

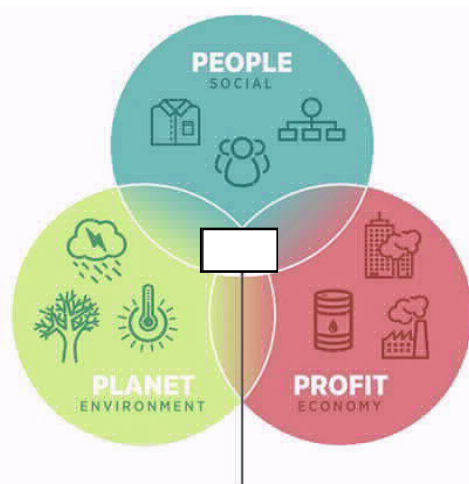
CHAPTER IV

Corporate Social Responsibility

4.1 Introduction

The primary objective of Corporate Social Responsibility (CSR) is to promote responsible and sustainable business philosophy at a broad level and to encourage companies to come up with innovative ideas and robust management systems to address social and environment concerns of the country. Broadly, the CSR mandate is aligned with the national priorities such as public health, education, livelihood, water conservation, natural resource management etc. CSR awareness and CSR consciousness has grown vividly among large and medium sized companies, which now look at CSR to build a strategic fit with the community and environment in which they operate.

Chart 4.1



The concept of CSR provides a robust framework for companies to collaborate in contributing to the country's development challenges through its managerial skills, technology and innovation. Besides providing an overall guidance framework for the corporate to carry out their CSR initiatives, it also provides them with ample autonomy and flexibility to design and implement programmes. The monitoring is based on disclosures made by the company in its annual report as per prescribed format.

Legal Framework: Section 135 of Companies Act, 2013 (hereafter referred to as the Act), deals with the subject of Corporate Social Responsibility and lays down the qualifying criteria based on net worth, turnover and net profit during immediately preceding financial year⁴⁴ for companies which are required to undertake CSR activities. This section *inter alia* specifies the broad modalities of selection, implementation and monitoring of CSR activities by the Board of Directors of the Company. The activities, which may be included by the companies in their CSR policies, are listed in Schedule VII of the Act. The provisions of Section 135 and Schedule VII of the Act are applicable to all companies including CPSEs. The Act makes it mandatory for a company to spend, annually at least

⁴⁴ As per Amendment 37 of Companies Act, 2017, to resolve the ambiguity on any financial year, the words 'any financial year' has been replaced with the words immediately preceding financial year. This notification is effective from 19 September 2018.

two *per cent* of average net profit of three immediately preceding financial years towards CSR activities.

The compliance of the provisions of CSR under the Act i.e., constitution of CSR Committee, formulation of CSR Policy and spending of prescribed amount on CSR activities came into force from April, 2014. In February 2014, Ministry of Corporate Affairs (MCA) issued Companies (Corporate Social Responsibility Policy) Rules, 2014. The CSR Rules were made applicable to all companies including CPSEs w.e.f. 1 April 2014. Department of Public Enterprises (DPE) issued (August 2016) notification on observance of transparency and due diligence in selection and implementation of activities under CSR by CPSEs. In December 2018, DPE issued guidelines related to utilisation of funds on theme-based approach. School education and health care were taken up as theme for focussed intervention for the year 2018-19. The target for CSR expenditure on common theme was 60 *per cent* of annual CSR expenditure. The guidelines also directed that aspirational districts as identified by NitiAayog may be given preference.

4.2 Audit objectives

Audit objectives of compliance audit on CSR activities of the CPSEs were to ascertain whether the provisions of the Companies Act 2013, Companies (CSR Policy) Rules 2014 and DPE guidelines were complied with. In order to assess the efforts of the CPSE, Audit examined the following issues:

- whether the provisions relating to Constitution of CSR Committee, formulation and compliance of policy have been complied with;
- whether the CSR activities selected for implementation are within the list of activities given under schedule VII of the Companies Act, 2013;
- whether the provisions relating to prescribed amount to be spent on CSR activities have been complied with;
- whether the needs of the local people have been taken into consideration while prioritising the selection of the activities/projects under CSR activities;
- whether there is transparency and due diligence in the selection and implementation of activities; and
- whether the provisions relating to monitoring, reporting and evaluation have been complied with.

4.3 Audit scope and coverage

Audit reviewed the CSR activities carried out by 82 CPSEs during the year 2018-19. Audit selected 82 CPSEs (*Appendix XXIII*) out of total 184 profit making CPSEs in 2017-18 as detailed in Table 4.1.

Table 4.1: Selection of CPSEs for review of CSR activities

Net profit of CPSEs	No. of CPSEs	No. of CPSEs selected	Percentage
Above ₹ 100 crore	69	62 ⁴⁵	89.85
₹ 50 to ₹ 100 crore	20	08	40.00
₹ 10 to ₹ 50 crore	50	11	22.00
Less than ₹ 10 crore	45	01	02.22
Total	184*	82	44.57

*Primary source: Survey report of DPE for 2017-18

The selected 82 CPSEs included 7 Maharatna, 14 Navratna, 45 Miniratna and 16 other companies (*Appendix-XXIV*), of which 41 CPSEs were listed companies (*Appendix-XXV*).

4.4 Audit criteria

Audit analysis was carried out against following criteria:

- Provisions contained in Section 135 and Schedule VII of the Companies Act, 2013 (as amended upto 31 March 2019)
- Provisions of Companies (Corporate Social Responsibility Policy) Rules, 2014 (as amended upto 31 March 2019)
- DPE guidelines on CSR issued since 1 August 2016.

4.5 Audit findings

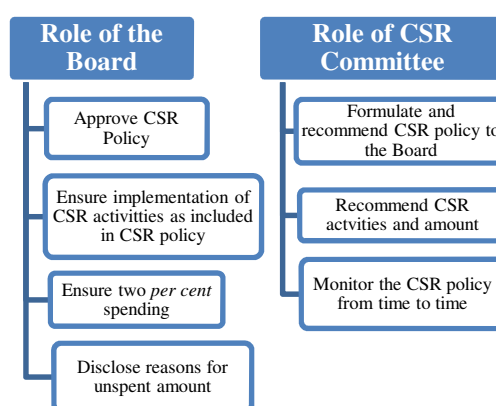
Audit findings on extent of compliance with the provisions of the Act with regard to constitution of CSR Committee, formulation and compliance of policy, planning and execution of CSR activities, and monitoring and reporting thereof by the CPSEs are given in the following paragraphs.

4.5.1 Planning

4.5.1.1 Constitution of CSR Committee

As per section 135(1) of the Act, every company having a net worth of ₹500 crore or more or turnover of ₹1000 crore or more or a net profit of ₹5 crore or more during immediately preceding financial year shall constitute a CSR committee of the Board consisting of three or more Directors. Role of the

Chart 4.2



⁴⁵ OVL carries out its operations overseas and hence does not qualify for CSR. Out of the remaining six companies, four CPSEs (HECL, TSPL, Hindustan Antibiotics Limited & FCI) incurred losses as per section 198 of the Companies Act, one CPSE (AAICL & ASL) had not completed three years of existence, one CPSE (HCL) was under closure, and hence did not qualify for CSR.

Board and CSR Committee as per section 135(3), (4) & (5) of the Act is depicted in the Chart 4.2. Audit observed that all 82 CPSEs selected for audit were meeting the above criteria to undertake CSR activities as per the Act. While 75 CPSEs had constituted a standalone CSR Committee, six CPSEs (CPCL, Hindustan Aeronautics Ltd., HPCL, IREL, MRPL and IOCL) had clubbed the CSR Committee with Sustainable Development Committee; one CPSE (SJVN) had clubbed the CSR Committee with Research & Development Committee of the Board. All CPSEs were having minimum of three Directors in the Committee in accordance with section 135(1) of the Act.

4.5.1.2 Independent Directors in Committee

Having Independent Directors: 72 CPSEs

Having no Independent Director: 10 CPSEs

Having more than one Independent Director: 45 CPSEs

As per section 135(1) of the Act, CSR committee shall have at least one Independent Director. Further, according to Rule 5(1)(i) of CSR Rules, 2014, an unlisted Public company covered under Section

135(1) is not required to appoint an Independent Director pursuant to Section 149(4) of the Act and it shall have its CSR Committee without such director. Audit observed that out of 82 CPSEs, which had formed a CSR Committee, 72 CPSEs had at least one Independent Director and 45 CPSEs were having more than one Independent Director in the committee. Ten unlisted CPSEs⁴⁶ did not have an Independent Director, which is permitted under Rule 5(1) (i) of CSR Rules 2014.

4.5.1.3 Framing of CSR policy

Section 135 (3) of the Act requires that the CSR Committee shall formulate and recommend a CSR Policy to the Board. All the 82 CPSEs had framed the CSR policy and the respective Board had approved the same. Of these, six CPSEs (CCL, NCL, SECL, REML, BRBL and NTPVVN), being subsidiary companies, had adopted the policy of their holding companies(viz. CIL for the first three, Rites and NTPC).The requirements of Rule 6with regard to policy and compliance thereof by CPSEs are given in Table 4.2.

Table 4.2: Requirement of CSR Rule and its compliance

Requirement of CSR Rule No. 6	Compliance by CPSEs
Policy inter alia to include	
List of projects which a company plans to undertake alongwith implementation schedule	All the CPSEs have mentioned thrust areas/Schedule VII activities in their CSR Policy in place of complete list of Projects.
The surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of a company	NFL, NHDC, BPCL, NHPC, SJVN and EIL did not specify this in their CSR Policy. However, NFL & BPCL assured to disclose treatment of surplus from CSR activities in its policy.

⁴⁶ AIEL, ALIMCI, BRBCL, GAIL Gas, HSCC (India), ITPO, NHDC, NSL, PVTL and RECPDCL

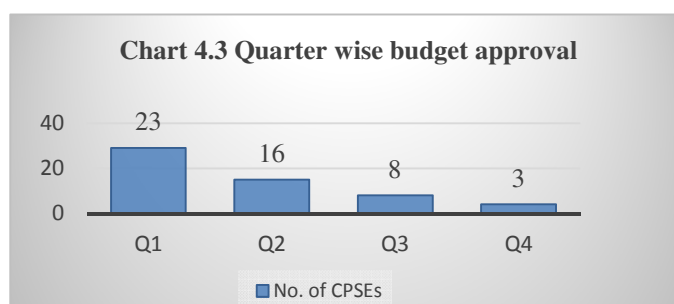
4.5.1.4 Monitoring of CSR Policy

As per Rule 6(1)(a) of the CSR Rules 2014, the CSR Policy of the company shall, *inter alia*, include a list of CSR projects or programs, which a company plans to undertake falling within the purview of the Schedule VII of the Act specifying modalities of execution of such project or programs and implementation schedules for the same. In the notification dated 31 March 2014, one of the activities under Schedule VII (i) *i.e.*, ‘promoting preventive health care’ was replaced with ‘promoting health care including preventive health care’.

Audit observed that the CSR Committee of 77 CPSEs monitored the CSR Policy monthly/quarterly/annually or as and when required. In case of 5 CPSEs (Antrix, BRBL, ITI Ltd., NSKFDC and NTPL), no such mechanism existed. Further, CIL, MCL & NCL did not update the CSR Policy in accordance with notification of March 2014 and merely stated it as ‘promoting preventive health care’ instead of ‘promoting health care including preventive health care’.

4.5.1.5 Annual CSR Plan and Budget

Role of the CSR Committee is to recommend to the Board the CSR activities and the amount to be spent in the financial year; the Board has to ensure implementation of the CSR activities. This entails planning and approval of CSR activity and budget. However, 11⁴⁷ CPSEs did



not have Annual CSR Plan for the year 2018-19 and six⁴⁸ CPSEs had taken approval of CSR plan from time to time/ on periodic basis from CSR committee and Board. AIEL had not prepared any Annual CSR Plan in view of pending disinvestment proposal. As a best practice, the proposed CSR projects and the budget for the ensuing financial year should be presented to the Board for approval through CSR Committee latest by 31 March of the preceding financial year so that there is no rush to exhaust the funds in the last quarter. Besides, it will also ensure full utilisation of the funds in the financial year. It was observed that as per the data available for 58 CPSEs, seven⁴⁹ CPSEs got the budget approved in previous year (2017-18), 23⁵⁰ CPSEs got the provisional budget approved in Quarter (Q) 1, 16⁵¹ CPSEs in Q2 and eight⁵² CPSEs in Q3, three⁵³ CPSEs in Q4 of 2018-19. One CPSE viz. NFDC got the budget approved only in July 2019.

⁴⁷ Antrix, BHEL, HSCC, IRCTC, IREDA, IRFC, NSKFDC, NSIC, PVTL, RAILTEL, SPMCIL

⁴⁸ IRCON, GAIL, GAIL Gas, MIDHANI, NHDC, and SECL

⁴⁹ CPCL, CSL, MCL, NPCIL, OIL, THDC, WAPCOS

⁵⁰ AAI, BEL, BEML, BLC, BPCL, GSL, HCOL, HAL, ITPO, KPL, MDL, MOIL, MRPL, NALCO, NBCC, NCL, NEEPCO, NTPC, POSOCO, RITES, SJVN, UCIL, GRSBEL

⁵¹ BDL, CCL, HPCL, IOCL, HUDCO, IREL, KRL, MMTTC, NFL, NLC, NTPL, NRL, ONGC, RECPDCL, RVNL, NMDC

4.5.2 Financial component

4.5.2.1 Allocation of funds

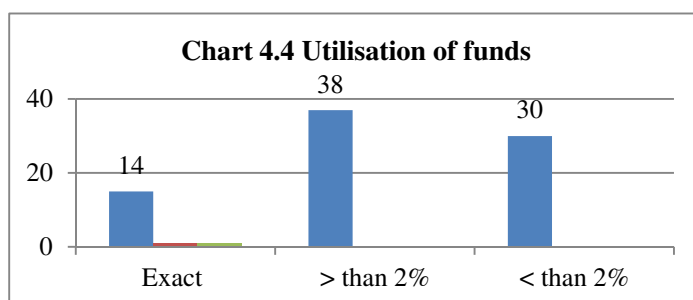
As per Section 135 (5) of the Act, it is mandatory for any company to spend annually at least two *per cent* of average net profit of three immediate preceding financial years in pursuance of its CSR Policy. Accordingly, two *per cent* of average net profit calculated as per Section 198 of the Act for 82 CPSEs was ₹3,585.21 crore. However, the CPSEs allocated ₹3,734.39 crore i.e. net excess of ₹149.18crore⁵⁴. Audit noticed under allocation of CSR funds in respect of four CPSEs, viz., HUDCO (₹12.98 crore), NSL (₹9.92 crore), NEEPCO (₹2.91 crore) and PHL (₹0.11 crore).

4.5.2.2 CPSEs with negative net profit

Out of 82CPSEs selected for audit, the average net profit as per Section 198 of the Act of one CPSE (ITI Ltd.) was negative at ₹0.02 crore. However, the CPSE allocated and spent ₹0.64 crore on CSR in 2018-19.

4.5.2.3 Utilisation of Funds

While Section 135 (5) of the Act states that the Board shall ensure that the company spends two *per cent* of average net profit of preceding three years, DPE also advised (01 August 2016) that all efforts should be made by CPSEs to fully utilise the allocated CSR funds for the year.



Audit observed that against the prescribed two *per cent* amount of ₹3,585.21 crore and allocation of ₹3,734.39 crore, 82 CPSEs had spent only ₹3,271.67 crore. Thus, the shortfall in spending CSR for 2018-19 vis-a-vis the prescribed amount was ₹314.19 crore.

Further, while 14CPSEs had fully utilised the CSR funds in the financial year 2018-19, there was a shortfall in utilisation by 30 CPSEs (*Appendix XXVI*) and 38 CPSEs (*Appendix XXVII*) had spent more than the stipulated amount. The shortfall in respect of 30 CPSEs was in the range of 2.48 to 100 *per cent*. The maximum shortfall (100 *per cent*) was observed in three CPSEs viz. ALIMCI, PFC and Railtel, which had spent CSR funds from carried forward unspent amount of previous years.

4.5.2.4 Utilisation of carry forward amount

As per MCA clarification (12 January 2016), the Board is free to decide whether any unspent amount from the minimum CSR fund is to be carried forward to the next year.

⁵² ALIMCI, BRBL, CCL, NPCC, NHPC, PGCIL, REMCL, SCI

⁵³ BRCIL, PFC, PHL

⁵⁴ ₹175.10 excess allocation (23 CPSEs), ₹25.92 crore under allocation (4 CPSEs)

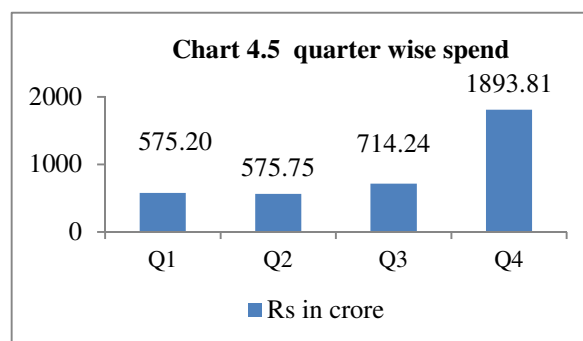
Table 4.3: Utilisation of carry forward(**₹ in crore**)

CPSEs	Carry forward from previous years	Spent in 2018-19	Unspent amount
ONGC	611.08	134.43	476.65
SECL	186.03	2.51	183.52
PGCIL	123.33	8.79	114.54
CCL	42.59	0.00	42.59
IRFC	39.25	0.00	39.25
PFCL	131.23	100.50	30.73
BEL	41.61	12.69	28.92
BHEL	31.14	11.85	19.29
IREDA	20.54	4.79	15.74
ANTRIX	12.72	0.12	12.60
MRPL	23.57	11.25	12.32
NHDC	23.29	11.92	11.37
HUDCO	14.89	3.56	11.33
CONCOR	11.00	0.00	11.00
NPCIL	10.92	1.70	9.22
NHPC	20.97	12.42	8.55
KPL	8.44	0.00	8.44
MDL	13.12	7.34	5.78

42 CPSEs had carried forward the unspent amount of ₹1,576.17 crore (from financial year 2017-18 and previous years), out of which an amount of ₹519.81 crore was spent in 2018-19 leaving a balance of ₹1,056.36 crore (34 CPSEs). 12⁵⁵ CPSEs having carried forward unspent of ₹844.19 crore failed to mention the same in its Annual Report. While eight CPSEs⁵⁶ had fully spent the carry forward amount in 2018-19, eight CPSEs⁵⁷ with carried forward unspent amount of previous years of ₹64.52 crore, did not spend the carry forward at all. 34 CPSEs did not fully spend the carry forward CSR. CPSEs with major unspent amount (₹0.5crore and above) have been listed in Table. It is pertinent to mention that the total unspent amount (carried forward as well as unspent from current year budget) was ₹1,676.50 crore in respect of 43 CPSEs.

4.5.2.5 Quarter wise spend

Total spend by 82 CPSEs was ₹1,865.19 crore in first three quarters and ₹1,893.81 crore (49 per cent of total CSR spend) in last quarter (including carry forward). This indicates that there was rush in CSR spend in last quarter. Seven CPSEs⁵⁸ had spent only in the last



⁵⁵ AIEL, HUDCO, IRFC, MMT, NFL, NCL, NPCL, ONGC, PGCL, RECL, SCI, SECL

⁵⁶ ALMCI, BDL, BPCL, GAIL Gas, IRCTC, KRCL, REML & SPMCIL

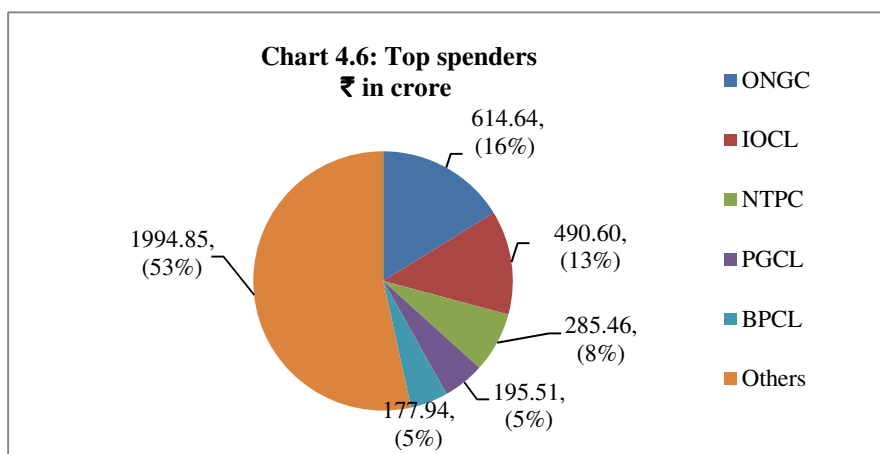
⁵⁷ BRBL, BLC, CCL, CONCOR, IRFC, KPL, NTPVVN, RECL

⁵⁸ ALMCI, BRBL, GAS GAIL, NTP VVN, HSCC, NBCC and PVTL

quarter. CSR spend was nil in Q1 and Q2 by two CPSEs viz. BRCIL & IRFC. Three CPSEs viz. BEML, GRSBEL and UCIL⁵⁹ had evenly spreads the CSR spend over all four quarters. Though CSR budget/Ad-hoc/provisional budget of Oil India Limited, CPCL, CSL and NPCIL was approved before the start of financial year 2018-19, funds for these four CPSEs were not spread over the year. AIEL's CSR spend was only from previous years' carry forward as it had been taken up for consideration for disinvestment during the year.

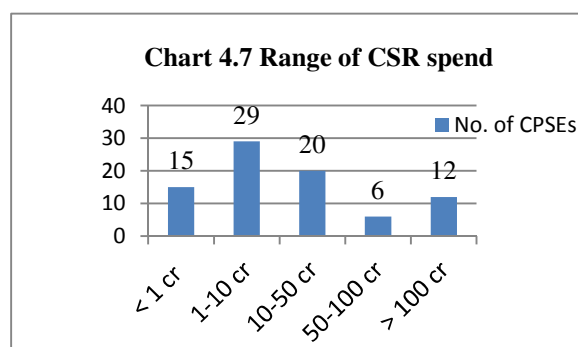
4.5.2.6 Top spenders

Total spend on CSR activities by 82 CPSEs in 2018-19 was ₹3,759 crore (including admin overheads). The top spender was ONGC at ₹614.64 crore (16.36 per cent of total CSR spent), followed by IOCL, NTPC, PGCIL and BPCL; three in the oil sector and two in the power sector. As against total CSR spend of ₹3,759 crore, five CPSEs accounted for 46.93 per cent with total spend of ₹1,764.15 crore. CSR spend by seven Maharatna was ₹1,731.27 crore (46.06 per cent), 14 Navratna was ₹1,087.85 crore (28.94 per cent) and 45 Miniratna CPSEs was ₹818.86 crore (21.78 per cent). The CSR spend in the remaining 16 CPSEs was ₹121.03 crore (3.22 per cent).



4.5.2.7 Range of CSR spend

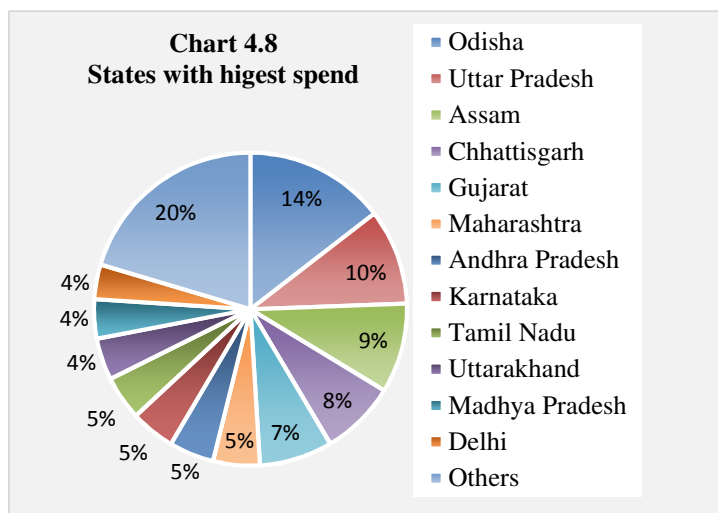
12 CPSEs had spent more than ₹100 crore, six CPSEs between ₹50 to ₹100 crore, 20 CPSEs between ₹10 to ₹50 crore, 30 CPSE between ₹1 to ₹10 crore and 14 CPSEs less than ₹1 crore.



⁵⁹ BEML had spread ₹0.84 crore, ₹0.77 crore, ₹0.75 crore and ₹0.73 crore respectively, in all quarters; UCIL had spread ₹0.82 crore in all the quarters and GRSBEL had spread ₹0.62 crore, ₹0.70 crore, ₹0.66 crore and ₹0.70 crore, respectively, in all quarters.

4.5.2.8 State wise CSR spend

Out of 82 CPSEs, 76 CPSEs (including NFDC and PVTL⁶⁰) had undertaken CSR activities



in more than one State, covering all States/Union Territories except Daman & Diu. IOCL and ONGC had undertaken CSR activity in maximum States (32) followed by PGCIL (28), HPCL (28), AAI (25), BPCL (24) and GAIL India (23). Six CPSEs⁶¹ had spent only in single State i.e. in Uttar Pradesh, Bihar, West Bengal, Odisha, Telangana and Haryana respectively. The highest CSR spend was in Odisha (₹481 crore)

followed by UP (₹328 crore) and Assam (₹307 crore). Maximum CSR spend in Odisha was by MCL (₹167 crore), followed by IOCL (₹146 crore). Maximum CSR spend in Uttar Pradesh was by NTPC (₹77 crore), followed by GAIL India (₹42 crore). These three States accounted for 44 per cent of total CSR spend. The CSR spend was least in Andaman & Nicobar (₹0.36 crore). Uttar Pradesh received maximum attention (45 CPSEs), followed by New Delhi (36 CPSEs) and Maharashtra (30 CPSEs). Dadra, Nagar Haveli and Lakshadweep received attention only from one CPSE viz. IRCTC, IOCL and SCI, respectively. Puducherry received attention from three CPSEs and Andaman & Nicobar received attention from two CPSEs only.

4.5.2.9 CSR spent in Jammu and Kashmir and North East States

Out of 82 CPSEs, only 12 CPSEs⁶² spent ₹17.95 crore in Jammu & Kashmir during 2018-19 i.e. 0.48 per cent of total CSR expenditure. Similarly, in respect of North East States (total eight states including Sikkim), 23⁶³ CPSEs had spent ₹ 380.85 crore during 2018-19 i.e. 10.14 per cent of total CSR expenditure. Assam got the maximum CSR spend of ₹307.40 crore and Mizoram the least spend of ₹0.75 crore among North East States.

4.5.2.10 Sector wise CSR spend

Audit covered 82 CPSEs in nine sectors (including others). Highest spend was by petroleum sector (12 CPSEs, ₹1,817.65 crore) followed by power sector (15 CPSEs, ₹800.19 crore) and mining sector (nine CPSEs, ₹641.88 crore). Least spend was by fertilizer sector, from only one CPSE (₹2.29 crore).

⁶⁰ NFDC & PVTL deposited whole CSR funds in PMNRF and Clean Ganga fund respectively

⁶¹ ALIMCI, BRBCL, GRSBEL, MCL, MIDHANI and NTPVVN

⁶² AAI, ANTRIX, BPCL, CIL, HPCL, IOCL, IRCON, NTPC, ONGC, PGCIL, NHPC and RITES.

⁶³ AAI, ANTRIX, BPCL, CIL, CONCOR, EIL, GAIL, HPCL, IOCL, IRCON, IRCTC, NEEPCO, NHPC, NRL, NTPC, OIL, ONGC, PFCL, PGCL, RPDCL, RECL, RITES, SJVN

Sl. No.	Sector	No. of CPSEs	2% (including carry forward amount) (₹ in crore)	Actual spent (including carry forward) (₹ in crore)
1	Aviation	03	88.07	87.83
2	Mining	09	781.02	641.88
3	Defence	08	212.06	163.66
4	Fertilizer	01	10.14	2.29
5	Petroleum	12	2414.75	1817.65
6	Power/transmission	15	1176.51	800.19
7	Railway	9	166.74	63.90
8	Shipping	3	36.17	20.77
9	Others	22	275.92	160.83
Total		82	5161.38	3759

As per the data mentioned in table, there was a shortfall in CSR spend in all the sectors. The maximum shortfall was by petroleum sector CPSEs of ₹597.10 crore, followed by power sector of ₹376.32 crore.

4.5.2.11 Administrative overheads

As per CSR Rule 4 (6), administrative overhead expenditure (OH) shall not exceed five *per cent* of overall CSR funds. The OH expenditure required to be disclosed separately should include baselines studies, capacity building and other overheads. Out of total CSR spend of ₹3,759 crore, percentage of OH for 35 CPSEs was 2.46 *per cent* only i.e. ₹92.36 crore. Audit observed that:

- 32 CPSEs did not indicate any OH expenses separately under CSR.
- As per MCA amendment dated 12.9.2014, 'Companies may build CSR capacities of their own personnel as well as those of their implementing agencies through institutions with established track records of at least three financial years but such expenditure including expenditure on administrative overheads, shall not exceed five *per cent* of total CSR expenditure of the company in one financial year'. In this connection, total 23 CPSEs included salaries of ₹76.03 crore under OH Salary was more than ₹1 crore for nine CPSEs⁶⁴.
- The OH exceeded the limit of five *per cent* in respect of three CPSEs viz. HCOL (5.28 *per cent*), KPL (6.47 *per cent*), and PFCL (5.27 *per cent*).

4.5.2.12 CSR Expenditure on common theme

As per DPE OM dated 10 December 2018 (supersession of earlier advisory of DPE dated 01 August 2016), competent authority had approved the following course of action for undertaking CSR activities by CPSEs:

- (a) A common theme may be identified for each year for undertaking CSR by CPSEs. For the current year 2018-19, school education and health care may be taken up as the theme for focussed intervention,

⁶⁴ BEL, CCL, IOCL, ONGC, HAL, NHDC, NRL, PGCIL and RECL

- (b) CSR expenditure for thematic programme should be around 60 *per cent* of annual CSR expenditure of CPSEs and
- (c) Aspirational districts as identified by NitiAayog may be given preference.

Out of 82 CPSEs, only 43 CPSEs could achieve the target of 60 *per cent* CSR expenditure on common theme and 39 CPSEs (**Appendix XXVIII**) could not achieve the target. Out of these 39 CPSEs, NFDC and PVTL deposited whole CSR funds in PMNRF and Clean Ganga fund, respectively and four CPSEs (CPCL, NFL, NLC and SJVN) could achieve at least 50 *per cent* target of CSR expenditure on common theme. In respect of preference to aspirational districts to incur CSR expenditure on common theme, 19 CPSEs⁶⁵ did not give any preference to aspirational districts as per NitiAayog.

Most of the CPSEs mentioned that guidelines regarding common theme and aspirational districts were received in December 2018 and CSR Budget of the year 2018-19 was already allocated/committed towards the projects/activities. Audit also noticed that:

- Expenditure of ₹442.18 crore was incurred in aspirational districts on common theme i.e., 11.78 *per cent* of total CSR expenditure.
- Only 55 CPSEs incurred CSR expenditure in aspirational districts.
- Maximum CSR expenditure incurred in aspirational districts was by IOCL (₹58.81 crore) followed by SECL (₹49.09crore) and NCL (₹40.58 crore).
- Aspirational districts of Chhattisgarh got the maximum focus of CSR expenditure of ₹72.78 crore. Maximum expenditure in this State was by SECL (₹39.02 crore) followed by NMDC (₹26.18 crore).
- BRBL incurred 100 *per cent* (₹0.61crore) followed by CCL by 88.70 *per cent* (₹26.33 crore) and MMTC by 71.62 *per cent* (₹0.94 crore) of its total CSR expenditure in aspirational districts.

4.5.2.13 Surplus from CSR project

As per CSR Rules 2014, any surplus arising from CSR projects shall not form part of business profit of a company. Out of 82 CPSEs, only two CPSEs (BEL and HAL) had reported surplus from CSR project and pooled back the same to CSR fund.

4.5.2.14 Asset creation from CSR activities

Out of 82 CPSEs, CSR assets were created through CSR activities in 17 CPSEs during 2018-19. However, no CSR assets are in the name of CPSEs and all the CSR assets have either been transferred to State Government, local representative, NGO, etc. or to the beneficiary(s) except in one CPSE i.e. Container Corporation of India. The CSR asset i.e. perishable cargo centre, Ghazipur and Rajatalab in UP, though incurred under the 'Rural Development' head of Schedule VII of the Act, were shown as asset in the name of the CPSE.

⁶⁵ ALIMCI, BEML, BLC, CSL, GSL, Gail Gas, GRL, IOCL, IREL, KRL, NFDC, NEEPCO, NLCIL, NPCL, NLCTPL, NBCC, OIL, THDC and REML

4.5.3 Project Implementation

4.5.3.1 Selection of CSR projects/ activities

Conduct of base line survey and assessment: Out of 82 CPSEs, 44 CPSEs had undertaken baseline survey and need assessment studies for identifying the CSR project/activity in respect of 7,605 projects, of which 14 CPSEs incurred ₹2.15 crore on conduct of baseline and need assessment studies. 31CPSEs did not conduct any baseline survey in respect of 539 projects.

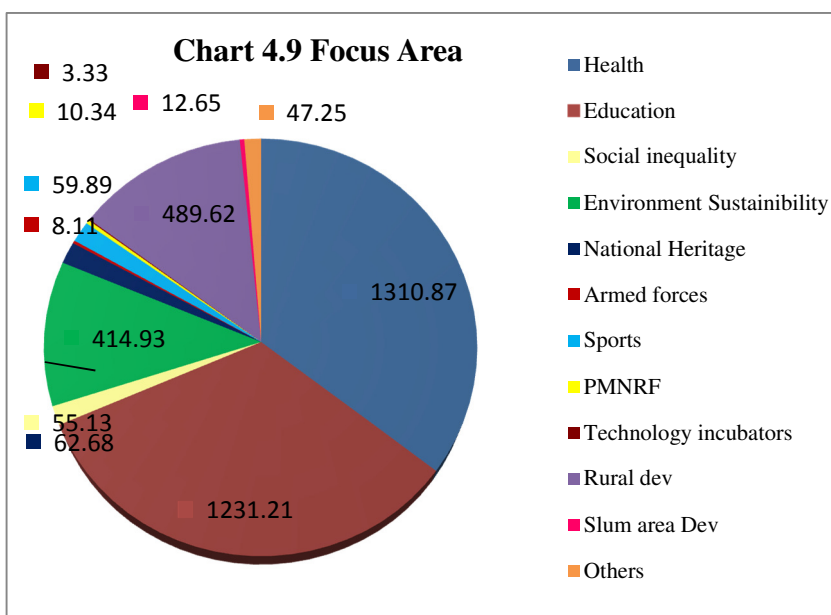
4.5.3.2 Manner of implementation of CSR activities

Rule 4 of Companies (CSR) Rules, 2014 exclusively deals with the manner in which the CSR activity is to be undertaken under Section 135(1). The Board may decide to undertake its CSR activities as approved by CSR committee through a registered trust/society or a company established by the CPSE or its holding, subsidiary, or associate company under section 8 of the Act or otherwise. Manner of implementation of 11,215 CSR projects were as follows:

- **Direct/in house:** Total 2,763 projects were implemented by CPSEs directly/in house.
- **External agencies:** 8,452 projects were executed through Government/external agencies, NGOs, Society etc.

Out of 8,452 projects implemented through external agencies, CPSEs had resorted to tendering in respect of 1,654 projects, 734 projects were undertaken on nomination basis and remaining projects were undertaken either through Government agencies/institutions, local bodies/community based organisations or on the basis of proposals received from NGOs/implementing agencies etc.

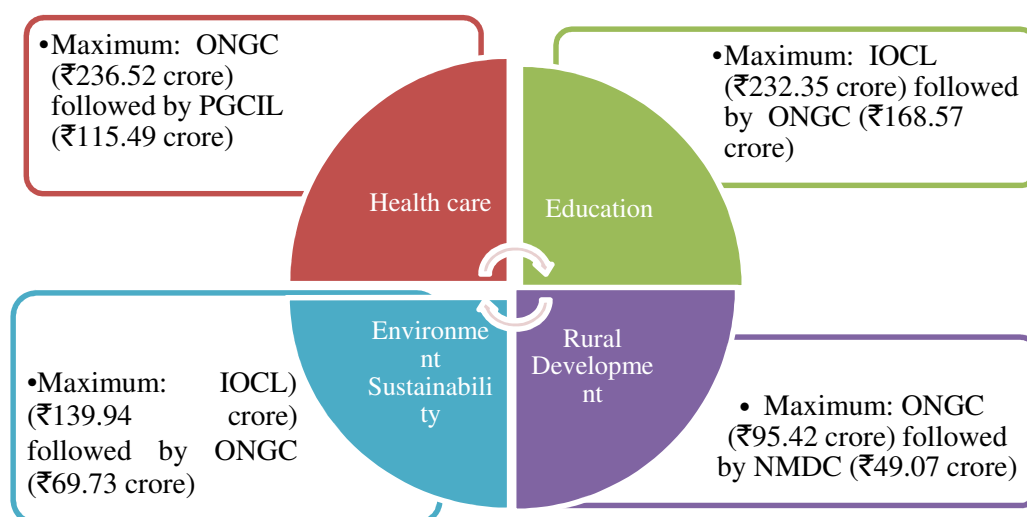
4.5.3.3 Focus areas:



As indicated in the chart, health received the maximum focus (35 per cent). Total spend by 76 CPSEs under this head was ₹1,310.87 crore. Next highest spend (₹1,231.21 crore by 74 CPSEs) was education accounting for 33 per cent. Least focus areas were contributions or funds provided to technology incubators

located within academic institutions which are approved by the Central Govt. (₹3.33 crore by four CPSEs), measures for the benefit of armed forces veterans, war widows and their dependents (₹8.11 crore by 15 CPSEs) and contribution to Central Govt. Fund (₹10.34 crore by 11 CPSEs). NFDC deposited entire CSR amount into Prime Ministers Relief Fund. NTPVVN spent entire CSR Funds on Rural Development. Two CPSEs (ONGC and MRPL) covered maximum (9 out of 11) Schedule VII activities. Two CPSEs, ITI Ltd. and MOIL spent/ contributed for disaster management (₹0.05 crore) and to MOIL Foundation Trust (₹5.20 crore) respectively. However, the purpose/ category was given as ‘others’ without any details of MOIL Foundation Trust. PFC incurred ₹42 crore towards CSR expenditure on display of hoardings of SAUBHAGYA Scheme under ‘others’ in addition to Schedule VII activities.

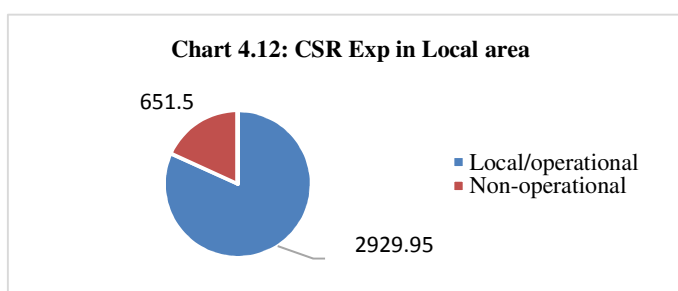
Chart 4.10 Analysis of four Schedule VII themes based on maximum CSR spend



Under sub-themes of Schedule VII themes, maximum CSR expenditure has been incurred on water and sanitation under healthcare i.e. ₹543.31 crore followed by infrastructure support under education theme and rural development of ₹391.88 crore and ₹349.91 crore, respectively. The least CSR expenditure was noticed on sub-theme of awareness generation and youth clubs under rural development of ₹4.56 crore and ₹7.68 crore, respectively. ONGC, BHEL & NHPC had not maintained the sub-theme wise break up in focus areas.

4.5.3.4 Local areas:

Section 135(5) of the Act provides that the company shall give preference to the local area and areas around it where it operates for spending the amount earmarked for CSR activities.



- Out of 82 CPSEs, 14 CPSEs⁶⁶ did not define local area in its CSR Policy.
- As per the data available in respect of 79 CPSEs, out of the total CSR spend of ₹3585.73 crore (including admn. OH), spend in non-operational area was ₹652.10 crore by 37 CPSEs i.e. 18.19 per cent.
- IREDA & MDL spent more than 50 per cent of CSR funds in non-operational area.
- 42 CPSEs spent 100 per cent in local areas. NFDC and PVTL deposited whole CSR funds in PMNRF and Clean Ganga fund respectively.
- SECL violated its CSR Policy by incurring ₹42.13 crore more than/in addition to the maximum limit of 20 per cent in the area beyond 25 km of operation area. Similarly, as per CSR Policy of MDL, the ratio for CSR spending in local v/s other area was 60:40 and CSR spent by MDL in non-operational area was 59.86 per cent against 40 per cent.

4.5.3.5 Funding of schemes/ projects introduced by GoI

GoI introduced various schemes and projects for the benefit of society and approached the CPSEs for funding. CPSEs were free to decide on funding of such schemes/ projects under CSR subject to fulfilling the conditions of Schedule VII of the Act. The projects and schemes falling under Schedule VII were eligible for funding under CSR. Out of 82 CPSEs, 24 CPSEs⁶⁷ did not spend any amount on GoI schemes. Audit reviewed funding on few GoI projects by CPSEs under CSR and the findings are detailed below:

Swachh Bharat (SB) Mission

To achieve the goal of clean India by October 2019, DPE directed (August 2016) CPSEs to spend 33 per cent of CSR funds on SB and Clean Ganga Fund for Ganga Rejuvenation. As per guidelines (January 2018) for performance evaluation under MoU, CPSE has to fulfil compliance on SB. The components allowed under SB were contribution to (i) SB Kosh, (ii) Pradhan Mantri Ujjwala Yojna (PMUY) and (iii) Clean Ganga Fund. However, the above DPE notification was superseded by DPE notification dated 10.12.2018 which *inter-alia* stated that approx. 60 per cent of total CSR expenditure should be on common theme i.e. school education and healthcare for 2018-19.



Total spend on SB by 48 CPSEs was ₹414.46 crore (₹156.98 crore on SB+ ₹76.21 crore on Clean Ganga + ₹181.27 crore on PMUY). Further, the CSR expenditure on other GoI schemes/contribution to Govt. funds is as mentioned below in Table 4.5:

⁶⁶ ANTRIX, BDL, BRBL, BPCL, CSL, HSCC (INDIA) LTD, MIDHANI, NSKFDC, NFDC, NBCC (SERVICES), RAILTEL, SCI, SPMCIL, UCIL

⁶⁷ AAI, ALMCI, BDL, BRBL, BHEL, CIL, GAIL, GRSBEL, IREL, KPL, MIDHANI, MOIL, NPCC, NFL, NMDCL, NTP VVN, NTPL, ONGC, PFCL, RAILTEL, RPDCL, RECL, SJVN, SPMCIL

Table 4.5: CSR expenditure on GoI schemes/contribution to Govt. funds

Name of GoI Scheme/Govt. funds	CSR Expenditure (₹ in crore)	Number/Name of CPSEs
National Sports Development Fund/Khelo India	3.59	4 CPSEs (BEL, CONCOR, NALCO, PGCIL)
Armed Forces Flag Day Fund/ Army Fund	5.21	9 CPSEs ⁶⁸
Mid dayMeal scheme	1.42	3 CPSEs (MDL, SCI, THDC)
Skill Development India Mission	47.69	10 CPSEs ⁶⁹
Shujalam, Shufalam Scheme/Nal Jal Yojna/Rural Water Supply Scheme	0.77	3 CPSEs (PGCL, SECL, HUDCO)
PMNRF/ CMRF	1.02	2 CPSEs (MRPL, NFDC)
Shrine Development Programme	3.17	2 CPSE (BLC, NALCO)
BetiBachaoBetiPadao	3.14	2 CPSE (THDC, NALCO)
Disaster Management	0.05	1 CPSE (ITI)
Support to ITI	0.16	1 CPSE (MDL)
SarvGyan	0.01	1 CPSE (ITI)
Directly Observed Treatment	0.44	1 CPSE (NTPC)
Integrated Programme for Older Persons	0.02	1 CPSE (ITI)
PM AdarshGramYojna	1.74	1 CPSE (NRL)
Digital India Programme	0.06	1 CPSE (NRL)
UdaanYojna- Tribal Children Education	0.20	1 CPSE (SECL)
INJOR yojna - BPL Students	0.19	1 CPSE (SECL)
National Health Mission Programme	0.20	1 CPSE (PHL)
Hariyar- Tree Plantation	10.26	1 CPSE (SECL)
PM KaushalVikasYojana	0.91	1 CPSE (IOCL)
Hridaya	0.59	1 CPSE (THDC)
UJALA	0.18	1 CPSE (THDC)

4.5.3.6 Findings on CSR projects undertaken by CPSEs

(i) Activities not covered under CSR activities

PGCIL incurred ₹0.16 crore against total budget outlay of ₹30.53 crore to provide Wi-Fi hotspots at 105 Railway Stations in Mumbai under 'Education sector'. Further, as per PGCIL's CSR & Sustainability Rules, the thrust area of 'Education' includes expenditure on infrastructure in school/college/hostels, scholarship and education programmes for mentally and physically challenged children/persons. Thus, the expenditure on the above project was not in line with its own CSR & Sustainability Rules. Management stated that project was approved under the thrust area of 'Rural Development' and 'Promoting Education' and the expenditure incurred against the project may be considered eligible expenditure under CSR. Reply of PGCIL is not tenable as the expenditure incurred against the project was not in line with its own CSR & Sustainability Rules. As such, the expenditure would not qualify for CSR expenditure.

⁶⁸ Antrix, BEML, CONCOR, CPCL, GSL, IRFC, MDL, MRPL, NPCIL

⁶⁹ BPCL, BRCIL, EIL, GSL, HCOL, HAL, NALCO, NRL, SCI, THDC (Data provided by 10 CPSEs only).

(ii) CSR expenditure booked without Utilisation Certificate(UC)/improper UC from implementing agency

Name of CPSE	Remarks
CCL	UC not received from Govt. agencies for ₹3.90 crore
SECL	₹47.89 crore spent without proper UC (UC not as per terms of sanction order)
KPL	UC not received of ₹3.29 crore from the district collector/Trust Authorities
NTPC	UC not received for ₹0.75 crore from SDMC

(iii) Financing of one off events

As per the clarifications issued by MCA in January 2016, one off events such as marathons/ awards/advertisement etc. are not to be included under CSR. However, Audit noticed the following:

- NRL spent ₹49.38 lakh on one off events such as distribution of search light in villages in and around refinery for protection against elephant infringement, organizing awareness campaigns, cleanliness drive, art and debate competition, street play, distribution of sanitary napkins, etc.
- NTPC, PFC and PGCIL incurred ₹96.07 crore (₹48.31 crore, ₹41.40 crore and ₹6.36 crore, respectively) for display of SAUBHAGYA Scheme (i.e. Pradhan Mantri Sahaj Bijli Har Ghar Yojna) hoardings in different States of the country. PGCIL stated that the intended beneficiaries of the campaign were poor and marginalized sections of population, who are yet to get electricity connection in their houses. It has resulted in multiple new electricity connections through authorized channel with metering, which has resulted in more rural households under power supply changing their livelihood and development. However, the fact remains that the expenditure on advertisement does not qualify for CSR expenditure as per MCA circular.
- ₹0.87 crore was incurred by NTPC on painting competition for promoting energy conservation and conducting Nukkad Natak.

4.5.3.7 Notable Projects

82 CPSEs took up 11,215 CSR projects in 2018-19 in four major focus areas of Education, Skill Development, Health and Environment. Total spend under Education, Health and Environment was ₹1,231.21 crore, ₹1,310.87 crore and ₹414.74 crore, respectively. Few notable projects are listed in Table below:

Table 4.6: Notable Projects

CPSE	Notable Project
Education	
HPCL	Project Nanhi Kali - education for girls
BPCL	Over 3500 teachers were trained, Project Akshar reached out to 48,595 children & 3,459 Volunteers in the community in Sagar and 48,377 children and 1,472 volunteers in Nandurbar.
IRCTC	Infrastructure support for construction of toilets & provision for furniture in schools of Aspirational district
ONGC	Setting up of E-class in various KV's across India

CPSE	Notable Project
GAIL	Project Uttkarsh- IIT-JEE coaching to marginalized students
Health care and sanitation	
ONGC	ONGC Multispecialty Hospital at Rajabari, Sibsagar, Assam
PGCIL	Construction of Vishram Sadan at Indira Gandhi Institute of Medical Science, Patna
BPCL	Medical Service on the Lifeline Express Hospital on a train
Employment and Skill Development	
BDL, EIL, HPCL, GSL, CSL, NHPC, KPL, PGCIL	Skill development training which generally covers youths/women/contractual workers/persons with disabilities etc.
Environment	
EIL, IOCL, ONGC, NTPL	Waste to Fuel plant (by IOC and EIL), Financial Assistance for distribution of solar PV chullha in Betul MP (by ONGC), De-silting of Korampallam Reservoir and Tharuval Urani for improvement in water augmentation and ground water level increased (by NTPL)

4.5.4 Monitoring Framework

As per Rule 5(2) of CSR Rules, 2014 the CSR committee shall institute a transparent monitoring mechanism for implementation of CSR projects/programs/activities undertaken by the company. DPE vide O.M. dated 01.08.2016 instructed the CPSEs to have an institutionalised mechanism for monitoring, reporting and evaluation of CSR. Audit observed that out of 82 CPSEs, only NFDC did not specify the monitoring mechanism in the CSR policy. In respect of institutional mechanism for monitoring, reporting and evaluation of the CSR, 13 CPSEs held monthly review meetings, 30 CPSEs quarterly, 5 CPSEs half yearly, 8 CPSEs held regular/concurrent/multiple/frequent meetings as per the project requirement. Remaining CPSEs held review meetings as per the CSR policy, MoU, letter of award and on milestone completion basis and in case of one CPSE (CPCL) periodicity of review meetings was not fixed. The meetings in this regard were generally in the range of 1-12 meetings in the year except for one CPSE i.e. Mazagon Dock Ltd., which held 21 meetings during 2018-19.

Evaluation/Impact Assessment: As per para 2 (v) of DPE OM dated 01.08.2016, an institutionalized mechanism for monitoring, reporting and evaluation should be introduced by CPSEs for implementing CSR. CPSEs are carrying out impact assessment on case to case basis depending on type of CSR project/activity. As per data available, total expenditure on impact assessment was ₹1.91 crore by 20 CPSEs. Audit observed that out of 82 CPSEs:

- 49 CPSEs carried out impact assessment.
- Out of 49 CPSEs
 - 31 CPSEs carried out the impact assessment through the external agencies,
 - 6 CPSEs (BEL, BEML, IREL, MIDHANI, PHL and UCIL) conducted the impact assessment of CSR activities in-house,
 - 6 CPSEs (BPCL, HPCL, ONGC, NCL, PGCIL and SECL) stated that impact assessment was done in both ways (in house and by external agency), and

- 6 CPSEs (CCL, IOCL, NFL, BRBL, RVNL and SJVN) did not specify the mode of carrying out impact assessment.
- 33 CPSEs (*Appendix XXIX*) did not conduct any impact assessment.
- Out of these 33 CPSEs,
 - There was no need for monitoring and assessment in respect of two CPSEs (NFDC and PVTL) as entire funds were either contributed to PMRF or Clean Ganga Fund.
 - Five CPSEs (CONCOR, RITES, RECPDCL, NALCO & GAIL Gas) did not carry out impact assessment during 2018-19 as its CSR Policy *inter-alia* states that impact assessment would be carried out only in respect of projects over and above ₹5 crore (CONCOR), ₹2 crore (RITES), ₹1 crore (RECPDCL & NALCO) and ₹50 lakh (GAIL Gas). There were no projects above this threshold value in the respective CPSEs.

4.5.5 Reporting and Disclosure

As per Section 135 (2) read with Section 134(3)(o) of the Act, a Company is required to include an annual report on CSR in their Board Report and place it on the official website. According to Rule 9 of CSR Rules 2014, the companies have to disclose the following in the prescribed format:

1. Contents of CSR policy, web link of CSR policy, average net profit, composition of CSR committee, admin overheads, prescribed amount, unspent amount, reasons for unspent amount.
2. Include a responsibility statement signed by the CSR committee that the implementation and monitoring of CSR policy was in compliance with the CSR objective and Policy of the Company.

Audit observations on compliance by the 82 CPSEs are as follows:

- Two CPSEs (REML and UCIL) did not mention the contents of CSR Policy in the annual report nor on its website. CPCL did not indicate web link to the CSR Policy and projects in the report.
- Three CPSEs (CPCL, HSCC and UCIL) did not adhere to the prescribed format.
- NTPVVN did not provide the reasons for unspent amount.
- 50 CPSEs (*Appendix XXX*) were not reporting project-wise details of direct and overhead expenses. NFDC and PVTL had contributed entire funds towards PMNRF and Clean Ganga Fund, respectively; hence, no overheads were incurred. Out of these 50 CPSEs, three CPSEs (AIEL, NPCC & NPCIL) reported 'nil' overhead expenses.

- 12 CPSEs⁷⁰, having carried forward unspent amount from previous years of ₹844.19 crore, did not mention the same in its annual Report.
- BEML did not include responsibility statement of the CSR Committee in accordance with Rule 9 of CSR Rules 2014.
- To ensure transparency and that no other funds are received from multiple organisations/CPSEs for the same CSR activities or to avoid overlapping of funds, the details of implementing agencies of the CSR Projects should be mentioned in the annexure to Board's Report. However, it was observed that six CPSEs (NRL, BPCL, CPCL, NTPC, ONGC and HPCL) did not mention the same. Four CPSEs (NRL, BPCL, ONGC and HPCL) have assured to disclose the same from next year.
- Except NTPL and HSCC, all the CPSEs were having mechanism for reporting the progress of CSR Projects.
- Four CPSEs (Antrix, EIL, ITPO and SPMCIL) have followed all the reporting and disclosure requirements as specified in the Companies Act and CSR rules, 2014.

4.6 Conclusion

Majority of CPSEs have complied with the provisions of the Act and CSR Rules with regard to formation of CSR committee and framing of CSR policy. 14 CPSEs spent exactly two *per cent* of CSR funds, 30 CPSEs spent less than two *per cent* and 38 CPSEs spent more than two *per cent*. The average net profit as per section 198 of the Act of ITI Limited was negative at ₹0.02 crore. However, ITI Ltd. allocated and spent ₹0.64 crore on CSR in 2018-19. Two CPSEs had reported surplus from CSR project and pooled back the same in CSR funds. Health (35 *per cent*) and education (33 *per cent*) continue to secure maximum funding as in previous year. In respect of common theme for the year i.e. school education and health, 43 CPSEs could achieve the target of 60 *per cent*. Further, 55 CPSEs incurred CSR expenditure in aspirational districts. None of the 82 CPSEs audited, contributed to any political party directly or indirectly. The highest CSR spend was in Odisha (₹481 crore) followed by UP (₹328 crore) and Assam (₹307 crore). Out of 82 CPSEs, 12 CPSEs spent (₹17.95 crore) in Jammu & Kashmir and 23 CPSEs spent (₹380.85 crore) in North Eastern States. Monitoring mechanism was in place in respect of 81 CPSEs. There was transparency and due diligence in selection and implementation of the CSR activities. Out of 82 CPSEs, only 51 CPSEs carried out impact assessment. 12 CPSEs, having carried forward unspent amount of ₹844.19 crore from previous years, did not mention the same in its annual Report.

⁷⁰ AIEL, HUDCO, IRFC, MMTC, NFL, NCL, NPCL, ONGC, PGCL, RECL, SCI, SECL