 *per* cent of the earned premium.

GIC in 2008 worked out a renewal premium rate of 21.73 *per cent* considering the claim ratio @ 104 *per cent*; however, it had actually charged only 12.63 *per cent* without justifying the reasons for reduction of premium rate. Further, GIC failed to safeguard its interest by not including a condition to charge higher premium rate in the event of the claim ratio exceeding 104 *per cent.*

(Para No. 9.1)

Oil and Natural Gas Corporation Limited (Company) hired rig 'Actinia' from Reliance Industries Limited (RIL) for six months on assignment basis in deviation of standard tendering procedure citing requirement to drill at three locations. Actual deployment of the rig indicated that hiring of the rig was not necessary for drilling at any of the three identified locations. The entire expenditure ₹ 146.71 crore on hiring of the rig from February 2009 to July 2009 was, thus, avoidable. The rig idled for want of materials which resulted in unfruitful expenditure of ₹ 4.64 crore during February 2009.

(Para No. 10.7)

Indian Oil Corporation Limited failed to synchronize conversion of Gas Turbines at its Panipat Refinery, to use Re-liquefied Natural Gas, with the commissioning of Dadri Panipat Spur Pipe Line project that resulted in avoidable expenditure of ₹ 135.81crore on account of usage of costlier fuel for generation of captive power during August 2010 to March 2012.

(Para No. 10.3)

The New India Assurance Company Limited, National Insurance Company Limited, The Oriental Insurance Company Limited and United India Insurance Company Limited suffered a loss of ₹ 121.81 crore, during the period of four years ending June 2012, due to their imprudent decision to enter into a co-insurance agreement with Star Health and Allied Insurance Company. Substantial part of claim was borne by the four PSU insurers who accepted the co-insurance in spite of low premium and without putting in place appropriate checks and balances to safeguard their financial interests.

(Para No. 9.2)

Oil and Natural Gas Corporation Limited (Company) awarded a contract on the basis of forged documents submitted by the bidder. The contract was terminated four years later owing to inability of the contractor to implement the project leading to a loss of ₹ 114.78 crore to the Company.

(Para No. 10.8)

MMTC Limited imports and supplies gold, platinum and silver to exporters under various schemes as per Foreign Trade Policy of Government of India. MMTC also imports Gold and Silver for sale in domestic market under OGL Scheme. Trading of bullion is regulated in accordance with the instructions/guidelines contained in the Precious Metals Procedural Drill (bullion drill) and internal Circulars issued by the Company from time to time. The bullion drill mandates obtaining of Foreign Exchange Rate Cover (FERC) to hedge against exchange rate fluctuations. The cost of such FERC is to be borne by the customer. Further, instructions issued on 18.12.2006 required each transaction to be treated as separate and squared off on completion, so as to avoid bunching of transactions. Failure to adhere to the instructions on bullion trading, camouflaged accounting and ineffective internal control in MMTC Limited resulted in non-realization of dues amounting to ₹ 295.99 crore from customers and avoidable loss of ₹ 53.27 crore (till December 2012) towards interest.

(Para No. 5.1)

GOI accorded approval for the Airport Metro Express Line (AMEL) from New Delhi railway station to Indira Gandhi International Airport (IGIA) (May 2007) / Dwarka (January 2009) through Public Private Partnership (PPP) mode. A Special Purpose Vehicle viz. Delhi Airport Metro Express Private Limited (DAMEPL) was incorporated with the consortium Reliance Energy Limited/CAF holding 100 *per cent* equity. As per Concession Agreement entered into (August 2008) between Delhi Metro Rail Corporation (DMRC) and DAMEPL, the work relating to design, installation, commissioning, operation and maintenance was undertaken through DAMEPL and civil work executed by DMRC.

In contravention of guidelines (January 2006) of the Ministry of Finance restricting the quantum of financial support in PPP in infrastructure to maximum of 40 *per cent* of the total project cost, the concessionaire was allowed to contribute only to the extent of 46.17 *per cent* (13.92 *per cent* equity and 32.25 *per cent* debt) of the total project cost.

DMRC failed to ensure the payments due to it and also withdrawals from the Escrow Account as per agreements. The operations were suspended on 8 July 2012 due to defects in civil works. The Joint Inspection Committee constituted by the Ministry for examining defects in civil structure attributed them to poor workmanship and absence of proper inspection during construction as well as operation. Though the line has resumed operations from 22 January 2013 the Concessionaire has invoked arbitration under Clause 36.2 of CA on the grounds including sustainability/financial viability of the project.

Further, the project has been executed using a unique model of PPP wherein the Concessionaire is operating a project of ₹ 5697 crore with an insignificant equity of ₹ one lakh.

(Para No. 15.1)

Pawan Hans Helicopters Limited was set up (October 1985) with the objective of providing helicopter support services to meet the requirements of oil sector, to operate in hilly and remote terrain, connect inaccessible areas, operate charters for promotion of travel and tourism and provide intra-city transportation. The Company has a fleet of 45 helicopters (March 2012) which consists of 35 - Dauphin N & N3 (10 seater), seven - Bell (6 seater), two - B3 (6 seater) and one - MI-172 (26 seater). Audit reviewed the operations of helicopters in PHHL during the period April 2009 to March 2012 with reference to MOUs and Agreements entered into so as to assess the efficiency of its operations.

The Company had shortage of average 22 to 18 Pilots during the period 2009-12 for its Dauphin fleet of helicopters at its Western Region from where operations to one of its largest customer viz. ONGC were catered to. ONGC deducted an amount of ₹ 16.98 crore, Fixed Monthly Charges (FMC) and liquidated damages, towards Aircraft On Ground of helicopters due to non availability of helicopters mainly for shortage of Pilots. There were instances of excess procurement of AS-4 kits, sliding doors, engines, delayed procurement of critical items, resulting in loss of FMC which indicate the need for an efficient inventory control system.

There was no system for timely recovery of debts due to which there was huge outstanding of ₹ 171.87 crore as on 31 March 2012 necessitating implementation of credit control procedure.

(Para No. 3.5)

The Shipping Corporation of India Limited disposed off 30 vessels during the period 2009-10 to 2011-12 and realized ₹ 598.67 crore as net sale proceeds. Audit noticed following deficiencies in process of disposal:

The process of disposal was carried out on the basis of guidelines which were not approved by Government.

Deviations in preparation of techno economic study (TES) like inclusion of Management Expenses in TES and adoption of incorrect scrap rate for TES were noticed

Delays in initiating proposals by Operating Division and non-revision of scrap rate in case of delay in sale were also noticed on account of which actual realization obtained by the Company was lower and resulted in less realization.

Audit observed deficiencies in the process of tendering and restricted competition. There were also delays in processing tender leading to avoidable expenditure of standing charges.

Deficiencies in the system of collection of EMD, forfeiture of EMD and discrepancy between buyers and agency remitting the EMD and sale proceeds were observed.

The perpetuation of the practice of one agent representing more than one prospective buyer and one agent bidding for two firms for the same vessel had the potential for cartel formation.

(Para No. 13.1)

The Theme Audit on "Ash Management in Thermal Power Stations of DVC" covering the period 2009-10 to 2011-12 highlights deficiencies concerning generation and evacuation/disposal and utilization of ash. Audit observed that except the year 2009-10, the Corporation could not utilize the generated ash fully. It was also observed that the bulk of ash utilization centered on mine fillings by incurring huge avoidable transportation cost.

Failure of the Corporation to limit fly ash generation by way of beneficiated/blended coal resulted in loss of opportunity to save generation cost. It was observed that despite two of its thermal power stations being under the Ministry of Environment and Forests (MoEF) coverage to use beneficiated/blended coal, the Corporation continued to violate such stipulation of MoEF.

The ash management situation aggravated due to considerable delay in acquisition of land at Bokaro Thermal Power Station (BTPS) and Mejia Thermal Power Station (MTPS). Audit also observed significant delays in installation of dry fly ash collection system in the thermal power stations despite it being a mandatory requirement from pollution control angle. This has not only brought one of the thermal power station's (BTPS) unit to the brink of closure due to the discharge of ash slurry into the Konar river but also created serious health related problems for the local inhabitants, destroyed agricultural land and polluted adjoining dams near MTPS. Further, it was observed that the Corporation did not exercise appropriate control in either framing a sound and feasible qualifying requirement for tendering of evacuation of ash or exercised any due diligence before awarding of contract to Lafarge India Private Limited.

(Para No. 11.1)