

## EXECUTIVE SUMMARY

### I Introduction

1. This Report includes important Audit findings noticed as a result of test check of accounts and records of Economic and Service Ministries/ Departments and their Central Autonomous Bodies conducted by the officers of the Comptroller and Auditor General of India as per the provisions of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (Act).
2. The Report contains 14 individual observations relating to seven Ministries. The draft observations were forwarded to the concerned Ministries providing them an opportunity to furnish their replies/ comments in each case within a period of six weeks. Replies to six observations were not received even as this Report was being finalised as indicated in para 3 below.
3. The paragraphs included in this Report relate to the following Ministries of the Government of India and their Central Autonomous Bodies:

Sl. No.	Ministry/ Department	Number of paragraphs	Number of paragraphs in respect of which Ministry/ Department's reply was awaited
1.	Corporate Affairs	1	-
2.	Commerce and Industry	1	-
3.	Housing and Urban Affairs	4	4
4.	Micro, Small & Medium Enterprises	2	-
5.	Ports, Shipping and Waterways	3	2
6.	Power	1	-
7.	Tourism	2	-
<b>Total</b>		<b>14</b>	<b>6</b>

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

The Ministry of Corporate Affairs (The Ministry) launched MCA21 project, an end to end e-Governance program envisaging electronic filing of documents, registration of companies and public access to corporate information online through a secure interactive portal, covering all aspects of incorporation, statutory filing and regulation of companies as defined under the Companies Act, 2013. MCA21 comprises around 100 e-Forms to enable stakeholders to fill-in the required information.

The scope of Audit initially was intended to cover the evaluation of Information Technology (IT) application controls and their effectiveness in achieving the organizational objectives. But due to delays and inadequate support from the Ministry in providing information/ data/ replies, the Audit scope was restricted to 10 e-Forms. The reduced scope also could not materialise and Audit was eventually scoped to one e-Form viz. Simplified Proforma for Incorporating Company Electronically (SPICe), which pertains to incorporation of a company. However, issues with access to complete data in respect of this e-Form and delays in replies and responses continued to occur during the audit process. Audit was, thus, unable to derive an assurance about the efficacy of the MCA21 system as a whole. Major Audit observations in brief were as given below:

- System could not identify the allotment of multiple Director Identification Numbers (DINs), as 6,78,161 records were found in the database where 2,33,898 Permanent Account Numbers (PANs) had more than one DIN allotted there against. The issue relating to multiple DINs could not be fixed completely even after the introduction of Form DIR-3 KYC where only one DIN of an individual could be KYC-verified. Further, the system did not generate any alert (red flag) to caution the Registrar of Companies, prompting to take corrective action in such cases. MCA21 had no mechanism in place to auto detect this deficiency in its database.
- Allotment of DIN required mandatory filling of certain ID fields. Absence of validation checks in respect of DIN allotment led to approval of allotment of DINs even in the absence of mandatory data input.
- In respect of 2,127 cases, 'Start date' of DIN, i.e. the date of approval of DIN, was shown as 'Zero' or 'blank'. Due to this, Audit could not examine whether the second/ duplicate DIN was allotted to an individual even when his first DIN was in use.
- Due to lack of validations in the system, individuals held Directorship beyond the permissible limit thus violating the provisions of the Companies Act. Audit noted that 1,626 individuals held Directorship in more than 20 companies at the same time.

MCA21 had no system design inbuilt to identify and flag such cases for enabling Registrar of Companies to take corrective action under the Companies Act.

- Adequate check had not been put in the system to auto-detect the Companies in the database which have directors lesser than the minimum requirement or are without any active directors. MCA21 had no system design inbuilt to identify and flag such cases for enabling Registrar of Companies to take corrective action under the Act.
- Due to deficiencies in the Forms used to collect data and inadequate input controls in the system, Audit noticed that out of 20,08,456 records of Companies, PAN in respect of 8,53,254 companies were blank in the database. Out of these, 1,37,602 companies were found to be active. Further, in case of 2,805 companies, PAN mentioned in the database belonged to an Individual instead of a Company.
- Analysis revealed that there were 11,830 cases where two or more companies had the same name and in 1,165 cases, the companies having same name were found to be active, in violation of the provisions of the Companies Act. Lack of validation in the system led to allotment of similar or identical name to two or more companies.
- The data analysis of companies registered under Section 8 of the Companies Act, 2013 revealed that the license number in case of 8,159 companies was found to be “000000”. Out of these, 7,987 companies were found to be active in status.
- As per Companies Act and System Requirement Specification document for Reserve Unique Name (RUN), a web based application, the reserved name of the company prior to its registration would be valid for a period of 20 days from the date of approval in case of reservation of name for a new company and 60 days for change in name of an existing company. Analysis revealed that reserved names did not expire in 15,831 cases, though the applications for incorporation of companies were filed after 22 days to 394 days. Due to absence of function to mark the reserved name as expired beyond its validity period, system allowed processing of the application for incorporation of the Company with the name reserved earlier, even after the expiry of validity of the name.

***With regard to Audit findings in the Para, Audit recommends that:***

- 1. Necessary input controls may be put in place so that instances such as issue of more than one Director Identification Number against a Permanent Account Number do not arise.***
- 2. Adequate checks may be built into the system to ensure that all mandatory fields are either filled-in by the concerned applicant company or should be auto-populated, if captured in any other e-Form.***

3. *Necessary validation checks may be built in the system to generate red flags/alerts to the concerned Authority, where input data does not meet the requirements of the provisions of the Companies Act.*
4. *The Ministry may explore due business process re-engineering so that risks of inaccuracy in the data arising out of multiple points of data entry/ capture can be mitigated.*
5. *The Ministry may consider checking and verifying the data in all other e-Forms and ensure that requisite validation checks have been incorporated to avoid risk arising from data deficiencies in the software.*

**(Para 2.1)**

The Rubber Board (Board) was constituted with the primary objective to develop the rubber industry in the country. The overall area of rubber cultivation in India had grown from 7.11 lakh hectares to 8.22 lakh hectares from March 2011 to March 2020. However, the yearly growth rate had fallen from 3.65 *per cent* to 0.04 *per cent* during the period. The production of Natural Rubber was also mostly in declining trend during the period from 2010-11 to 2019-20. This was due to non release of adequate planting subsidies for area expansion schemes as majority of grants received by the Board were spent on non-plan activities. The Rubber Board did not have the data of rubber growers and the last extensive field survey in Kerala was conducted by the Board only in 2002. The Board also failed to adequately promote Rubber Producers Societies and covered only 39.18 *per cent* of the rubber cultivated area. Further, 122 Group Processing Centres promoted by the Board for production of quality rubber sheets from latex were not functioning. The Rubber Production Incentive Scheme introduced by Government of Kerala with the Board as the implementing agency was not implemented effectively resulting in duplicate payments, discrepancies between the sales quantity in the returns declared by rubber dealers and the invoiced quantity in the bills issued to rubber growers. The scope of recovery of the loans amounting to ₹17.83 crore provided by the Board to Rubber/ Rubber-wood processing companies promoted by the Board was remote due to bad financial condition of these companies. The coverage of labour welfare schemes implemented by the Board was low as only 2.1 lakh workers benefitted from the schemes during the last 10 years as against 4.51 lakh workers engaged in rubber plantation.

***With regard to Audit findings in the Para, Audit recommends that:***

1. *The Board may take effective measures to expand plantation area in North-East/ other non-traditional regions by encouraging tapping and implementing productivity enhancement schemes such as critical input supply.*
2. *The Board may frame an Information, Education and Communication Policy to systematically create awareness about the best practices being followed and the schemes being implemented.*

3. *The Board should ensure adequate efforts by extension wings to increase number of Rubber Producers Societies through wide publicity of their role, activities and its benefits to rubber growers.*
4. *The Board should ensure proper functioning of Rubber Producers Societies by fixing yearly targets for extension activities by each Rubber Producers Society and also monitor achievement of targets fixed.*
5. *The Board should update its database on the total area of plantation, number of growers, availability of tappers etc., either by census or by system of periodic returns for effective implementation of various schemes and programmes for rubber production.*
6. *The Board should take necessary measures to ensure that subsidy payment against false/ fraudulent invoices is not recommended by the Board. The Board may also initiate steps to investigate the cases of ineligible subsidy payments as these indicate corruption/ fraud and accordingly responsibility may be fixed.*
7. *Effective steps need to be taken by the Board to extend benefits of the schemes for promotion of rubber production and labour welfare schemes by enhancing fund utilisation for the schemes.*

**(Para 3.1)**

The rate at which recovery of water charges is to be made from allottees of General Pool Residential Accommodation is decided by Executive Engineer (Licence Fee), Central Public Works Department (CPWD). Audit observed that in U Division, CPWD was paying more towards water supplied by Delhi Jal Board 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 13 to 25 years. This resulted in financial burden of ₹63.69 crore on CPWD.

*With regard to Audit finding in the Para, Audit recommends that there is a critical requirement to institutionalise a well-defined mechanism to ensure that rates of water charges are revised periodically, and all dues are recovered in a timely/ time bound manner from the allottees.*

**(Para 4.1)**

Employees of Delhi Development Authority and Central Public Works Department claimed Leave Travel Concession at higher amounts than they actually paid for air travels, based on forged tickets and misrepresentation of facts. After being pointed out by Audit, an amount of ₹9.69 lakh was recovered against reimbursements amounting to ₹8.19 lakh for such fraudulent claims.

**(Para 4.4)**

Audit of the Assistance to Training Institutions (ATI) Scheme covering eight years from April 2012 to March 2020 was taken up to examine the extent to which the scheme objectives were achieved. Audit findings in brief on the scheme were as given below:

- The objective of ATI Scheme was to develop indigenous entrepreneurship through skill training. The Ministry or the Screening Committee for the Scheme did not assess the skill requirements for entrepreneurship development. It neither assessed nor laid down any criteria for examining the competency, capacity and experience of applicant training institutions and allotted training targets to them disproportionate to their resources and capabilities.
- As per sanctions of the Ministry, outsourcing of any portion of training programmes was prohibited. However, two training Institutes namely National Institute of Entrepreneurship and Small Business Development (NIESBUD), Noida and National Institute for Micro, Small and Medium Enterprises (NIMSME), Hyderabad outsourced majority of their own programmes to private agencies. Further, many irregularities were noticed in outsourcing of training programmes.
- NIMSME and NIESBUD did not declare the unspent balance of grant and interest earned thereon amounting to ₹1.27 crore and ₹2.78 crore respectively in their Utilization Certificates. Thus, the unspent balance amounting to ₹4.05 crore was concealed by the two Institutes from the Ministry.
- Supervision or monitoring of the Scheme was inadequate at the level of the Ministry as well as Institutes. There was no robust mechanism at the Ministry level for capturing data of employment generation and entrepreneurship development on account of this scheme. The Ministry had stated that the employment generation due to training imparted by the Institutes was to the tune of 36 *per cent*, which could not be relied upon in the absence of evidence.

*With regard to Audit findings in the Para, Audit recommends that:*

1. *The institution of Screening Committee needs to be overhauled and specific parameters laid down for it to adopt, before approving a programme.*
2. *The Ministry should arrange to put in place a detailed curriculum and essential minimum levels of training for every type of skill sets assessed and required.*
3. *The Ministry should arrange to lay down a mechanism for assessment of the post-training livelihood status of the trainees by the Ministry/ Institutes.*
4. *The Ministry may consider introducing e-KYC verification of trainees, trainers, and agencies involved to ensure quality, authenticity and transparency.*

5. *The irregularities/lapses highlighted in this Report may be got investigated and the responsibility of the concerned officers/ Institutes for such lapses may be fixed by the Ministry.*
6. *Scheme guidelines need to be strengthened providing sufficiently detailed instructions as to how to rationalise the objectives in order to convert training into livelihood through entrepreneurship or employment and achieve those in stages.*

**(Para 5.1)**

The Ministry of Micro, Small and Medium Enterprises accorded (February 2011) administrative approval for establishing a Common Facility Centre in Fly Ash Cluster at Chandrapur, Maharashtra under the Micro and Small Enterprises - Cluster Development Programme. MSME Development Institute, Nagpur was the apex body for coordinating and overseeing the progress of the project. The Common Facility Center was supposed to benefit the fly ash units, increase the cluster turnover and generate employment. However, improper planning and execution of the project resulted in non-fulfilment of these objectives, and rendered the expenditure of ₹8.89 crore as unfruitful including Government of India grant of ₹5.67 crore.

**(Para 5.2)**

Syama Prasad Mookerjee Port, Kolkata (Port) granted (May 1978) long term lease of land to M/s Air Conditioning Corporation Limited which was merged (April 2008) with Orient Paper & Industries Limited. The Port issued (July 2005) an ejection notice followed by filing a plaint before Estate Officer under Public Premises (Eviction of Unauthorised Occupants) Act, 1971 for eviction against Orient Paper & Industries Limited for unauthorised construction, sub-letting of land without prior permission of the Port and irregular payment of estate rental. The order of eviction against Orient Paper & Industries Limited was passed in July 2017. Thereafter, Orient Paper & Industries Limited proposed to surrender the occupied land subject to refund increased compensation charges amounting to ₹1.12 crore paid to the Port during the period from June 2012 to August 2012 and August 2016 to June 2017. The Port accepted the proposal of Orient Paper & Industries Limited. The acceptance of proposal was not in conformity with the eviction order of the Estate Officer. The Port did not levy compensation charges for unauthorised occupation at three times of the lease rent as contained in Land Policy Guidelines. It was also in violation of the eviction order. Thus, undue benefit of ₹7.66 crore was extended to a private party by levying lower rate of compensation charges and by non-compliance to eviction order.

**(Para 6.1)**

Power System Development Fund is a public fund and is being maintained in the Public Account under Ministry of Power. National Load Despatch Centre (NLDC), a unit of Power System Operation Corporation, has been designated as the Nodal Agency to carry out the secretariat function for Power System Development Fund. National Load Despatch Centre intimated (December 2018) to Ministry of Power for fund requirement of ₹5,505.61 crore for approved Power System Development funded projects/ schemes for 2018-19. National Load Despatch Centre further suggested (4 February 2019) that the funds may be raised in phased manner to avoid idling of the funds. Ministry of Power raised (March 2019) the funds through private placement but had not taken the cognisance of inputs of National Load Despatch Centre. This had resulted in avoidable raising and parking of idle fund of ₹1,018.12 crore at lower rates of interest resulting in loss to public exchequer by ₹11.17 crore.

**(Para 7.1)**